

Your Benefits With The

City of Jackson

Employees Retirement System

Effective July 1, 2013



City of Jackson Employees Retirement System

As a valued member of the City of Jackson Employees Retirement System you are included in a program of benefits to help you meet your financial needs in retirement, or in the event of disability or death. This booklet summarizes the benefits available to you in the Retirement System.

Planning for retirement begins now. This booklet can be a valuable tool in preparing for your retirement and financial future. If you require any further information on any of the topics presented in this booklet, please contact the City Personnel office or a Retirement Board Trustee. The Board will answer any questions to help you better understand your benefits.

The booklet is intended to acquaint you with the main provisions of your Retirement System. The descriptions of benefits are greatly simplified and do not include many conditions and restrictions. For this reason, we caution you not to rely solely on this booklet when planning for your retirement. Instead, we urge you to consult with the City Personnel office or a Retirement Board Trustee, to make certain you understand the benefits and options available to you and your beneficiaries.

Retirement Board
City of Jackson
Employees Retirement System

City of Jackson Employees Retirement System

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Questions & Answers About the City of Jackson Employees Retirement System

1. How do I become a member of the Retirement System?

The membership of the Retirement System includes all Full Time employees of the City in a position normally requiring one thousand (1,000) or more hours of work in a calendar year except:

- (1) those paid on a contractual or fee basis;
- (2) the Mayor and City Council members;
- (3) the Executive Director of the Downtown Development Authority or the City Manager (unless the director/manager elects in writing to be a member within thirty (30) days of commencement of employment); and
- (4) police and fire personnel who are covered under another pension plan.

2. When do I become eligible for retirement benefits?

You become eligible for regular retirement benefits when you attain age 60 and complete 10 or more years of credited service, or attain age 55 and complete 25 years or more of credited service, or after you complete 30 or more years of credited service.

3. How is the amount of my retirement benefit determined?

The retirement benefit is based on the amount of your credited service and final average compensation.

Credited service refers to the amount of time, measured in years and months, you are employed by the City. Under certain conditions, credited service may be approved by the Board for time not spent in actual service as a City employee in cases of military duty.

Final Average Compensation (FAC) is the highest average annual compensation during three consecutive years of the last ten years of service. Compensation includes your base salary, overtime pay, longevity pay, pay while absent from work on account of illness, holiday, or vacation, Workers' Compensation (except for medical expenses) and payments received in lieu of the City's cafeteria benefit plan.

Employees hired on or after July 1, 2012 (October 23, 2012 for MAPE Union employees) shall be paid the Tier II wage schedule.

Illustration of Final Average Compensation (FAC)

The calculation of FAC can be illustrated using the following sample:

<u>Year Before Retirement</u>	<u>Sample Annual Compensation</u>
10	\$49,000
9	49,000
8	50,000
7	51,000
6	52,000
5	52,000
4	53,000
3	53,000*
2	54,000*
1	55,000*

* *Earnings for these years produce the highest annual compensation.*

To calculate the average annual compensation for the highest three years, total the annual compensation and divide by 3:

$$\frac{\$53,000 + \$54,000 + \$55,000}{3} = \$54,000$$

The amount of the annual benefit payable during your lifetime is equal to 2.0% (.020) of your FAC multiplied by your credited service. Members hired on or after July 1, 2012 receive credited service times 1.25% (.0125) of FAC.

To illustrate, with 30 years of credited service and FAC of \$54,000 the annual benefit would be calculated as shown:

Hired prior to July 1, 2012

(1) Multiply by 2.0% of FAC:

$$.020 \times \$54,000 = \$1,080$$

(2) Multiply (1) by credited service:

$$\$1,080 \times 30 = \$32,400$$

Hired on or after July, 1 2012

(1) Multiply by 1.25% of FAC:

$$.0125 \times \$54,000 = \$675$$

(2) Multiply (1) by credited service:

$$\$675 \times 30 = \$20,250$$

Members hired on or after July 1, 2012 also receive a defined contribution benefit administered by the Municipal Employees' Retirement System (MERS). Contact MERS for additional information.

General members are also covered by Social Security by virtue of their City employment. You may sign up to get your Social Security Statement online or estimate your retirement benefit using an online Retirement Estimator. Visit the Social Security Administration's website at www.socialsecurity.gov, or call 1-800-772-1213 for more information.

**Illustrations of
Age and Service Retirement
Life Benefit Amounts
For Employees Hired Before July 1, 2012
(2% Multiplier)**

<u>Annual Final Average Compensation (FAC)</u>	<u>Jackson City Plan Benefit</u>	<u>Age 66 Estimated Social Security#</u>	<u>Estimated Annual Total</u>	
			<u>\$</u>	<u>% of FAC</u>
<i>10 years Credited Service at Retirement:</i>				
\$30,000	\$6,000	\$15,108	\$21,108	70.4%
38,000	7,600	17,664	25,264	66.5%
46,000	9,200	20,220	29,420	64.0%
54,000	10,800	22,788	33,588	62.2%
62,000	12,400	24,540	36,940	59.6%
70,000	14,000	25,740	39,740	56.8%
<i>20 years Credited Service at Retirement:</i>				
\$30,000	\$12,000	\$15,108	\$27,108	90.4%
38,000	15,200	17,664	32,864	86.5%
46,000	18,400	20,220	38,620	84.0%
54,000	21,600	22,788	44,388	82.2%
62,000	24,800	24,540	49,340	79.6%
70,000	28,000	25,740	53,740	76.8%
<i>30 years Credited Service at Retirement:</i>				
\$30,000	\$18,000	\$15,108	\$33,108	110.4%
38,000	22,800	17,664	40,464	106.5%
46,000	27,600	20,220	47,820	104.0%
54,000	32,400	22,788	55,188	102.2%
62,000	37,200	24,540	61,740	99.6%
70,000	42,000	25,740	67,740	96.8%

Shaded amount is used in examples on page 12.

Amounts are shown to the nearest \$1, for simplicity; actual amounts are to nearest cent. Straight Life Benefit is used throughout as an example.

"Estimated Social Security", means an employee's estimated OASDI retirement benefit and is based upon retirement in 2013 and assumed salary increases at the rate of increase in national average earnings during all years of covered employment and assuming 35 years of employment in a Social Security covered position. The estimate does not include amounts which might be payable to an eligible spouse or children.

**Illustrations of
Age and Service Retirement
Life Benefit Amounts
For Employees Hired on or After July 1, 2012
(1.25% Multiplier)**

<u>Annual Final Average Compensation (FAC)</u>	<u>Jackson City Plan Benefit</u>	<u>Age 66 Estimated Social Security#</u>	<u>Estimated Annual Total</u>	
			<u>\$</u>	<u>% of FAC</u>
<i>10 years Credited Service at Retirement:</i>				
\$30,000	\$3,750	\$15,108	\$18,858	62.9%
38,000	4,750	17,664	22,414	59.0%
46,000	5,750	20,220	25,970	56.5%
54,000	6,750	22,788	29,538	54.7%
62,000	7,750	24,540	32,290	52.1%
70,000	8,750	25,740	34,490	49.3%
<i>20 years Credited Service at Retirement:</i>				
\$30,000	\$7,500	\$15,108	\$22,608	75.4%
38,000	9,500	17,664	27,164	71.5%
46,000	11,500	20,220	31,720	69.0%
54,000	13,500	22,788	36,288	67.2%
62,000	15,500	24,540	40,040	64.6%
70,000	17,500	25,740	43,240	61.8%
<i>30 years Credited Service at Retirement:</i>				
\$30,000	\$11,250	\$15,108	\$26,358	87.9%
38,000	14,250	17,664	31,914	84.0%
46,000	17,250	20,220	37,470	81.5%
54,000	20,250	22,788	43,038	79.7%
62,000	23,250	24,540	47,790	77.1%
70,000	26,250	25,740	51,990	74.3%

Shaded amount is used in examples on page 12.

Amounts are shown to the nearest \$1, for simplicity; actual amounts are to nearest cent. Straight Life Benefit is used throughout as an example.

“Estimated Social Security”, means an employee’s estimated OASDI retirement benefit and is based upon retirement in 2013 and assumed salary increases at the rate of increase in national average earnings during all years of covered employment and assuming 35 years in a Social Security covered position. The estimate does not include amounts which might be payable to an eligible spouse or children.

**Retirement Benefit Computation Form
(2% Multiplier)
For Employees Hired Before July 1, 2012**

Your retirement is based on your credited service and final average compensation (FAC). This form can be used to calculate your estimated annual benefit.

	<u>Example</u>	<u>Your Estimate</u>	<u>Your Estimate</u>
Final Average Compensation			
1. Compensation for the highest three consecutive years of the last 10 years:	(a) <u>\$53,000</u>	_____	_____
	(b) <u>\$54,000</u>	_____	_____
	(c) <u>\$55,000</u>	_____	_____
2. FAC: add (a) + (b) + (c) and divide by 3:	<u>\$54,000</u>	_____	_____
Annual Benefit			
1. Total credited service:	<u>30</u> years	_____ years	_____ years
2. Benefit formula:			
(a) 2.0% of FAC	<u>\$ 1,080</u>	_____	_____
(b) Credited service	<u>30</u>	_____	_____
(c) Annual benefit: (a) x (b)	<u>\$32,400</u>	_____	_____

**Retirement Benefit Computation Form
(1.25% Multiplier)
For Employees Hired on or After July 1, 2012**

Your retirement is based on your credited service and final average compensation (FAC). This form can be used to calculate your estimated annual benefit.

	<u>Example</u>	<u>Your Estimate</u>	<u>Your Estimate</u>
Final Average Compensation			
1. Compensation for the highest three consecutive years of the last 10 years:	(a) <u>\$53,000</u>	_____	_____
	(b) <u>\$54,000</u>	_____	_____
	(c) <u>\$55,000</u>	_____	_____
2. FAC: add (a) + (b) + (c) and divide by 3:	<u>\$54,000</u>	_____	_____
Annual Benefit			
1. Total credited service:	<u>30</u> years	_____ years	_____ years
2. Benefit formula:			
(a) 1.25% of FAC	\$ <u>675</u>	_____	_____
(b) Credited service	<u>30</u>	_____	_____
(c) Annual benefit: (a) x (b)	<u>\$20,250</u>	_____	_____

Questions & Answers About the City of Jackson Employees Retirement System

4. What forms of benefit payments will provide benefits for my beneficiary?

The “straight life” benefit described in the previous section is payable only to the member of the Retirement System. Options II and III provide potential lifetime benefits for your beneficiary. The optional forms of payment available are:

- **Regular - Straight Life (SL)** - This form of payment is a monthly benefit which continues for your lifetime. If you die before you have received total monthly benefits equal to your accumulated contributions, the difference between your contributions and the total benefit paid to you will be distributed to your beneficiary or estate. Under this plan, there is no monthly benefit for your spouse or dependents after your death.
- **Option I - Cash Refund Annuity** - This option provides a reduced monthly pension for life with the provision that upon your death, the difference, if any, between your accumulated contributions at time of retirement and the aggregate amount of annuity payments made shall be paid to a person you have designated in writing, or your legal representative. Under this option, the term annuity means the portion of your pension that is the monthly equivalent of your accumulated contribution balance at retirement.
- **Option II - 100% Joint and Survivor** - This option provides a reduced monthly benefit for life. Upon your death, your beneficiary will continue to receive the same monthly amount for life.
- **Option III - 50% Joint and Survivor** - Under this option, you will receive a reduced monthly benefit for life. Upon your death, your beneficiary will continue to receive half of your reduced benefit for life.
- **Option IV - Age 62 Coordinated** - Under this option you will be paid an increased pension to attainment of age 62 and a reduced pension thereafter. This option may be combined with SL, Option I, II, or III.
- **Annuity Withdrawal** - Under this option, you will withdraw your accumulated contributions and credited interest at the time of retirement. Such withdrawal will be used to compute the actuarial reduction of your monthly retirement benefit. This option may be combined with SL, or Options II, III, and/or IV.

Prior to your retirement you will be informed of the amounts you would receive under the various forms of payment. You must have your choice of benefit declared in writing with the Retirement Board before the effective date of your retirement.

**Illustration of Annuity Withdrawal
Under Straight Life Allowance**

Member's Age at Retirement	Accumulated Member Contributions	Monthly Annuity Withdrawal Amount	Annual Annuity Withdrawal Amount
65	\$30,000	\$262.50	\$3,150.00
65	50,000	437.50	5250.00
65	70,000	612.50	7350.00
60	\$30,000	\$241.50	\$2,898.00
60	50,000	402.50	4830.00
60	70,000	563.50	6762.00
55	\$30,000	\$226.80	\$2,721.60
55	50,000	378.00	4536.00
55	70,000	529.20	6350.40
50	\$30,000	\$216.30	\$2,595.60
50	50,000	360.50	4326.00
50	70,000	504.70	6056.40

The Annuity Withdrawal Amount is a reduction to the straight life benefit you would have received had you not withdrawn your accumulated member contributions.

**Illustrations of
Option II, Option III
As Percents of the Straight Life Allowance**

Age at Retirement		Option II 100% to Survivor	Option III 50% to Survivor
Member	Beneficiary	Member's Lifetime	Member's Lifetime
65	70	90.2%	94.8%
65	65	87.1%	93.1%
65	60	84.1%	91.4%
60	65	92.0%	95.8%
60	60	89.7%	94.6%
60	55	87.5%	93.3%
55	60	93.6%	96.7%
55	55	91.9%	95.8%
55	50	90.3%	94.9%
50	55	95.0%	97.4%
50	50	93.8%	96.8%
50	45	92.6%	96.2%

Option IV - Age 62 Coordinated

Age at Retirement	Age 62 Coordinated
Member	Benefit Percent
60	90.9%
55	75.2%
50	65.5%

Shaded factors are used in examples on pages 11-12.

This example assumes an FAC of \$54,000 and 30 years of credited service.

**Illustrations of Option II, Option III
Elected with Annuity Withdrawal
As Percents of the Straight Life Allowance**

Age at Retirement		Option II with Annuity Withdrawal Member's Lifetime	Option III with Annuity Withdrawal Member's Lifetime
Member	Beneficiary		
65	70	75.6%	79.5%
65	65	73.0%	78.0%
65	60	70.5%	76.6%
60	65	78.2%	81.5%
60	60	76.3%	80.5%
60	55	74.4%	79.4%
55	60	80.5%	83.1%
55	55	79.1%	82.4%
55	50	77.7%	81.6%
50	55	82.3%	84.4%
50	50	81.3%	83.9%
50	45	80.3%	83.3%

Option IV - Age 62 Coordinated

Age at Retirement Member	Age 62 Coordinated Benefit Percent
60	89.4%
55	71.1%
50	60.2%

This example assumes an FAC of \$54,000, 30 years of credited service, and accumulated contributions of \$50,000.

Option Election Computation

Optional forms of benefit payments are based on reduction factors similar to the samples shown in the charts on pages 9 and 10. This form can be used to calculate your estimated benefit for Options II and III. Options II and III can also be coordinated with Option IV (see worksheet on page 12) and Annuity Withdrawal.

Worksheet for Options II & III

Examples are based on a retiree age 60 and a beneficiary age 55.

	Example 1	Example 2	Your Estimate
1. Estimated straight life annual benefit: (from page 5)	<u>\$32,400</u>	<u>\$32,400</u>	\$ _____
2. Option elected	<u>II</u>	<u>III</u>	\$ _____
3. Option percent for member and beneficiary ages at retirement: (from page 9)	<u>87.5%</u>	<u>93.3%</u>	_____ %
4. Estimated annual benefit after option election: (1)x(3)	<u>\$28,350</u>	<u>\$30,229</u>	\$ _____
5. Potential to beneficiary	<u>\$28,350</u>	<u>\$15,115</u>	\$ _____

Option Election Computation Form

Worksheet for Option IV

Employer portion of benefit decreases at age 62 continuing at the reduced level for the remainder of your life. Your age 62 benefit amount will be determined from an estimate of your potential Social Security benefits, based on your FAC and years of service at retirement. Your age 62 amount DOES NOT CHANGE, regardless of the amount of Social Security benefits that are actually paid to you. Option IV can also be coordinated with Annuity Withdrawal.

Examples are based on a retiree with 30 years of service, \$54,000 FAC, retiring at age 60, beneficiary age 55.

	Example 1	Example 2	Your Estimate
1. Option elected	<u>SL</u>	<u>III</u>	\$ _____
2. Estimated annual benefit: (from page 11)	<u>\$32,400</u>	<u>\$30,229</u>	\$ _____
3. Estimated Social Security benefit at age 62*	<u>\$17,091</u>	<u>\$17,091</u>	\$ _____
4. Option IV percent for age at retirement: (from page 9)	<u>90.9%</u>	<u>90.9%</u>	_____ %
5. Option IV benefit to member's age 62: (2)x(4)+(3)	<u>\$46,543</u>	<u>\$44,569</u>	\$ _____
6. Option IV benefit at member's age 62: (5)-(3)	<u>\$29,452</u>	<u>\$27,478</u>	\$ _____

* Assume member will receive 75% of age 66 estimated Social Security benefit of \$22,788 based on FAC and years of service at retirement (from page 4).

Questions & Answers About the City of Jackson Employees Retirement System

5. What If I die before retirement?

In the event you die after you have acquired ten (10) or more years of credited service and are not in a deferred retirement status, your designated beneficiary or surviving spouse will be eligible immediately for a survivor benefit. The amount of the benefit is the same as if you had retired the day before your death and elected Option II, with your designated beneficiary or spouse named as beneficiary.

If you have less than ten (10) years of credited service, your accumulated contributions and interest will be paid to your designated beneficiary (or to your estate if there is no designated beneficiary) upon your death.

If you die as a result of personal injury or disease arising in the course of employment by the City, your accumulated contributions will be paid to your designated beneficiary and your spouse will receive one-third of your final average compensation until remarriage or death. Additional benefits may be payable to minor children.

6. What if I become disabled before retirement?

Benefits may be payable to a member who becomes disabled before retirement. Eligibility and the amount of the benefit depend on whether the disability occurred in the line of duty.

A qualifying disability may result from an injury or illness which permanently prevents you from either physically or mentally performing your duties in the service of the City of Jackson. A physician selected by the Board will perform a medical examination, recommend if you should be retired and certify his results to the Board. If the physician's report is agreed to by the Board, upon retirement you will receive a disability benefit. You will be required to undergo periodic medical examinations at the request of the Board to verify you are still disabled and entitled to benefits. If it is determined by the medical examination and the Board that you are capable of resuming employment, you will return to active service and your disability benefit will terminate.

In the event you return to active service after a disability, your credited service will be restored and, if the disability was duty related, you will receive credited service as long as you were receiving Workers' Compensation benefits for the period you were disabled.

**Questions & Answers
About the City of Jackson
Employees Retirement System**

◆ **Duty Disabilities**

Disabilities resulting from your City employment for which you are receiving Workers' Compensation will entitle you to a disability retirement pension in addition to your Workers' Compensation benefits. There is no minimum age or service requirement.

The amount of your benefit is calculated as a regular retirement benefit based on your FAC and credited service at the time of disability. Minimum is \$150 per month for Benefit Group MAPE, minimum is 10% of the first \$4,200 of FAC plus 15% of FAC in excess of \$4,200 for Benefit Group General.

Upon attaining age 65 or termination of Workers' Compensation, whichever occurs first, your benefit will be recomputed based on additional service, if any, for the period in which you were in receipt of Workers' Compensation benefits.

◆ **Non-Duty Disabilities**

If your disability is not the result of your City employment, you are eligible for benefits if you have 10 or more years of service.

The amount of your benefit is calculated as a regular retirement benefit based on your FAC and credited service at the time of disability. Minimum is \$150 per month for Benefit Group MAPE, minimum is 10% of first \$4,200 of FAC plus 15% of FAC in excess of \$4,200 Benefit Group General.

If your credited service is less than 10 years, you are not eligible for a non-duty-disability benefit and your accumulated contributions will be refunded.

7. Suppose my spouse and I divorce before I retire, are my benefits affected?

If your accrued retirement benefits are included as a marital asset in a divorce property settlement, the courts can allocate the marital portion of your pension among the involved parties under an Eligible Domestic Relations Order (EDRO).

Questions & Answers About the City of Jackson Employees Retirement System

8. Can I receive service credit for military service?

Yes. There are two types of military service credit available: intervening and non-intervening.

Intervening military service is if you leave or have left the employ of the City to enter the armed service of the United States during time of war, period of compulsory military service, or period of national emergency recognized by the Board. If you have intervening military service you will be granted credited service for periods of active duty subject to the following conditions:

- (1) You are reemployed by the city within ninety (90) days from and after the date of termination of required active duty.
- (2) You become a member and pay the retirement system the total amount of accumulated contributions previously withdrawn, if any, plus regular interest from the date of withdrawal to date of repayment.
- (3) In no case shall more than six (6) years of service be credited on account of all military service.

The board of trustees shall determine the amount of service to be credited a member for non-intervening military service under the provisions of this section. If your military service interrupted your employment with the City but does not satisfy the requirements above, the board will grant service credit if you satisfy certain additional requirements specified in federal law. You should contact the City Personnel office or Retirement Board Trustee if you have a question about service credit for military service.

Non-intervening military service is if you have military service that does not meet the conditions of intervening military service. If you have non-intervening military service you will be entitled to up to 5 years of credited service subject to the following conditions:

- (1) You have satisfied the requirements for a pension or have satisfied the requirements for a deferred pension under Chapter 2 of the City Code.
- (2) You pay the Retirement System the actual cost of the service to be credited.
- (3) The service credit is for time spent in active duty in the military service of the United States.
- (4) The service credit purchased shall not be used to accelerate your retirement date. The board of trustees shall determine the amount of service to be credited under either of the provisions above. You should contact the City Personnel Office or Retirement Board Trustee if you have a question about service credit for military service.

**Questions & Answers
About the City of Jackson
Employees Retirement System**

9. The City of Jackson has adopted the Michigan Reciprocal Retirement Act. Does this have any effect on my pension?

It may have an effect if you have accrued service credit with another Michigan public retirement system. The Michigan Reciprocal Retirement Act allows a Michigan public retirement system to recognize a member's service with another Michigan public retirement system for purposes of vesting and normal retirement eligibility if the member has a minimum of 30 months of service credit. It is not necessary that both retirement systems have adopted the act.

If both systems have adopted the act, and certain other conditions are met, a transfer of assets and service may be allowed which would consolidate a member's retirement benefits under the retirement system of the most recent reciprocal employer. After the transfer, the member would be treated as if the transferred service credit had been earned with the most recent reciprocal employer.

10. What if I leave my job with the City before I am eligible for retirement?

If you quit or are terminated from your job with the City before reaching your normal retirement age, you may have several options depending upon the number of years of credited service. With less than 10 years of credited service your accumulated contributions including credited interest will be refunded. A refund of contributions is optional if you have 10 or more years of credited service. All future benefits from the Retirement System are forfeited when contributions are refunded.

If you have at least 10 years of credited service when you end your employment with the City and you leave your accumulated contributions on deposit in the Retirement System, you will be eligible for a deferred retirement benefit.

Your regular retirement benefits will be calculated using your FAC and credited service at the time you ceased working for the City. You may apply for your retirement benefit to begin upon attainment of age 60, or age 55 with 25 years of service.

If you are re-employed by the City within five years after your termination date, your credited service will be restored upon attainment of 3 years of credited service following your return to work. This provision will not apply if your accumulated contributions were refunded at termination from the retirement system. In this case, to recover your credited service, you must repay all amounts refunded from the Retirement System, plus interest as determined by the Board from the date refunded to the date of repayment.

Questions & Answers About the City of Jackson Employees Retirement System

11. When can I request a benefit calculation?

Members are allowed benefit calculations requests within three years of retirement. The retirement benefits will be calculated using FAC at the time of the request and may change slightly as your actual retirement date approaches. Contact the City Personnel office or Pension Coordinator to request a benefit calculation.

12. How do I apply for retirement benefits?

Applications for regular retirement must be filed with the City Personnel office. All necessary forms can be obtained there. As your retirement date approaches, you will be advised of the amounts payable under the various forms of payment, and requested to submit your choice of benefit and required information regarding your designated beneficiary.

13. Can I revise my choice in benefit after my initial election?

You may change your option BEFORE retirement commences by submitting a revised application to the City Personnel office. However, option selection is irrevocable ON OR AFTER the date of retirement.

14. What does it cost me to participate in the Retirement System?

The total contribution rate as determined by the Retirement System actuary is split equally between the City and the employees. The minimum total contribution rate from the City and employees is 5.0% (2.5% City plus 2.5% employees). The employee contribution is not to exceed the plan's normal cost. The term "normal cost" should mean the actuarial cost allocated to the current year by the actuarial cost method.

The contribution rate is applied to all items of compensation that are included for benefit determination purposes (see question 3 for items included in compensation).

15. Does the Retirement System pay interest on my contributions?

The Retirement System pays interest annually on your contributions at a rate determined by the Board. The interest does not increase the size of your benefit. However if you receive a refund of your contributions (Annuity Withdrawal) or if your contributions are paid to your beneficiary in the event of your death (see question 5), you or your beneficiary would receive the credited interest as well as the contributions.

Questions & Answers About the City of Jackson Employees Retirement System

16. Who administers the Retirement System and manages its funds?

The Retirement System is administered by a Board of Trustees which is responsible for management of assets in accordance with State law and enforcement of provisions of the System. The Board has authority over distribution of all benefits and makes final decisions on claims and appeals. Nine members comprise the Board: the Mayor; a member of the City Council; the City Manager; the City Clerk; a person who is a resident of the City and who is not a member, retirant or beneficiary, to be appointed by the Council; four members of the Retirement System elected by members of the Retirement System. No more than two member trustees shall be from one City department.

17. Do I have to pay income tax on my pension?

Because you contributed to the Retirement System with after-tax dollars, a portion of your pension is excluded from federal income tax. The amount that is excludable from each benefit payment depends on the amount of your contributions and the number of expected benefit payments. Once you have excluded an amount equal to your contributions, your benefits are fully taxable. The number of expected benefit payments is based on your age at retirement if you elect a regular straight life, Option I or Option IV form of payment. If you elect Option II or Option III, the number of expected payments is based on the sum of your age and your beneficiary's age at the time you retire. The number of expected benefit payments is illustrated in the following table:

Regular, Option I and IV		Option II and III	
Age at Retirement	Number of Payments	Combined Ages	Number of Payments
55 and Under	360	110 and Under	410
56-60	310	111-120	360
61-65	260	121-130	310
66-70	210	131-140	260
71 and Over	160	141 and Over	210

See exclusion ratio illustration on the next page.

**Questions & Answers
About the City of Jackson
Employees Retirement System**

Suppose you retire at age 55, your previously taxed contributions are \$25,000, you elect the regular straight life form of payment and your monthly benefit is \$1,700. The federal taxable portion of your monthly benefit can be computed by the following procedure:

(1) Amount of contributions	\$ <u>25,000</u>
(2) Number of expected benefit payments	<u>360</u>
(3) Monthly amount considered to be excluded from taxes: (1)/(2)*	\$ <u>69.44</u>
(4) Monthly amount considered to be taxable: \$1,700.00 less amount in step (3)	<u>\$1,630.56</u>

* *Changes in the monthly pension after retirement do not change the monthly amount excluded from taxes.*

Your benefit may also be subject to State tax. All questions regarding taxation of benefits should be directed to qualified tax counsel.

DEFINITIONS

Accumulated contributions - the total of all amounts contributed by you to the City of Jackson Employees Retirement System, plus regular interest.

Beneficiary - any individual, such as a spouse, child or dependent parent, who has been chosen by you (in writing) to receive survivor benefits from the retirement system in the event of your death.

Benefit Group General - consists of all members not included in Benefit Group MAPE.

Benefit Group MAPE - consists of all members from whom the Michigan Association of Public Employees, Jackson Unit is the sole bargaining unit.

Board - the Retirement Board which administers, manages and properly operates the retirement system.

Compensation - your base salary, overtime pay, longevity pay, pay while absent from work on account of illness, holiday, or vacation, Workers' Compensation (except for medical expenses) and payments received in lieu of the City's cafeteria benefit plan.

Credited service - your total, accumulated service with the City of Jackson Employees Retirement System. Service is credited in accord and with rules the trustees prescribe. One year of credited service may awarded for each year of service in which you complete at least 9 months of service.

Final Average Compensation (FAC) - the highest average annual earnings during 3 consecutive years of the last 10 years of your City employment.

Member - an individual included in the membership of the City of Jackson Employees Retirement System.

Regular interest - the rate of annual interest as determined by the Retirement Board.

Retirant - any person who is being paid a pension by the Retirement System on account of the person's membership in the Retirement System.

Vested - Termination of City employment at any age after 10 years of credited service.

DISCLAIMERS

The contents of this Summary Plan Description are intended to illustrate the provisions of the plans. In the case of a conflict between the descriptions here, the City ordinance and/or other contracts, the City ordinance and contracts shall govern.

This is not intended to be construed as legal or tax advice.