



*City of Austin Employees' Retirement System*

# FREQUENTLY ASKED QUESTIONS

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City of Austin Employees' Retirement System

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
(COA ERS)

**FREQUENTLY ASKED QUESTIONS\***

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\*This *Frequently Asked Questions* document is intended to provide general information to Members. Member specific questions should be directed in writing to the COA ERS staff. If there is any difference between the information provided in this document and the law or policies that govern COA ERS, the law and policies will govern.

# CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM (COA ERS) FREQUENTLY ASKED QUESTIONS

## CREDITABLE SERVICE/MEMBERSHIP

**Q: *What does it mean to be a “vested” Member?***

**A:** Members become vested with COA ERS as soon as they have five years of Creditable Service (***See Creditable Service question below***). Vesting is a very important step towards earning a retirement benefit. A vested Member whose retirement contributions remain in the Retirement System is entitled to receive a lifetime benefit. The Member can apply to receive the benefit upon reaching retirement eligibility (***See Retirement below***).

**Q: *How is my Creditable Service at COA ERS determined?***

**A:** Creditable Service is a combination of membership service (period of time during which an eligible employee pays into and keeps on deposit the required retirement contributions into COA ERS) and other types of service credit (***See Service Purchases below***). Creditable Service is calculated in years and months. A Member's Creditable Service will be adjusted for leaves of absence periods and other breaks-in-service.

**Q: *What is my Date of Membership?***

**A:** Your membership with COA ERS starts when you begin making retirement contributions. This date may not correspond to your first day worked. If you have multiple hire dates with the City (e.g. hired, resigned, refunded, rehired), your Date of Membership will be based on the most recent hire date in a position with the City for which retirement contributions are made. Service in the other City of Austin retirement systems (e.g. Police or Fire) is not Creditable Service with COA ERS. Temporary or regular part-time employees working under 30 hours per week do not make retirement contributions or earn Creditable Service.

Probationary Period

Employees who began employment with the City of Austin prior to October 1, 1995 did not make retirement contributions during their probationary period. If you were employed as a regular full-time employee and were an active-contributory Member as of October 1, 1995, you may receive a Probation Period Service Credit for up to six months at the time of your retirement. This adjustment does not appear in the Date of Membership on your annual “Statement of Retirement Account”. Employees hired after October 1, 1995 become Members of COA ERS upon commencement of employment as a regular full-time employee and are not entitled to a Probation Period Service Credit.

## CONTRIBUTIONS

**Q: *What happens to the retirement contributions paid by the City of Austin for City employees?***

**A:** Retirement contributions made by the City, though calculated as a percentage of base compensation, are contributed for the benefit of the System as a whole, not for any individual employee. These contributions do not determine the amount of your retirement benefit and do not become part of your account balance. Therefore, if you leave employment and take a refund of your account balance, you are not entitled to any City contribution. Those funds stay with the System to help pay benefits to retiring Members and their surviving beneficiaries.

## PROPORTIONATE SERVICE

**Q: *What is the Proportionate Retirement Program?***

**A:** In 1991 the Texas Legislature established a Proportionate Retirement Program for the benefit of members of participating public retirement systems. The current proportionate systems are: ERS of Texas; Texas Municipal Retirement System (TMRS); Texas County and District Retirement System (TCDRS); Teacher Retirement System of Texas (TRS); The El Paso City Employees' Pension Fund; El Paso Firemen and Policemen's Pension Fund; and Judicial Retirement System of Texas I & II. Participating systems recognize service from other participating systems to determine retirement eligibility.

Service in another proportionate system may benefit your retirement eligibility date and affect any Service Purchase you make at COA ERS. Years of service in more than one system may be combined to reach the number of years required to qualify to receive retirement benefits from another system. Members must qualify for retirement eligibility independently in each system. Retirement benefits will be paid separately from each system and will be determined based on the actual amount of Creditable Service earned in and the benefit structure of each separate system plan.

Proportionate participation is based on funded service. If you have refunded/forfeited your service and wish to re-establish that service in one or more of these systems, you must contact that particular system in which you previously had membership in order to determine eligibility requirements to re-establish your service credit and/or membership. Members should determine their proportionate retirement benefits before refunding/withdrawing Member deposits in any of these systems.

**Q: *Is the Travis County Healthcare District a part of the Proportionate Retirement Program?***

**A:** Senate Bill 1107, enacted in 2007, establishes a limited proportionate service arrangement exclusively for those individuals who have membership in COA ERS and a retirement system within the Travis County Healthcare District organization. This arrangement is similar to the general proportionate program except that it applies only between these two retirement systems. Participation in the Healthcare District/New Corporation and service credit granted by it can be used to establish retirement eligibility with COA ERS, but not with any other system in the general proportionate program. A Member with service credit in both COA ERS and the District/New Corporation may be eligible to combine that service in order to satisfy the length of service requirements used to determine eligibility for service retirement. Retirement benefits will be paid separately from each system based only on the service earned and remaining credit in that system. If you withdraw/refund your deposits from either COA ERS or the District/New Corporation, you will forfeit your membership service in that system. Members should determine their proportionate retirement benefits before withdrawing/refunding Member deposits in either of these systems.

## SERVICE PURCHASES

**Q: *What are the different types of service that can be purchased at COA ERS?***

**A: Prior City of Austin Service:** If a Member has left City employment, withdrawn/refunded his/her deposits, and later returns to City employment or employment with a participating proportionate system (***see Proportionate Retirement above***), he/she may purchase the earlier time with the City. The cost to purchase prior service credit is based on the amount previously withdrawn, plus an interest payment based on the interest assumed to have been earned by the fund.

**Credit for Prior Federal Active Duty Military Service:** COA ERS Members may establish up to 48 months of Creditable Service for prior military service. Military service eligible for purchase is full-time active duty in the armed forces of the United States of at least 90 consecutive days, before the beginning of a Member's most recent period of COA ERS membership. To purchase prior military service, honorably discharged Members must present an original DD214. Service credits for the same period of time may not be purchased in more than one retirement system for a Member with service in more than one participating proportionate retirement system (***see Proportionate Retirement above***).

**Non-contributory Service Purchase:** A Member is allowed to purchase non-contributory service for the following periods of time: (1) while the employee was on workers' compensation leave; (2) while the employee was on an authorized leave of absence; and, (3) while the employee performed service for the employer in a position for which the service was not otherwise creditable such as temporary or part-time service (less than 30 hours per week) or when no contributions were paid to COA ERS.

**Permissive Time:** Members may purchase up to five years of Permissive Time to advance their retirement eligibility date and/or increase the amount of their monthly annuity upon retirement. Only vested Members with five years of service with COA ERS are eligible to purchase Permissive Time. The minimum purchase is one month with a maximum of 60 months. Age, salary, earliest retirement date, and a combination of actuarial data determine the cost. There may be federal limitations on certain purchases.

**Conversion of Unused Sick Leave:** At retirement an employee may elect to purchase Creditable Service for unused sick leave. An employee can only convert hours that are not eligible for payment by the City of Austin. COA ERS requires payment by the Member, and then by the City, of the equivalent amount of retirement contributions that would have been made had the sick hours been exercised as sick hours. This service credit can only be purchased at the time of retirement and cannot be used to reach retirement eligibility.

**Q: *What do I need to do if I am interested in receiving a calculation of the cost to purchase Creditable Service?***

**A:** You will need to complete a "Request for Purchase Calculation Estimate" form. This request form is available on our website or by calling the Retirement Office. Following verification of information and eligibility of purchase, a Member Service Specialist will mail a calculation to you at your home address on record.

## RETIREMENT

**Q: *When can I retire from COA ERS?***

**A:** Members are entitled to receive a monthly retirement benefit from COA ERS when they meet the following age and service eligibility requirements and apply for retirement:

- Any number of years Creditable Service at age 62\*
- 20 years Creditable Service at age 55
- 23 years Creditable Service at any age

\*To meet this retirement eligibility, a Member must either be an active-contributing Member at age 62, a terminated vested Member, or a proportionate Member with five years combined Creditable Service.

**Q: *I am thinking about retiring from COA ERS within the next two years. Where can I get information concerning my benefits?***

**A:** You may want to attend a Pre-retirement Seminar. Representatives from COA ERS, Social Security Benefits, the City of Austin Benefits Department (Retiree Healthcare), and Deferred Compensation present valuable information to help you plan for your retirement. The seminar is generally offered the third Thursday of each month at 1:30 p.m. at the Retirement Office. You can call the Retirement Office to sign up for an upcoming seminar. You may also contact a Member Services Specialist to obtain a “Request for Retirement Benefit Information” form. Upon receipt of this form, a Member Services Specialist will mail a written estimate to the address you provide on the request form.

**Q: *How will my retirement benefit be determined?***

**A:** The factors used to calculate COA ERS retirement benefits include:

Total years and months of Creditable Service (*see Creditable Service/Membership above*), multiplied by:

3.0% (Current Multiplier), multiplied by:

The Member’s Final Average Earnings (FAE) – FAE is the average annual salary for the highest 36 months of contributory service during the last 10 years (120 months). For most Members, this is the average of the last three years worked.

**Q: *What retirement options are available when I retire?***

**A:** COA ERS provides several options for payment of monthly retirement benefits. All payment options are actuarially equivalent to the basic Member only Life Annuity benefit. You should choose a payment option that best meets your individual needs. If you choose an option that will pay benefits to your survivor beneficiary at the time of your death, your benefit will be reduced based on your age and the age of your surviving beneficiary. The total annuity you and/or your designated survivor beneficiary will receive each month depends on the retirement option chosen. If you choose a non-spouse survivor beneficiary, some restrictions may apply. You can schedule a meeting with a Member Services Specialist to discuss the options that are available to you. You are strongly encouraged to obtain independent financial and/or tax advice when making decisions about your benefits. COA ERS staff will assist you in understanding your benefits, but they cannot provide recommendations about the decisions you make.

**Q: *What is the effective date of my retirement?***

**A:** The effective date of retirement is always the last day of the month. For example, if you are eligible to retire (*see Retirement eligibility question above*), complete the application process for retirement, and terminate employment from the City of Austin on June 15, your effective date of retirement will be June 30, and you will receive your first annuity payment on the last business day of July. If you have terminated City of Austin employment, have kept your funds in COA ERS, and have five or more years of Creditable Service (*see Creditable Service/Membership above*), you are considered a vested Member and are entitled to receive retirement benefits upon reaching retirement eligibility and making a written application for retirement.

**Q: *Will my retirement automatically be effective the date that I reach retirement eligibility?***

**A:** Members must apply for retirement benefits. When you begin considering retirement from COA ERS, you should contact the Retirement Office. When you become eligible for retirement (*see Retirement eligibility question above*) and are ready to retire and choose a benefit option, you should schedule an appointment with a Member Services Specialist to complete the necessary paperwork. It is your responsibility to apply for retirement benefits. The benefits are not retroactive to the date you reached retirement eligibility. You are encouraged to apply for retirement 60 days prior to your planned retirement date. Your “Notice of Intent to Retire” must be received by the 15th day of the month of actual retirement.

## LUMP-SUM PAYMENTS

**Q: *What is a DROP?***

**A:** DROP stands for “Deferred Retirement Option Program”. Members who have COA ERS Creditable Service (*see Creditable Service/Membership above*) that exceeds COA ERS’ retirement eligibility requirements (*see Retirement above*) may elect to “DROP-back” a portion of their Creditable Service time. The DROP allows a Member to receive a lump-sum payment in addition to receiving a monthly annuity based on the Final Average Earnings (*see Creditable Service/Membership above*) and years of Creditable Service at the beginning of the DROP period. A DROP period can be no earlier than: Day of first retirement eligibility; Date of last purchase of Creditable Service of any type other than Sick Leave Conversion; or, 60 months (in one-month increments) prior to the retirement date. Since the Creditable Service and Final Average Earnings for the DROP period are included in the DROP lump-sum, any Creditable Service and Final Average Earnings for that period will be excluded when determining the Member’s monthly retirement benefit. The Member would receive a lump-sum payment equal to 90% of the sum of the monthly annuities the Member would have received if the Member had retired at the DROP entry date. DROP accounts may be rolled over to other qualified plans, paid in one lump-sum to the Member, or a combination of both. DROP payments made directly to the Member are subject to a mandatory 20% federal tax withholding. Members who receive a DROP payment before the year in which they reach age 55 are subject to IRS penalty for early withdrawal of the funds. This penalty only applies to funds paid directly to a Member. Funds rolled over to an IRA or other qualified plan are not taxed until distributed. The DROP payment is issued at the same time as the first monthly retirement benefit check. Cost-of-living adjustments, interest, and Member or City of Austin employer contributions do not increase the monthly amount credited to the DROP.

**Q: *Can I receive a lump-sum payment and a monthly annuity check?***

**A:** A retiree can select a retirement option and request a one-time lump-sum payment to be paid at the same time as the Member’s first annuity payment. The Member’s annuity amount will be actuarially reduced for the lump-sum payment. Members may select a partial lump-sum distribution, or both a partial lump-sum distribution and a DROP, not to exceed 60 months of annuity payments under a basic Member only Life Annuity.

## RETIRES WORKING FOR THE CITY OF AUSTIN

**Q: *If I retire from COA ERS, can I get a job at the City?***

**A:** State law places restrictions on Members who retire from the System and then return to work for the City of Austin. The retirement allowance of a retired Member will be suspended if the Member is employed by the City for at least six months in any consecutive 12 calendar months and works, is budgeted for, or is compensated for more than 29 hours in a calendar week. When the Member again retires, the Retirement System will compute the Member’s retirement benefit based on service before and after the initial retirement. The resulting benefit will be actuarially reduced to reflect the value of the benefits received before the Member resumed full-time employment with the City. The retirement option and the survivor beneficiary, if applicable, designated at the time of the original retirement date remain the same as previously selected. There are no restrictions placed on Members who retire from COA ERS and work for participating systems of the Proportionate Retirement Program or the Travis County Healthcare District/New Corporation (*see Proportionate Service above*) .

## RETIREE HEALTH INSURANCE

**Q: *Who should I call with questions concerning my health insurance when I retire from COA ERS?***

**A:** The City of Austin currently provides basic medical and dental insurance coverage to City of Austin retirees and their dependents. The City of Austin offers this benefit, and it is subject to annual budget approval. If you sign up with the City of Austin for health insurance, any applicable premiums may be deducted from your monthly benefit payment from COA ERS. Any questions about insurance rates, plans, and options should be directed to the City of Austin Benefits Office: One Texas Center, 505 Barton Springs Road, Suite 600, Austin, TX 78704; phone number (512) 974-3284.

## LEAVING CITY EMPLOYMENT

**Q: *I have five or more years of Creditable Service with COA ERS and am leaving City employment. What options do I have for my funds?***

**A:** Members with five years of Creditable Service are considered vested Members (*see Creditable Service/ Membership above*). Your COA ERS benefit may be your most valuable financial asset. It is not just the amount of your contributions to the retirement plan. As a vested Member, if you retain your deposits in the System, you may apply for a benefit option upon retirement that will require COA ERS to provide you an annuity payment every month for the rest of your life. If you elect a retirement benefit with a survivor option, upon your death, your eligible beneficiary will continue to receive a retirement benefit. You can go to our website or come to the Retirement Office to get a “Designation of Retirement Deposits” form to request that your deposits be retained in the System. Your deposits will remain in the System until retirement eligibility is reached (*see Retirement above*) and you have applied to receive a monthly annuity. Deposits will continue to earn interest until the monthly annuity begins. You can withdraw your funds at any time, however, withdrawal will forfeit your vested status and the retirement benefit. It is the Member’s responsibility to read and understand the form, including the required IRS Distribution Tax Notice, before making a decision on retirement plan benefits. It is mandatory that 20% tax withholding be made on a refund paid directly to a Member. In addition, funds not rolled over to another qualified plan may be subject to IRS penalty for early withdrawal.

**Q: *I have less than five years of Creditable Service with COA ERS and am leaving City employment. What options do I have for my funds?***

**A:** If you have less than five years of Creditable Service with COA ERS and do not have or anticipate proportionate service in a participating system (*see Proportionate Service above*), you may request to receive your funds by a refund being paid directly to you or by rolling your funds over to a qualified retirement plan that accepts rollovers. Withdrawal of your funds will forfeit your rights to any future benefits with COA ERS. You can go to our website or come to the Retirement Office to get a “Designation of Retirement Deposits” form. This form includes the required IRS Distribution Tax Notice which you should read and understand before making a decision on your retirement plan benefits. It is mandatory that 20% tax withholding be made on a refund being paid directly to a Member. In addition, funds not rolled over to another qualified plan may be subject to IRS penalty for early withdrawal.

**Q: *How long will it take for my funds to be refunded or rolled over?***

**A:** The processing of your refund can take 60-90 days after you receive your final City payroll check, which includes your final retirement contribution to the System. It is your responsibility to ensure that your employment status has been terminated from the City’s payroll system and that you have received your final pay check.

## OTHER INFORMATION

**Q: *I need help in deciding what is best for me and my family. What type of advice does your staff provide?***

**A:** COA ERS staff will advise you concerning options available to you and your family. COA ERS does not provide advice or recommendations concerning financial, estate planning, tax, investment, or legal issues. You should consult with qualified independent professionals regarding finances, tax, estate planning, investment, and legal issues related to your retirement benefits.

**Q: *I have more than two years to retire but would like to find out more about the Retirement System. Is there a seminar for me?***

**A:** COA ERS and the City Deferred Compensation Program (Great-West Retirement Services) have developed a joint presentation “Pension 101: A Primer for City of Austin Civilian Employees”. In this seminar, you will find out: the difference between defined benefit and defined contribution retirement plans; your options when you retire or terminate City employment; and, how, when, and why you might consider transferring funds between COA ERS and Deferred Comp. You can call Great West at (512) 457-9240 or email [will.cornforth@gwrs.com](mailto:will.cornforth@gwrs.com) to learn more about the seminar or to find out when seminars are scheduled. In addition, COA ERS Member Services Specialists are available for individual appointments with Members and will make group presentations upon request. You can call the Retirement Office and ask to speak to the Member Services Specialist for your particular department.

**Q: *If I am unable to come in for an appointment, is there another way I can get estimates of my retirement annuity or the cost to purchase service?***

**A:** Members are invited to visit our website to estimate retirement benefits using our Monthly Benefit Calculator. Members can also use this calculator to estimate the amount of survivor beneficiary annuities. These calculators are for estimating retirement benefits and service purchase costs. Calculations of benefits and cost to purchase service will be determined by COA ERS staff. Calculations projected for the purchase of a future date are subject to change without notice and do not represent a guaranteed purchase price. All calculations are subject to pre-purchase and post-purchase audits.

**Q: *What do I need to do to designate a beneficiary to receive my funds in COA ERS in case I die before I retire from COA ERS?***

**A:** You should complete a COA ERS “Beneficiary Designation Form”. The form (along with important instructions for completion) is available online at our website or by calling the Retirement Office. If you do not have a valid form on file, your death benefits will be paid to your spouse if you are married, or to your estate if you are not married. This important document must be carefully and fully completed and on file with COA ERS.