SERS Spokane Employees' Retirement System

INFORMATION HANDBOOK

For Employees Hired on or After January 1, 2018

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SPOKANE EMPLOYEES' RETIREMENT SYSTEM

This handbook presents summary information about the Spokane Employees' Retirement System (SERS or the "System") and applies to all non-uniformed employees hired on or after January 1, 2018. Further information about SERS can be found in the Spokane Municipal Code (SMC), Chapter 03.05. If there are differences in the language or interpretation between this handbook and the SMC, the language in the SMC supersedes.

SERS is a defined benefit plan for City of Spokane non-uniformed employees. The Retirement Plan ("Plan") pays benefits as described in this handbook.

OFFICE LOCATION

The Spokane Employees' Retirement System office is located in City Hall, in Suite 604, at 808 W. Spokane Falls Boulevard. The telephone number is 509.625.6330.

ADMINISTRATION

SERS is governed by a Board of Administration consisting of seven members. Three members are appointed by the City Council and three employee members are elected by the SERS membership. The seventh member is appointed by the other six members and may not be an elected official or an employee of the City. Board meetings are normally held on the last Wednesday of each month. A current schedule of meetings is listed on the SERS website (www.SpokaneSERS.org).

INDEPENDENT SERVICE PROVIDERS

Plan assets are held by a custodian in a separate trust to be used exclusively for the benefit of SERS participants. Investments are managed by third-party money managers. An independent investment consultant provides investment recommendations and performance reporting services for the Plan. An actuary is used to estimate the value of the Plan's future liabilities. A CPA firm audits the Plan on an annual basis. SERS contracts with outside legal counsel for assistance with Plan design and investments.

MEMBERSHIP

All permanent employees of the City of Spokane, except uniformed police officers and firefighters, become members of SERS on their hire date.

Termination of Membership

Active membership in SERS ceases upon retirement, death, or when you terminate City employment and withdraw your contributions.

Vesting

Vesting gives participants the right to a future pension. When you terminate active employment with the City, you will be eligible to vest and receive a future pension if the following conditions apply:

1) You have at least seven years of creditable service, and
2) You leave your retirement contributions in the System, and
3) You complete the vesting form provided following termination.

CONTRIBUTIONS

Contribution Rate

The contribution rate is reviewed annually by the System's actuary in a report to the Board. The actuary's recommended contribution rate is split evenly so that both the employee and the City pay an equal percentage. The Board will submit any annual increase or decrease to City Council for final approval. Information on the contribution rates can be found in the annual report at www.SpokaneSERS.org.

Interest Rate Credited

Employee contributions are credited to the individual participant. Employee contributions earn monthly compounding interest. In the event of withdrawal or death, interest is credited up to the date of withdrawal or payment to your beneficiary.

The City Council, upon recommendation of the SERS Board, sets the interest rate on employee contributions. The interest rate is disclosed in the actuarial section of the annual report at www.SpokaneSERS.org.

Withdrawal of Contributions

Upon termination of employment, all of your contributions plus interest may be withdrawn in a lump sum. Participants eligible to vest or retire who withdraw their contributions forego their right for a pension.

In order to withdraw your contributions, you will need to complete a withdrawal application. Funds will be available on the last business day of the month. Withdrawals are processed at the end of the next month following the receipt of the withdrawal form.

Withdrawn contributions may be distributed as a direct deposit to your bank account, as a direct rollover to an IRA or eligible employer plan, or as a combination of partial deposit and partial rollover. A tax notice regarding retirement plan payments will be made available to you prior to your decision.

City contributions fund the overall Plan and may not be withdrawn as a lump sum; instead, the City's contributions fund future pension payments (annuities).

Redeposit of Withdrawn Contributions

If you leave employment and return to work at the City, you are eligible to reinstate your prior service credit. To reinstate your service, you must redeposit your contributions, plus interest, within one year from your rehire date. Interest is calculated from your withdrawal date to the redeposit date.

RETIREMENTS

Eligibility

All permanent non-uniformed employees hired on or after January 1, 2018 are eligible for a service retirement after completing seven years of service and terminating employment.

You may receive your full service retirement at the earliest of the following:

1) You reach the normal retirement age of 65, or
2) Your age plus years of service must sum to 90, or
3) You reach 30 years of service and are age 50 or more

You may receive a reduced service retirement if you choose to retire before reaching full eligibility. Early retirements are reduced by 2.5% per year for each year short of full eligibility. Early retirements may not begin before age 50.

Retirement Benefit Calculation

The straight retirement benefit is calculated by multiplying:

The retirement factor of 2.0%
X
The member's creditable years of service
X
The highest consecutive three-year monthly salary

Your pension calculation is limited to 80% of your salary, based on a maximum of 40 years creditable service

Your salary with overtime is capped at 120% of your base salary for any given year.

The straight retirement benefit may be reduced on an actuarially equivalent basis to provide an additional benefit to your designated beneficiary. The other pension options available are briefly explained in the "Service Retirement Options" section of this handbook.

Retirement Calculation Examples

Straight Pension Example: A retiree with 20 years of service and a highest three years average pay of $45,000 a year ($3,750 per month) is calculated as follows:

Highest 3 years Avg. Monthly Salary		Yrs. of Creditable Service		Factor		Monthly Pension
$3,750	X	20	X	2.0%	=	$1,500

Eligibility Example:

If the retiree in the previous calculation were to leave at age 60, eligibility would be determined as follows:

1) Normal retirement age of 65
   Result: Wait 5 years for full retirement
2) Age plus years of service sum to 90
   Result: 60 years old plus 20 years of service sums to 80, wait 10 years for full retirement
3) Age 50 or more with 30 years of service
   Result: Eligible for full retirement

Full retirement of $1,500 per month could begin in 5 years when normal retirement age is met since that is the earliest point when eligibility will be met.

Early Retirement Example:

Using the same assumptions in the previous examples of a 60 year old, with 20 years of service, and a full retirement pension of $1,500 per month, the early retirement factor would be calculated as follows:

Years until earliest Eligibility		Annual Factor		Early Retirement Factor		Monthly Pension		Monthly Reduction
5 years	X	2.5%	=	12.5%	X	$1,500	=	$187.50

Electing an early retirement would allow the pension to begin immediately, but would result in a permanent reduction to the monthly pension of $187.50. The early retirement pension would be $1,312.50 per month.

Service Retirement Options

Prior to the date of retirement, you will need to choose one of six pension options. In each option, a pension will be paid to you for your lifetime. The options provide different types of settlement to your beneficiary upon your death. Briefly, the options are as follows:

Straight Service The total pension is deducted each month from your total accumulated contributions, leaving any remaining balance to be paid to your beneficiary in one lump-sum upon your death.

Option "C" In case of death within the guaranteed period, your beneficiary receives your pension for the remainder of the pre-selected time period of 5, 10, 15, or 20 years.

Option "D" Upon your death, 50% of your pension is continued to your spouse for life.

Option "E" Upon your death, 100% of your pension is continued to your spouse for life.

If you elect options "C" through "E," your monthly pension will be actuarially reduced to provide a death benefit.

At the time of retirement, you also have the option of withdrawing your contributions plus interest in a lump-sum payment and giving up all rights to any further benefits from the Spokane Employees' Retirement System.

Leave of Absence

When calculating your retirement benefit, time taken off for a leave of absence without pay will be deducted from your years of creditable service. This also includes days taken off without pay during any pay period.

Part-time Employment

Part-time employees vest after seven calendar years of City employment. Service time for the benefit calculation is pro-rated based on the reduced employment status. For example, a half-time employee is 50% of a full-time equivalent (FTE) and earns 0.5 years of service credit for each calendar year worked.

Disability Retirement

In the event of total and permanent disability, you are eligible for a disability pension, provided you have at least seven years of creditable service. If the disability should occur on the job, the seven years of service requirement is not applicable. The Board may rely on a disability determination made by the Social Security Administration or require the applicant receive an examination by a designated SERS Board physician before the Board considers the disability application.

The amount of your disability pension is calculated as 1.25%, times your highest consecutive three-year salary, times the years of service you would have had if you had been able to work to age 65.

Recovery from Disability

If you recover from a disability after electing to take a disability retirement, your pension will revert to a service retirement for determining benefits and eligibility. If you are re-employed by the City, your active retirement membership will be restored and your disability pension will be suspended.

DEATH PRIOR TO RETIREMENT

If an active employee member dies before achieving full retirement eligibility, his or her retirement contributions will be paid in a lump sum to the designated beneficiary.

If an active vested employee dies with a spouse named as the primary beneficiary, the surviving spouse is entitled to receive the lump sum payment or a life annuity based on Option "E" (described under Service Retirement Options). The surviving spouse may begin the life annuity at the time when the employee would have met the full retirement eligibility requirements described above under the "Eligibility" section of this Handbook and in the SMC. Alternately, the spouse may elect to receive a portion (up to 50%) of the lump sum and a smaller life annuity.

MILITARY LEAVE

During a qualified military service without pay, retirement contributions are not taken. If an employee returns to city service within the time period stated in applicable federal law, he/she will have the opportunity to make missed contributions and receive credited service for the period of time served in the military. The employee is permitted up to three times the length of time he/she was gone to repay the contributions that would have been made had the leave not occurred.

Alternatively, if an employee returns from qualified military service within the time period required in federal law, he/she will qualify for credited service without repaying the missed contributions but the factor applied to that service will be 1.67%. Service credited under this provision may not exceed five years. Other rules may apply; please contact the Retirement Department for further information.

POST-RETIREMENT AD HOC ADJUSTMENTS

The Board is authorized to grant an "ad hoc" performance adjustment based on the Plan's funding ratio, as calculated by SERS' actuary. The ad hoc adjustment may be made annually on July 1 of each year. If granted,

the ad hoc adjustment is non-compounding and based on each retiree's original pension amount. An Option "D" survivor, receiving one-half of the original pension amount, will have the ad hoc adjustment calculated on one-half of the original pension.

SOCIAL SECURITY

During employment, SERS members pay Social Security taxes and may receive Social Security benefits in addition to their City pension. Please contact your local Social Security office for more information regarding this federal retirement program.

INCOME TAXES

Employee contributions into the SERS Plan are tax deferred. Federal income tax might be due once money is withdrawn from SERS through an annuity, death benefit, or refund.

PORTABILITY

Have you ever been a member of one of the Washington State retirement systems or the city systems of Seattle or Tacoma? If so, you may be eligible for portability which could give you vesting rights in SERS earlier than seven years. In addition, portability rules may benefit you in other ways. Please contact the SERS Retirement Office for further information.

BENEFICIARY

An employee's beneficiary designation can be changed at any time. If you choose to name minor children or your "estate" as your beneficiary, we recommend that you seek legal advice before doing so. You should also seek legal advice about your beneficiary designation if you are going through a divorce or are divorced. It is important to keep your beneficiary designation up to date. Beneficiary forms are available online at www.SpokaneSERS.org.

SERS Spokane Employees' Retirement System

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