



**City of Tacoma**

# **Tacoma Employees' Retirement System**

**MEMBER HANDBOOK**

# Tacoma Employee's Retirement System (TERS)

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**This handbook is a summary.**

It is not a complete description of your retirement benefits under the TERS plan. City retirement ordinances (Tacoma Municipal Code 1.30) govern your benefits. If there are any conflicts between the information shown in this handbook and what is contained in current law, the law will govern.

# TERS

## Overview

### History

The Tacoma Employees' Retirement System (TERS) has been providing employees with retirement benefits under the Retirement Plan (Plan) since 1941. Continuing to recognize the vital role of our employees, we wish to maintain quality of life for you after retirement. TERS' purpose is to provide income after you retire, on top of what you would get in Social Security benefits.

This booklet gives you some of the highlights of the program and can answer many of your questions about it. However, this booklet is only a summary. For specific details, please refer to the **Tacoma Municipal Code, Chapter 1.30 Retirement & Pensions**.

Additional information can also be found in the **Comprehensive Annual Financial Report (CAFR)** and the **Summary Annual Report**. Both documents are available on the TERS home page at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

### Oversight

A nine-member Board of Administration (Retirement Board) has the responsibility of administering the Plan. The members are the Mayor, a designee of the Tacoma Public Utilities Director, a designee of the City Manager, the Director of Finance, three employee representatives elected by employee members at large, one retired representative elected by the retired members and one appointed citizen member not employed by the City who is appointed by the Board. A complete listing of current Board members can be found on the TERS home page at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

### How to Contact the Retirement Department

The City of Tacoma's Retirement Department administers the TERS and the Plan.

#### Office Location:

Tacoma Public Utilities Building  
3628 South 35<sup>th</sup> Street  
Tacoma, WA 98409

#### Office Hours:

Monday – Friday, 8 a.m. to 5 p.m.

**Phone:** (253) 502-8200 or (888) 404-3787

**Fax:** (253) 502-8660

**Email:** [TERSretirement@cityoftacoma.org](mailto:TERSretirement@cityoftacoma.org)

**Website:** [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

*Privacy: We are committed to protecting the privacy of your personal account information, including your Social Security number, which we use to track your account and submit required reports to the IRS. We will not disclose your information to anyone unless we are required to do so by law.*

## TERS Summary at a Glance

- TERS is a defined benefit plan. When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life. You may elect to provide a lifetime benefit for a beneficiary.
- Two formulas are used for calculating retirement benefits. Your benefit will be determined using the formula which provides the higher benefit.

The most commonly applied formula, “service retirement”, is based on your years of service and your average, highest consecutive 24-month pay. When you retire, this formula will be used to calculate your benefit:

$$\text{Factor X years of service credit X average pay} = \text{monthly benefit}$$

The factor for full retirement is 2%; a reduced factor is used if you take early retirement. See the Factor Table in Appendix A.

The other formula is an annuity based on a portion of your contributions plus interest, as well as your age. This formula will only be used when it provides a higher benefit.

- Average pay is the average of your highest consecutive 24-month paid service credit. Any overtime pay, lump sum payment for unused sick leave or vacation/annual leave is **not** included in calculating average pay.
- You and your employer each contribute a percentage of your salary or wages to help fund the Plan. The Retirement Board adopts contribution rates and periodically adjusts them to reflect the overall cost of the Plan. The City Council has the final decision on contribution rates.
- Once you have reached the age of 60, or have worked for the City for at least five years, you have earned the right to a future retirement benefit. However, if you leave your job **and** decide to withdraw your contributions, you give up your right to a benefit.
- If the unexpected happens – disability or death before retirement – benefits may be available. If you become totally and permanently incapacitated, and as a result leave your job, you may be eligible for a disability retirement benefit.
- If you die before retirement, your survivor may be eligible to receive a benefit based on your years of service credit.
- You can use our online **Benefits Calculator** to keep up to date on your retirement plan or use your individual data to estimate your retirement benefit under different scenarios. Go to the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement) and click on **Benefits Calculator**.

# Welcome to TERS

## How Your Plan Works

### Overview

TERS is a **defined benefit** plan. When you retire, you will receive a monthly benefit for the rest of your life that is based on your years of public service and average pay, or based on your accumulated benefit contributions and interest. The monthly benefit you receive will have been funded over time by your contributions, your employer's contributions, and investment earnings.

### Eligibility for TERS

Other than those who are excluded from membership by specific ordinance, effective January 1, 2000, all employees of the City and of member public agencies become members immediately. See Appendix B, Who is Excluded from Membership.

### Contributing to TERS

You are required to contribute a percentage of your salary or wages to your retirement plan. This includes tax-deferred wages, but does not include overtime or cash payments for unused sick, vacation or personal time off (PTO). If you have questions about the compensation your employer reports for you, please contact your employer.

Contributions are based on your salary or wages. Your contributions are 9.66% of your wages. Your employer contributes an amount equal to 11.34% of your wages. Employer contributions are not matching funds but are used for funding plan benefits.

The Retirement Board adopts contribution rates and periodically adjusts them **to reflect the overall cost of the Plan. The City Council has the final decision on contribution rates.**

Federal law limits the amount of compensation you can pay retirement system contributions on and that can be used in your benefit calculation. If you were to reach the limit in any calendar year, you would not pay contributions for the remainder of the year and any pay earned over that amount would not be used in your pension calculation.

Each year, a statement of total member contributions and interest as of December 31 of the prior year will be mailed to all members who are not yet retired.

### Interest Rate Credited

Employee contributions into the retirement fund are credited with interest at a specified rate set by the Retirement Board. The interest rate is disclosed in the actuarial section of the CAFR. At the time of this writing, the annual percentage rate is 6.136%, compounded quarterly, and is subject to change at any time. Interest is credited on all your contributions made before February 2, 2009, and on contributions up to 6.44% of your salary or wages made after February 1, 2009.

## **Earning Service Credit**

When you retire, your service credit will be a part of your retirement benefit calculation. Service credit is based on the number of hours you work, which your employer reports to TERS. You receive one year of membership service credit if you are a member in a paid status for 2,080 hours in a 12-month period. You will not receive service for leave without pay, except periods of fifteen or fewer consecutive days.

For employees working other than a full-time schedule, credit for years of service will be pro-rated based on employment status. For example, a half-time employee is 50% of a full-time equivalent (FTE) and will earn service credit at a reduced rate. In this case, the half-time employee would need to work ten years to receive five years of creditable service and obtain vesting rights.

## **Dual Membership/Portability**

If you have earned service credit in one of Washington State's public retirement systems, or the cities of Seattle or Spokane, you may be able to combine your TERS service credit with credit you earned in the other system(s).

A **dual member** (one who belongs to more than one retirement system) may be able to restore service credit earned in a retirement system other than TERS. Contact your prior employer's retirement department to find out more about your eligibility to restore credit, the cost and required timeframe.

Dual membership may affect your:

- Eligibility to Retire
- Benefit Calculation
- Eligibility for TERS Membership

Where a member has dual membership, upon retirement, each retirement system will issue a payment for the service earned at that system. However, years of service under multiple employers may be combined for eligibility purposes, and the member's highest average pay may be used to calculate the retirement benefit in all systems.

For more information, read the publication, **What is Dual Membership and How Does it Affect Me?** at: <http://www.drs.wa.gov/publications/member/multisystem/dualmembership.htm>

## **Designating Your Beneficiary**

Your **Beneficiary Designation Form** tells TERS who you wish to receive benefits upon your death. If you do not complete and submit this form, any benefits due will be paid to your estate.

Be sure to review your beneficiary designation periodically and submit a new form to TERS if you need to make a change or confirm your choices. If you marry, divorce or have another significant change in your life, be sure to update your beneficiary designation as these life events may invalidate your previous choices.

Beneficiary forms are available at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

## **Estimating Your Benefit / Online Benefits Calculator**

If you plan to retire within six months of your anticipated retirement date, please request a written estimate from the Retirement Department.

- TERS offers an online **Benefits Calculator** that can help you to estimate your monthly retirement benefit. The online calculator will estimate your retirement benefit under a variety of different scenarios (for example, different retirement dates), using your actual account data. Go to the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement) and click on **Benefits Calculator**.

## **Milestones/Life Changes**

### **Reaching Five Years of Service and Becoming Vested**

When you have reached age 60, or earned five or more years of service credit in TERS, you have a vested right to a retirement benefit. This is a significant milestone in your public service career.

### **Leaving City Service**

- When you leave City service, you should choose how you would like TERS to treat your contributions: Deferred Retirement or Withdrawal. You must complete paperwork to make it effective. **Withdrawal Application/Deferred Application Forms** are available on the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

**If you do not make an election in writing within five years of leaving City service, your contributions become the property of TERS.**

### **Deferred Retirement:**

Should you leave City employment after five years and/or age 60, you can choose to leave your contributions in the TERS and defer retirement, or earn interest on your accumulated contributions and withdraw the contributions at some future date. The IRS requires that you begin taking payment of your retirement benefit when you reach age 70 1/2 unless you are still employed.

Be sure to keep TERS updated on any changes in your name, address or beneficiary. The **Beneficiary Designation Form** you complete and submit tells TERS who you would like to receive benefits upon your death. It is very important that you keep your beneficiary designation current as it may be invalidated by a divorce, marriage or other circumstances.

### **Withdrawal of Assets**

Leaving TERS-covered employment is the only circumstance under which you can withdraw your contributions. If you do, you will forfeit any rights and benefits you have accrued in TERS. You can only restore your contributions and re-establish your benefit under certain circumstances. See **Returning to City Service** on Page 8.

If you separate after more than five years of service with a TERS employer, you are entitled to withdraw an amount equal to 100% of your contributions with interest, plus an additional amount equal to 50% of contributions (plus interest) made prior to February 2, 2009, and an amount equal to 50% of contributions (plus interest) up to 6.44% made after February 1, 2009.

If you have fewer than five years of service and are under age 60, and do not have portability/dual membership, you must withdraw your money. The amount available to withdraw will be all of your contributions plus interest on a portion of your contributions. That portion is equal to all contributions made prior to February 2, 2009, and contributions up to 6.44% of your salary or wages thereafter.

If you do not defer retirement, or withdraw or roll over your money, your contributions will stop earning interest after two years, and will become the property of TERS after five years.

The interest rate is set by the Retirement Board and, and is currently 6.136% compounded quarterly. This rate can be changed at any time.

If your funds are transferred directly to an IRA or other qualified plan, you will not be subject to taxes or penalties at the time of withdrawal. If you chose to have the funds paid directly to you, Federal law requires that 20% of the taxable portion of your retirement funds be withheld for tax purposes. Whether this 20% covers or exceeds your Federal tax liability is dependent on your income in the year you receive the funds. A 10% tax penalty may be assessed for assets that are not rolled over into an IRA or other qualified plan. You may wish to consult your tax advisor.

A lump sum refund of contributions and interest is made upon completion of an **Application for Withdrawal of Contributions or Deferred Retirement**. Please contact the Retirement Department or find this form on the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

### **Leaving the City with Portability/Dual Membership**

If you leave the City and become a member of another participating system in Washington State within five years, you may defer your retirement contributions. Be sure to contact our office to be advised of your benefits if you have *dual membership*, see *Dual Membership/Portability*. In addition, a **Deferred Retirement Application Form** will need to be completed and returned in order to maintain your membership.

### **Returning to City Service**

If you leave your position, withdraw your contributions, and later return to City service, you may be able to restore your previous service credit. To do so, you must repay the total amount of the contributions you withdrew, plus interest, within five years of returning to service or before you retire, whichever comes first. The interest rate is equal to the plan's actuarial rate of return. As of January 2014, this rate is 7.25% and is subject to change by the Board. Contact the Retirement Department to determine how much you owe.

### **Marriage or Divorce**

Marriage or divorce can affect your retirement benefits.

### **Court Ordered Property Division / Qualified Domestic Relations Order or Order to Withhold and Deliver (QDRO/OWD)**

Your benefit may be affected by a court-ordered property settlement agreement. As long as the order complies with the applicable laws, provisions provided in the Tacoma Municipal Code, and rules adopted by the Retirement Board, TERS will pay retirement benefits according to the specified amount or percentage in the order. In the event of a divorce, an ex-spouse may be entitled to a portion of your retirement benefit. Benefit payments to the ex-spouse can only be made upon separation of employment or at the time of retirement. For additional information on rules, explanations and sample forms, please contact the Retirement Department or go to the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

### **Updating Your Beneficiary**

The **Beneficiary Designation Form** you complete and submit tells TERS who you would like to receive benefits upon your death. If you marry or divorce before you retire, you need to fill out a new form, even if your beneficiary remains the same. It is very important that you keep your beneficiary designation up-to-date.



## **Military Leave**

You may need to take a temporary leave from your job because of military service. If so, you may be able to obtain service credit for work time missed while you were on leave.

To qualify, you must:

- Apply for a reinstatement of a position within 90 days of receiving an honorable discharge; and
- Complete payment of the member portion of your missed contributions while on leave within five years of returning to City service, or before you retire, whichever comes first. The Retirement Department will provide you options for repayment upon request.

## **Death Benefits**

### **Death Before Retirement**

If you should die before retiring, your contributions and interest on deposits into TERS may be handled in one of the ways described below. (Note that interest is applied to a portion of member contributions. That portion is equal to all member contributions made prior to February 2, 2009, and contributions up to 6.44% of salary or wages after February 2, 2009.)

### **With less than five years of service credit**

A lump sum refund or in installments not to exceed five years of all of your contributions and interest will be paid to your beneficiary.

If, at the time of death, you are over age 60 but have less than five years of service your beneficiary can choose one of the following:

- A lump sum refund or in installments not to exceed five years of all of your contributions and interest.
- A refund of half of your contributions and interest and receive a reduced lifetime monthly retirement allowance.
- Leave all contributions and interest in TERS and receive a larger lifetime monthly retirement allowance.

### **With five or more years of service credit**

At the time of your death, your spouse or beneficiary can choose one of the following:

- A lump sum refund or in installments not to exceed five years of all of your contributions and interest.
- A monthly benefit payable for ten years in an amount that includes your contributions and interest plus a matching amount from the City's contributions.
- If you were not eligible for retirement at the time of death, your spouse may defer retirement until eligible for a lifetime monthly benefit.
- If you were eligible to retire at the time of death, your spouse or beneficiary can choose a refund of half of your contributions and interest and receive a reduced lifetime monthly retirement allowance.
- Leave all contributions and interest in TERS and receive a larger lifetime monthly retirement allowance.

## Disability Benefits

In the event of total and permanent disability, you may be eligible for a disability pension, provided you have at least five years of City service. The five year eligibility requirement is not applicable if your disability is the result of an on-the-job injury. Applicants for disability retirement must be examined by one or more physicians appointed by the Retirement Board.

To calculate the total disability allowance, multiply:

**Actual years of service or total years of service that could have been earned up to age 65 with a maximum of 22.22 years (the maximum only applies when adding additional years) X the average, highest consecutive 24-month months of consecutive pay X 1.5%**

The maximum disability retirement allowance is 1/3 of average pay or, if greater, 1.5% times completed years of service times average pay. The minimum disability allowance is \$100 per month.

You may work for employers other than the City of Tacoma and continue to receive your disability allowance provided the amount you earn together with your retirement allowance does not exceed 70% of the current salary payable by the City for your last job classification.

Please notify the Retirement Department if you become disabled.

## Approaching Retirement

### Retirement Eligibility

You are eligible to retire with a full benefit if you:

- Are 60 years of age
- Have 30 years of service (any age)
- Your years of service plus your age equals 80 (e.g., 25 years and age 55)

### Early Retirement

There are options to retire earlier, but your benefit will be reduced to reflect the fact that you will be receiving it over a longer period of time. You may retire with a reduced benefit with:

- 10 years service — and are age 55 or older
- 20 years service — and are age 40 or older

### How Your Retirement Benefit Will be Calculated

Two formulas are used for calculating retirement benefits. Your benefit will be determined on the formula which provides the higher benefit.

The most commonly applied formula, “service retirement”, is based on your years of service and your average, highest consecutive 24-months of pay. Your benefit is determined by your service credit years and average pay. When you retire, this formula will be used to calculate your benefit:

**Factor X service credit years (up to 30) X average pay = monthly benefit**

The factor for full retirement is 2%; a reduced factor is used if you take early retirement. (See the Factor Table in Appendix A)

**Average pay** is the average of your highest 24 consecutive paid service credit months. Overtime pay is not included in calculating average compensation, nor is any lump sum payment for unused sick leave, vacation or annual leave.

**EXAMPLES:**

- A. Juan is 55, has worked for the City for 30 years, and his average pay is \$5,000 per month. He is eligible for a full benefit (2% factor) since he has worked at the City for 30 years. His unmodified monthly benefit would be calculated as follows:

$$2\% \times 30 \times \$5,000 = \$3,000$$

- B. Mary is 55, has worked for the City for 19 years, and her average pay is \$5,000 per month. She is eligible to retire at a reduced benefit (1.706% factor from Factor Table in Appendix A). Her unmodified monthly benefit would be calculated as follows:

$$1.706\% \times 19 \times \$5,000 = \$1,621$$

These examples above assume the unmodified benefit is elected. If Juan or Mary were to choose to provide for a beneficiary in the event of their death, their benefits would be reduced. See the **Benefit Options** section for additional details.

The other formula is an annuity based on a portion of your contributions plus interest, as well as your age. This formula will only be used when it provides a higher benefit.

### **Retiring as a Dual Member**

If you are a member of one or more public retirement systems in Washington State, you are a dual member.

In most cases, your retirement benefit will be based on the highest base salary you earned, regardless of which system you earned it in.

**EXAMPLE:**

Suppose you retire at age 65 with three years of service credit from TERS and four from the other system. With dual membership, you can combine the service credit to meet eligibility requirement to retire but your benefit from each system will be calculated with service from that system alone. This is how your unmodified benefits would be calculated:

$$2\% \times 3 \text{ (TERS service credit years)} \times \text{average pay} = \text{TERS benefit}$$

$$2\% \times 4 \text{ (Other System service credit years)} \times \text{average pay} = \text{Other System benefit}$$

$$\text{TERS benefit} + \text{Other System benefit} = \text{Total Monthly Benefit}$$

## Estimating Your Benefit

If you expect to retire within six months, be sure to contact the Retirement Department to request a written estimate of your benefit.

You can also use the online **Benefits Calculator** to estimate your benefit with the different Benefit Options. The online calculator will estimate your retirement benefit under a variety of different scenarios (for example, different retirement dates), using your actual account data. Go to the Retirement website at: [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement) and click on **Benefits Calculator**.

## Purchasing Additional Service Credit

You may be eligible to purchase additional service credit to increase your benefits and/or meet eligibility requirements. Members with five or more years of service may purchase up to five years of creditable service at the time of retirement to reach a total of up to thirty years.

The online **Benefits Calculator** will allow you to estimate the cost of purchasing time and the resulting and benefit increase. You may request a final, written estimate for the cost to purchase time at the same time you request a written estimate of your retirement benefit. At the time of retirement, you will be asked if you wish to submit a **Purchase of Time at Retirement Form** when you complete your **Application for Retirement** during your scheduled retirement conference with a TERS Benefits Specialist.

Purchase payments must be made in a lump sum. You may choose to transfer money directly from another qualified retirement fund, such as deferred compensation plan (457 or 403b,) an IRA, a 401k, or, in some cases, your overtime TERS contributions made prior to 2000. Another option is to make a payment with after-tax dollars.

## Ready to Retire

### Applying for Retirement

When you are ready to begin the process, contact the Retirement Department at least 60 days prior to your intended retirement date to schedule a one-on-one conference with one of our TERS' Benefits Specialists. If you are married, we require that your spouse attend. The Benefits Specialist will assist you in completing your retirement application and other applicable forms by reviewing all retirement options available, purchase of additional service credit, as well as health benefit options. Once you have selected a retirement option, this option is irrevocable upon receiving your first pension payment.

As part of the application process, we require that you bring the following items to your conference.

- A copy of your Birth Certificate. If you choose a spousal/survivor benefit option, a copy of their birth certificate is required.
- A copy of your Marriage Certificate or Washington State Registered Domestic Partnership Certificate, if applicable.
- A copy of your Driver's License and for your spouse, if applicable.
- A blank voided check for direct deposit.

Remember – if you are purchasing service credit, you will need to complete and submit the **Purchase of Time at Retirement Form**.

## **Your Benefit Options**

When you apply for retirement, you will choose one of the benefit options shown below.

**Once you retire, you cannot change your option, so please select carefully.**

### **Unmodified Option**

The maximum allowance you can receive is the unmodified monthly form of payment. This option is for the member only, and does not provide for a spouse or beneficiary.

**Options A – F** provide for a death benefit under which your estate or your named beneficiary may receive a payment following your death. Because a death benefit is payable, the monthly amount of your retirement allowance will be less under these options. The financial value of your retirement benefit, however, remains the same. Note that the terms spouse/marriage/divorce apply equally to Washington state registered domestic partners.

It is important to update your **Beneficiary Form** so the money may be paid properly. Under Options A, B and C, you may name a beneficiary to receive a death benefit. If you want to benefit a person under age 18, it is recommended you do so through a trust to avoid the requirement of a legal guardianship. Please consult with your lawyer.

### **Option A**

Provides that, at your death, your estate or beneficiary will receive a lump sum refund of the difference between your contributions and interest at the date of retirement and the annuity payments you have received since retirement. Annuity payment refers to that portion of the retirement benefit that is considered payable from the member's accumulated contributions.

### **Option B**

Provides that, at your death, your estate or beneficiary will continue to receive monthly annuity payments until the total (including annuity payments you have received since retirement) equals your contributions and interest at the date of retirement. Annuity payment refers to that portion of the retirement benefit that is considered payable from the member's accumulated contributions.

### **Option C**

Provides for the payment of a retirement allowance for a guaranteed period of years. If you live beyond the guaranteed period, the allowance is continued to you for life, but if you die before the expiration of the period, the allowance will be continued to your estate or beneficiary for the balance of the time. You have an option of five or ten years for the guaranteed period.

### **Option D**

Provides a modified monthly allowance for life and, after your death, your spouse at the time of retirement will receive one-half of this amount each month for life. (See \*Pop-Up Provision and \*\* Divorce Pop-Up Provision)

### **Option E**

Provides a modified monthly allowance for life and, after your death, your spouse at the time of retirement will receive the same monthly allowance for life. (See \*Pop-Up Provision and \*\*Divorce Pop-Up Provision)

## **Option F**

If you, at the time of retirement, have no spouse, a modified monthly allowance for life is provided and, after your death, your chosen beneficiary will receive one-half of this amount each month for life or will receive the same monthly allowance for life. (See \*Pop-Up Provision)

## **Social Security Modification**

A member retiring from service, who has not reached the age of 62, may elect to receive an additional pension allowance that will continue until he or she reaches the age of 62. At age 62, the member's pension will be permanently reduced by an amount that is the actuarial equivalent of the additional pension paid the member. If the member dies leaving a beneficiary entitled to an allowance, the allowance shall be the same as the beneficiary would have received had the member not selected this modification.

### **\*Pop-Up Provision**

*If you retire on or after 1/1/99 and have elected Option D or E, and if your spouse dies before you, then your benefit is increased to the Unmodified retirement allowance. This same benefit is provided for Option F as well.*

### **\*\* Divorce Pop-Up Provision**

*If you retire on or after 1/1/08 and have elected Option D or E, and divorced thereafter and have satisfied Section 1.30.690.C of the Tacoma Municipal Code, the benefit payable to you effective as of the first day of the month following the entry of the Order shall be increased to the Unmodified retirement allowance. Provided further, that in the event that you divorce and later remarry, within three months of remarriage you will have the option to irrevocably designate your new spouse as the wife or husband under Options D or E, subject to the same conditions as provided in Options D or E for a member who remarries after the death of a husband or wife.*

## **Health and Dental Insurance Coverage**

When you retire, you may choose to continue your medical and/or dental coverage for yourself and your dependents. Access to these programs will be made available to retired members at a cost equal to the City's group rate. Medical coverage is only available for retirees under the age of 65 (at which time you become eligible for Medicare benefits). There is no age restriction on continuing dental insurance coverage.

If you elect to purchase insurance at the City's group rate, the cost will be deducted from your monthly retirement benefit payment.

## **Federal Tax on Your Retirement Benefit**

Most, if not all, of your benefit will be subject to federal income tax. The only exception will be any portion that was taxed before it was contributed. When you retire, the Retirement Department will let you know what, if any, portion of your monthly premiums have already been taxed.

At retirement, you must submit a **Withholding Tax (W-4P) Form** to indicate how much of your benefit should be withheld for taxes. If you do not, IRS rules require TERS withholding as if you are married and claiming three exemptions. You can adjust your withholding amount at any time during retirement by completing a new **W-4P Form** available on the TERS website at:

[www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement)

For each tax year you are in receipt of a retirement benefit, you will be provided with a **1099-R Form** to use in preparing your tax return. These forms are usually mailed at the end of January for the previous year. It is your responsibility to declare the proper amount of taxable income on your income tax return.

## **Legal Actions**

In general, TERS benefits are not subject to assignment or attachment. However, they may be subject to court and administrative orders issued under federal law or for spousal maintenance and child support.

## **When and How Your Benefit Will be Paid**

After you retire, your TERS benefit will be paid at the end of each month and directly deposited in your bank or credit union account.

If you need to change your financial institution once you have started your retirement, just complete a new **Electronic Deposit Authorization Form**, include a voided check, and send it to the Retirement Department.

## **Once You Retire**

### **Cost-of-Living Adjustment (COLA)**

Annual COLAs for TERS' members are granted in July to all members who retired on or before July 1 of the preceding year. On July 1 of every year that follows your first full year of retirement, your monthly benefit may be adjusted to a maximum of 2.125 percent per year. The COLAs are based on the Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the calendar year preceding the year in which the COLA is granted.

### **Returning to City Service After Retirement**

If you return to City service after you retire, your benefit may be affected, depending on the position. If you think that you might be returning to City employment, please call the Retirement Department to see if your benefit will be affected.

### **Benefit Overpayments or Underpayments**

If you ever receive an overpayment of your pension benefit, we will require you to repay it. If we determine that there has been an underpayment, we will correct the error and pay you in full.

## APPENDIX A - Factor Table

### CREDITABLE SERVICE YEARS

AGE	30	29	28	27	26	25	24	23	22	21	20	19-10	9-1
40							0.759	0.698	0.642	0.591	0.544	N/A	N/A
41						0.897	0.825	0.759	0.698	0.642	0.591	N/A	N/A
42					1.060	0.975	0.897	0.825	0.759	0.698	0.642	N/A	N/A
43				1.252	1.152	1.060	0.975	0.897	0.825	0.759	0.698	N/A	N/A
44			1.417	1.332	1.252	1.152	1.060	0.975	0.897	0.825	0.759	N/A	N/A
45		1.603	1.507	1.417	1.332	1.252	1.152	1.060	0.975	0.897	0.825	N/A	N/A
46	2.000	1.706	1.603	1.507	1.417	1.332	1.252	1.152	1.060	0.975	0.897	N/A	N/A
47	2.000	1.815	1.706	1.603	1.507	1.417	1.332	1.252	1.152	1.060	0.975	N/A	N/A
48	2.000	1.871	1.815	1.706	1.603	1.507	1.417	1.332	1.252	1.152	1.060	N/A	N/A
49	2.000	1.929	1.871	1.815	1.706	1.603	1.507	1.417	1.332	1.252	1.152	N/A	N/A
50	2.000	1.964	1.929	1.871	1.815	1.706	1.603	1.507	1.417	1.332	1.252	N/A	N/A
51	2.000	2.000	1.964	1.929	1.871	1.815	1.706	1.603	1.507	1.417	1.332	N/A	N/A
52	2.000	2.000	2.000	1.964	1.929	1.871	1.815	1.706	1.603	1.507	1.417	N/A	N/A
53	2.000	2.000	2.000	2.000	1.964	1.929	1.871	1.815	1.706	1.603	1.507	N/A	N/A
54	2.000	2.000	2.000	2.000	2.000	1.964	1.929	1.871	1.815	1.706	1.603	N/A	N/A
55	2.000	2.000	2.000	2.000	2.000	2.000	1.964	1.929	1.871	1.815	1.706	1.706	N/A
56	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.964	1.929	1.871	1.815	1.815	N/A
57	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.964	1.929	1.871	1.871	N/A
58	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.964	1.929	1.929	N/A
59	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.964	1.964	N/A
60	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000



## APPENDIX B

### Who is Excluded From Membership

The following employees are excluded from membership:

- members of the Police and Fire Department who are members of another retirement system;
- employees of the Belt Line Division who are entitled to benefits under the Federal Railroad Retirement Act;
- special project employees who are hired for and working upon detached or independent construction work unless they elect to become members;
- special project employees who are working upon external government-financed projects if the ordinance or resolution of the City creating the project excludes them or if it provides them an option and they don't elect to become members;
- employees under an emergency appointment and temporary student employees;
- individuals hired in a temporary or emergency capacity or other classification which, at date of hire, is scheduled to be for a period of less than six months of continuous service;
- part-time event or temporary event employees working not more than 40 hours in any biweekly payroll period and employed by the Public Assembly Facility Department;
- pro-tem hearings examiners and pro-tem municipal court judges;
- part-time, temporary or substitute employees of the Tacoma Public Library including student employees or pages;
- volunteers who do not receive compensation;
- persons providing services under written contracts specifying that they are independent contractors; and
- employees of member public agencies that are excluded pursuant to contract with TERS.

Certain elected or appointed officials, business agents employed by unions and employees of City-County law enforcement support agencies, specially funded projects and/or other political subdivisions may be eligible to participate in TERS. Contact the Retirement Department for specific information.

**This handbook is a summary.**

It is not a complete description of your retirement benefits under the TERS plan. City retirement ordinances (Tacoma Municipal Code 1.30) govern your benefits. If there are any conflicts between the information shown in this handbook and what is contained in current law, the law will govern.