



# **Member Handbook**

Revised October 2004



*City of Austin Employees' Retirement System*

**Member Handbook Supplement  
March , 2009**

**Updates to the Member Handbook  
Include:**

**Page 5, Permissive Time- Clarification:**  
... Only Vested Members (five or more years of membership service with COAERS) are eligible to purchase Permissive Time...

**Page 6, Proportionate Retirement – The Austin Police Retirement System (APRS) is now a participating retirement system.**

# **City of Austin Employees' Retirement System**

## **Member Handbook**

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Revised October 2004 C

This Member Handbook is a general summary of the benefit provisions administered by the City of Austin Employees' Retirement System (COA ERS or System). This handbook is intended to give you a general idea of your benefits and acquaint you with COA ERS. The benefits described apply to Members as of the date this handbook was issued, unless stated otherwise. If there is any difference between the information provided in this handbook and the law or policies that govern COA ERS, the law and policies will prevail.

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# Retirement System

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## Introduction

**COA ERS is:**

- An IRS tax qualified 401(a) defined benefit plan
- Governed by the State Statute Art. 6243n.

**COA ERS Board of Trustees:**

- Provides oversight
- Sets policy

**COA ERS Staff:**

- Provides service to all Members
- Ensures compliance with policies and procedures

**Members of COA ERS:**

- Are the reason we are here
- Are welcome to attend all Board Meetings

## Membership Requirements

City of Austin regular employees working 30 or more hours per week become Members of COA ERS on the date of employment as mandated by Statute.

**Members do not include:**

- Temporary employees
- Part-time employees working less than 30 hours per week
- Civil service employees of the Fire Department and the Police Department
- The Mayor and Members of the City Council

## Contributions

**Employee:** Members of COA ERS currently contribute 8% of their base pay, calculated on a 40-hour work week. Contributions are made through payroll deduction each pay period (every two weeks). Overtime and special pay are not included.

**Employer:** Each pay period, the employer currently contributes an amount equal to the amount contributed by Member employees. These funds do not become a part of the Member's account.

## Member Information Confidentiality

From time to time COA ERS Members, financial institutions, or government agencies call the Retirement Office to obtain information regarding retirement accounts or names and addresses of COA ERS Members. Most of these requests for information are legitimate; however, excluding the limited exceptions provided by Art. 6243n., for the protection of our Members, the COA ERS staff will not give any financial or contact information to anyone without the Member's express written consent. If you request personal retirement information, COA ERS staff will mail it to your address of record. Requests for financial information from other institutions such as banks, mortgage companies, or government agencies must contain the COA ERS Member's signature and social security number. For security reasons, these requests are only accepted and responded to via fax, posted mail or in person with a valid photo ID. We understand that this may be inconvenient at times, but we are committed to the security of the information that you, as COA ERS Members, entrust to us. COA ERS is required to provide information to the employer and to certain government officials when the Executive Director finds the information is necessary to their job performance. COA ERS may also be required to provide information pursuant to a subpoena if the Member will have an opportunity to contest the subpoena.

## Address Changes

At various times during the year important System correspondence is mailed to Members' home addresses, therefore it is very important that all of our Members keep their addresses up to date.

### **Active Members:**

Each pay period, when documentation of Member contributions is received from the City Payroll Department, we also receive updated address information. In order for the Retirement Office to have the most current addresses, Active Members need to contact the **City of Austin Payroll Department** at (512) 974-3001 to update their addresses.

### **Retired/Vested Members:**

Changes of address must be submitted in writing to the Retirement Office. Forms are available at [www.coaers.org](http://www.coaers.org) or by calling the Retirement Office.

# Retirement Benefits

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## Retirement Eligibility

Employees are eligible for retirement when they meet one of the following age and service requirements:

- 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 or a terminated Vested or Proportionate Member with five years combined Creditable Service.

## Vesting

Members become vested with COA ERS as soon as they have five years of Creditable Service. This includes any combination of the below described types of Creditable Service. The Member is not entitled to receive the employer contribution at any time. Instead, vesting means that a Member is entitled to receive a lifetime benefit as long as the funds are on deposit in the System upon reaching retirement eligibility.

## Creditable Service

In order for COA ERS to calculate retirement benefits, it is important to know the total number of years of Creditable Service a Member has with COA ERS. Creditable Service is a combination of Membership service and other types of Creditable Service described below.

As of October 1, 1995, Active/Vested Members receive service credit for up to one six-month probationary period at retirement. All Members hired on or after October 1, 1995 become Members on their date of hire or to regular employment of 30 or more hours per calendar week.

In some cases, Members may purchase Creditable Service. A Member may make such purchases twice each calendar year by lump sum payment. Purchases must be made prior to retirement. Service credit must be purchased in minimum increments of one month and may be subject to other guidelines. To purchase this service, Members may pay by personal check, cashier's check, or money order, or roll over funds from other qualified plans. Service purchase calculators are available on our website at [www.coaers.org](http://www.coaers.org).

The Board of Trustees adopts policies and guidelines governing the purchase of service credit.

## Types of Creditable Service

**Membership Service** - The employment period during which a Member makes payroll contributions to the System is considered the “Membership Service” period.

**Reinstated Membership Service (Prior COA Service)** - If a Member has left City employment, withdrawn his/her deposits, and later returned to City employment, he/she may purchase and reinstate this earlier time with the City. To purchase this service, he/she must become a Member of COA ERS or another proportionate system. The cost to purchase prior service credit is based on the amount previously withdrawn and an actuarial multiplier.

**Non-contributory Service Credit** - Members may purchase service credit for the following non-contributory categories:

- Non-contributory service, such as temporary or part-time service
- Approved leave of absence
- Workers’ compensation leave due to an injury sustained in the course and scope of employment by the City of Austin

### **Credit for Federal Active Duty Military Service:**

**Prior Active Duty Military Service** - Members may establish up to 48 months Creditable Service for prior military service. Prior military service eligible for purchase is full-time active duty service in the armed forces of the United States performed before the first day of the most recent period of active membership in COA ERS. Military service in the reserves, a service academy, or for less than 90 consecutive days is not eligible for purchase. To purchase prior military service, Members must present an original DD214 showing honorable discharge.

**Military Leave of Absence** - Members may establish Creditable Service for an authorized leave of absence from employment for military service. The Member may establish such Creditable Service during the authorized leave of absence by continuing to make retirement contributions during the period of service. Alternatively, if the Member returns to employment within the applicable period (that varies from 14 days to 90 days depending on the length of service) after the completion of the military service, the Member and the employer may secure such Creditable Service by making a lump sum payment within five years of the date the Member returns to employment and Active-Member status.

*(continued)*

## Types of Creditable Service (cont.)

**Permissive Time** - Members may purchase up to five years of Creditable Service to advance their retirement eligibility date and/or increase the amount of their monthly annuity upon retirement. Only Vested Members (five or more years of Creditable Service) are eligible to purchase Permissive Time. Age, salary, earliest retirement date, and a combination of actuarial data determine the cost. There may be federal limitations on cash purchases.

**Sick Leave Conversion** - Retiring Members may convert sick leave hours to increase Creditable Service time. Converted sick leave hours cannot be used to reach retirement eligibility. Sick leave must be converted in pay period (80-hour) increments. Both the Member and the City must pay the current contribution rate at the time of retirement to convert hours. Members must begin the conversion process 60 days prior to their retirement date.

**Service prior to 1941** - Additional service credit is allowed for Members with service performed before 1941, when the System came into existence. Two percent is applied for the number of years (prior to 1941) times the average salary for the years 1946 – 1950.

## Creditable Service Purchase Application

In order to purchase any of the above described types of Creditable Service, a “Creditable Service Purchase Application” is required. This form and website calculators are available online at [www.coaers.org](http://www.coaers.org). It must be submitted **before** any estimates will be provided to the Member and will only be accepted for a purchase date within 90 days of the application.

## Proportionate Service

In 1991 the Texas Legislature established a Proportionate Retirement Program for the benefit of members of participating public retirement systems. A member of two or more of the following participating retirement systems may be eligible for proportionate benefits:

- City of Austin Employees' Retirement System
- The El Paso City Employees' Pension Fund
- El Paso Firemen and Policemen's Pension Fund
- Employees Retirement System of Texas (ERS)
- Judicial Retirement System of Texas I & II
- Texas Municipal Retirement System (TMRS)
- Texas County and District Retirement System (TCDRS)
- Teacher Retirement System of Texas (TRS)
- Other Texas retirement systems covering municipal employees who have qualified plans and have elected to participate in the Proportionate Retirement Program

Participating systems recognize service from other participating systems. A member with service credit in more than one participating retirement system 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 performed in that system. Military service purchases may only be used once in determining the amount of the member's combined service credit.

A member of a participating retirement system who forfeited membership service by withdrawing their deposits may re-establish credit for service earned in another participating proportionate retirement system. A member must contact the system in which he/she previously had membership in order to determine eligibility requirements to re-establish service credit and/or membership. A member should determine his/her proportionate retirement benefits before withdrawing member deposits in any of these systems.

## Calculation of Retirement Benefits

### Factors used to calculate COA ERS retirement benefits:

1. **Total Creditable Service** – Total years and months of Creditable Service, including:
  - Regular membership service
  - Reinstated membership service
  - Military service purchased
  - Non-contributory service purchased
  - Permissive Time purchased
  - Converted sick leave
  - Up to one six-month probationary period granted at retirement to Members hired before October 1, 1995
  - Note: Proportionate service is only used to reach eligibility; it is not used to calculate retirement benefits.
2. **Multiplier** – As of January 2002, COA ERS' multiplier is 3.0%.
3. **Final Average Earnings (FAE)** – FAE is the average annual salary for the highest 36 months of contributory service during the last ten years. For most Members, this is the average of the last three years worked. This can be calculated as either a monthly FAE or an annual FAE. Purchases of service credit do not affect FAE.

### To estimate retirement benefits:

1. Multiply **Total Creditable Service** by
2. **Current Multiplier**. This is the percentage of gross income replaced.
3. Multiply this percentage by **Final Average Earnings**.

### Sample Life Annuity Calculation:

<u>\$25,000.00</u>					
Average annual salary for the highest 36 months of contributory service during the last ten years (FAE)					
<u>23 years</u>	X	<u>3%</u>	=	<u>.6900</u>	
Total years of Creditable Service		Multiplier		Total %	
<u>.6900</u>	X	<u>\$25,000.00</u>	=	<u>\$17,250.00</u>	
Total %		FAE		Annual Annuity	
<u>\$17,250.00</u>	/	<u>12</u>	=	<u>\$1,437.50</u>	
Annual Annuity		Months		Monthly Annuity	

## Website Calculators

Members are invited to visit our website at [www.coaers.org](http://www.coaers.org) to estimate retirement benefits using our Monthly Benefit Calculator. Members can also use this calculator to estimate the amount of survivor beneficiary annuities. Separate calculators are available to estimate the cost of some service purchases. These calculators are for estimating retirement benefits and service purchase costs. Final calculations of benefits and calculations of 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.

## Applying for Retirement

When a Member begins considering retirement from City employment, he/she should contact the Retirement Office. A Member Services Specialist will prepare a calculation of retirement benefits, including all options. Pre-retirement seminars are designed for Members planning to retire within two years; Members should contact the Retirement Office to sign up for a seminar.

When a Member is ready to retire and choose a benefit option, he/she should contact the Retirement Office to set up an appointment for completion of the necessary paperwork. Members are encouraged to apply for retirement 60 days prior to their planned retirement date. Retirement paperwork must be completed by the 15<sup>th</sup> day of the month of actual retirement.

It is important to fully understand all issues related to retirement benefit options prior to completing the paperwork necessary for retirement. All System programs and benefits are governed by Statute, and resolutions and policies established by the Board of Trustees. Member Services Specialists will explain the retirement process and calculations used to determine the monthly benefit.

**Members are strongly encouraged to obtain independent financial and/or tax advice when making decisions about benefits. COA ERS staff assists Members in understanding their benefits, but cannot provide advice or recommendations about the decisions our Members make.**

Members should call the Retirement Office with any questions about retirement or retirement options. Appointments are recommended for Members who want to speak with a Member Services Specialist in person.

## Retirement Date

The effective date of retirement is always the last day of the month. For example, if a Member is eligible to retire, applies for retirement, and terminates his/her employment on March 17, the effective date of retirement will be March 31, and the Member will receive the first annuity payment on the last business day of April. If a terminated Vested Member does not withdraw his/her accumulated deposits, the retirement annuity payment may begin the last day of the month after normal retirement eligibility is reached.

## Retirement Checklist

Making the decision to retire can be exciting, yet difficult. Once a Member has decided to retire, the following steps should be followed in order to ensure a smooth transition into retirement:

1. Contact a Member Services Specialist at the Retirement Office to schedule an appointment to retire:

City of Austin Employees' Retirement System  
418 E. Highland Mall Blvd.  
Austin, Texas 78752-3720  
(512) 458-2551

2. Discuss with his/her spouse, if applicable, which retirement option the Member has chosen. Member Services Specialists will explain all options and answer any questions.
3. Bring the following to the retirement appointment:
  - The Member's spouse; because Texas is a community property state, a spouse must consent to and sign the retirement documents
  - Certified copies of both the Member's and the spouse's birth certificates
  - Both the Member's and the spouse's original social security cards and valid government issued photo IDs (e.g. drivers license)
  - A voided check/deposit slip from the account into which the Member wishes his/her retirement payment to be directly deposited. The name of the Retiree must be on the check or deposit slip.
  - The names, social security numbers, dates of birth, and addresses of beneficiaries

## Retirement Options

COA ERS provides several options for payment of monthly benefits. All payment options are actuarially equivalent to the basic Life Annuity benefit. A Member should choose a payment option that best meets his/her individual needs.

The options that include benefits to a survivor are calculated according to the ages of both the Member and surviving beneficiary included in the plan. The Member's benefits are reduced if an option is chosen that provides survivor benefits. This reduction is applied to the Member's basic benefit relative to the option the Member chooses. Some restrictions may apply to non-spouse survivor benefits.

If the Member is married, spousal consent is required. **A Member cannot change options or the survivor beneficiary after retirement.** Even if a Retiree and the beneficiary spouse later divorce, the survivor beneficiary cannot be changed. Only the survivor beneficiary named at retirement will receive survivor benefits.

**Life Annuity** - A basic monthly benefit payable to the Retiree only for life. Any balance of the Retiree's deposits (including interest) remaining at the Retiree's death will be paid in a lump sum to the Retiree's beneficiary.

**Option I: 100% Joint and Survivor** - A reduced monthly benefit payable throughout the Retiree's life. At the Retiree's death, the survivor beneficiary will continue to receive this benefit throughout his/her life.

**Option II: 50% Joint and Survivor** - A reduced monthly benefit payable throughout the Retiree's life. At the Retiree's death, the survivor beneficiary will continue to receive 50% of this benefit throughout his/her life.

**Option III: 66 2/3% Joint and Survivor** - A reduced monthly benefit payable throughout the Retiree's life. At the Retiree's death, the survivor beneficiary will continue to receive 66 2/3% of this benefit throughout his/her life.

**Option IV: Joint and 66 2/3% Last Survivor** - A reduced benefit payable until the death of either the Retiree or the survivor beneficiary. After the death of the Retiree or the survivor beneficiary, the last survivor of the two will receive 66 2/3% of the benefit as long as he/she lives.

*(continued)*

## Retirement Options (cont.)

**Option V: Fifteen Year Certain and Life Annuity (180 payments) -**

A benefit payable to the Retiree only for life. If the Retiree's death occurs before 180 payments are made, the Retiree's beneficiary or the Retiree's estate will receive the remaining monthly payments until all 180 payments have been made. If the Retiree is still living after receiving 180 payments, payments will continue until the Retiree's death.

**Option VI: Actuarial Equivalent of Life Annuity -** This option allows the Member to develop his/her own benefit payment plan with the assistance and approval of the System's actuary. The Member has flexibility to design a benefit option that is most appropriate for the Member and the beneficiary's needs after retirement, subject to approval by the Board of Trustees. Members must submit the request to the Retirement Office at least 60 – 90 days prior to the planned retirement date to allow time for calculations.

## **Backward DROP Program**

DROP stands for Deferred Retirement Option Program. This benefit allows the Member to receive a lump sum DROP payment in addition to receiving a monthly annuity based on Final Average Earnings and years of Creditable Service at the beginning of the DROP period.

Members who have already reached retirement eligibility, excluding proportionate service, and who continue to work and contribute to COA ERS, may elect to “DROP Back” a portion of their Creditable Service time. The amount of time a Member can “DROP Back” is limited by the most recent of the following events:

- The date of first retirement eligibility
- The date of the last purchase of Creditable Service of any type other than Sick Leave Conversion
- No earlier than 60 months (in one-month increments) prior to the retirement date

The DROP account is credited with 90% of the monthly benefit based on the Life Annuity option. 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, and if the Member is under age 55 at the time of disbursement, this payment is subject to an IRS penalty for early withdrawal. The DROP payment is issued at the same time as the first monthly benefit check.

Cost of Living Adjustments, interest, and Member or City contributions do not increase the monthly amount credited to the DROP.

## **415 Restoration of Retirement Income Plan**

Certain highly compensated Members may have their retirement annuity limited because of Section 415(b)(1) of the Internal Revenue Code. A plan amendment, effective January 1, 2000, provides for COA ERS to pay a benefit payment that exceeds the limitation imposed by the Internal Revenue Code from a separate, non-qualified and unfunded “Restoration of Retirement Income Plan”. Additional details are made available to affected Members during the retirement process.

## **Disability Retirement Benefits**

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### **Disability Retirement Requirements**

Members may apply for disability retirement benefits if:

- They are mentally or physically incapacitated for the performance of any type of employment duties
- The incapacity is likely to be permanent

### **Disability Retirement Eligibility**

Active Members with less than five years Creditable Service may only apply for disability retirement if the disability is a result of an on-the-job accident or injury. Active Members with five or more years of Creditable Service may apply for disability retirement even if the disability is not job related. Members who are already eligible to retire may not apply for disability retirement.

Members are considered to remain in the same membership category in effect on the date of termination for 90 days following termination. This allows Members to apply for disability retirement for up to 90 days following termination for inability to perform all employment duties.

### **Disability Retirement Options**

A Member approved for disability retirement may choose a Life Annuity benefit or a benefit described in Options I, II, III, or IV. Disability Retirees are not eligible for any type of lump sum payment.

### **Applying for Disability Retirement**

Applications for Disability Retirement are available at the Retirement Office. The Board of Trustees has final authority in granting disability retirement allowances.

Disability Retirees are periodically required to provide proof of continued disability and are annually required to provide employment and income documentation to the Board of Trustees. Note that the Board of Trustees may suspend or revoke retirement annuity payments for Disability Retirees who do not submit the required documentation within the requested time period.

## **After Retirement**

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### **Tax Withholding and Reporting**

Each year COA ERS will send a statement (1099-R) to annuitants indicating total taxable and non-taxable benefits as reported to the Internal Revenue Service (IRS). Retirees are responsible for any taxes and penalties due if they fail to have adequate tax amounts withheld from their annuity payments. Annuitants may change their tax withholding election at any time by requesting and completing a W-4P “Withholding Certificate for Pension or Annuity Payments”. Changes received by the 12th of the month will generally be reflected in that month's annuity payment; changes received after the 12th of the month will generally be reflected in the following month's annuity payment.

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

In accordance with COA ERS' governing Statute, the Board of Trustees annually determines whether a Retiree Cost of Living Adjustment will be granted, and if so, the amount of such adjustment. Prior to granting an adjustment, the System's actuary must certify that the System has and will likely continue to have the ability to pay such an amount out of its realized income after all other obligations of the fund have been paid. Any approved adjustment will be prorated for any benefit which has been in effect for less than a year. After the first year, the Retiree is entitled to the full amount of any adjustment without proration.

### **Annual Affidavits**

Once each year, affidavits are mailed to all Retirees and Beneficiaries receiving annuity payments from COA ERS. By signing and returning the affidavit, Annuitants confirm that they are still living and eligible to receive their monthly annuity. The affidavit process is used by retirement systems to prevent fraudulent payments to people who are not eligible to receive an annuity. Board Policy requires that all affidavits be notarized. Note that the Board of Trustees may suspend retirement annuity payments for Annuitants who do not submit the required affidavit within the requested time period. Early affidavits will not be accepted.

## Address and Direct Deposit Changes

Changes to a Member's address and/or direct deposit information must be made in writing. Forms can be obtained from our website at [www.coaers.org](http://www.coaers.org) or by calling the Retirement Office. Changes received by the 12th of the month will generally be reflected in that month's annuity process; changes received after the 12th of the month will generally be reflected in the following month's annuity process.

## Retirees Working for the City of Austin

The Statute governing COA ERS 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 an employer for at least six months in any consecutive 12 calendar months and works, is budgeted, or is compensated for more than 29 hours in a calendar week. When the person again retires, the Retirement System will compute the benefit based on service before and after the initial retirement. The resulting benefit is reduced actuarially to reflect the value of the benefits received before the resumption of full-time employment. **The retirement option and the survivor beneficiary, if applicable, designated at the time of the original retirement date remain. A Member cannot change options or the survivor beneficiary after retirement.** Even if a Retiree and the beneficiary spouse later divorce, the survivor beneficiary cannot be changed. Only the survivor beneficiary named at retirement will receive survivor benefits.

## **“Pop-Up” Benefit**

At retirement, COA ERS Members have several retirement options which allow them to name a survivor beneficiary who will receive an ongoing monthly annuity after the Retiree’s death (Options I, II and III - 100%, 50% and 66 2/3% Joint and Survivor). These options decrease the Retiree’s base monthly annuity according to the birth date of the Retiree and the survivor beneficiary and other actuarial factors. If a Retiree’s Option I, II or III survivor beneficiary pre-deceases him or her, and the death was on or after October 1, 1999, the Retiree has the right to have his/her monthly annuity increased to the Member Only Life Annuity monthly amount. **In order to “Pop-Up” the monthly annuity, the Retiree must provide COA ERS staff with a certified death certificate. This benefit increase will become effective the month after receipt of a survivor beneficiary’s death certificate. It is the responsibility of the Retiree to notify the Retirement Office of the death.** This benefit is not retroactive to the survivor beneficiary’s date of death. Note that as of July 25, 2000, this benefit was extended to Retirees who selected the actuarial equivalent of Life Annuity option with underlying options of I, II or III, and as of January 28, 2003, this benefit was further extended to Retirees who selected any Joint and Survivor Option other than a Joint and Last Survivor Option (e.g. actuarial equivalent of Life Annuity option with any survivor option including Level Income Survivor options).

### **Information for Retirees Who Selected the Level Income Retirement Options**

The Level Income retirement option was offered until October 1999 to allow a Retired Member to receive an approximate “level” amount of income for life. The Level Income retirement option is no longer available as a standard option for retirement.

This retirement option is actuarially equivalent to the Life Annuity (Member Only Annuity) benefit, even when a Level Income Joint and Survivor Option is selected. At retirement, the Member has accepted an annuity that is greater than the normal Life Annuity with the understanding that at age 62, the monthly annuity will be decreased based on the income Social Security is expected to pay.

Regardless of whether a Member applies for Social Security at the designated age, the COA ERS annuity will be reduced the month following attainment of age 62. COA ERS benefits are not tied to the benefits provided by the Social Security Administration (SSA), and COA ERS is not responsible for the income actually paid by SSA. Members who elected this option should understand that COA ERS may have paid Cost of Living Adjustments and other increases that exceeded those paid by SSA, and there may be a gap between the estimated income at the level income age and the actual income received at that age.

## Retiree Health Insurance

The City of Austin currently makes basic medical and dental insurance coverage available for City of Austin Retirees and their dependents. **Note: The City of Austin offers this benefit, and it is subject to annual budget approval.**

If a Retiree signs up with the City of Austin for health insurance, any applicable premiums will be deducted from the Retiree's monthly benefit payment. **Any questions about insurance rates, plans and options should be directed to the City of Austin Benefits Office:**

Human Resources Benefits Division  
City of Austin  
II Commodore Plaza  
9<sup>th</sup> Street & Brazos  
14<sup>th</sup> Floor  
P.O. Box 1088  
Austin, Texas 78767  
Phone: (512) 974-3284

## Death and Survivor Benefits

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### Retired Members

**At the death of a Retiree**, a death benefit of \$10,000 is paid by COA ERS to the designated beneficiary(ies) of the deceased. This \$10,000 death benefit is paid to the beneficiary(ies) in addition to any of the following benefits that are applicable:

**If the retired Member chose the Basic Life Annuity**, the monthly benefit stops the month following the death of the Retiree. However, if death occurs before the Retiree's accumulated deposits have been paid out, the Retiree's remaining deposits will be paid in a lump sum to the Retiree's designated beneficiary(ies) or estate.

**If the retired Member chose an option providing benefits to a survivor beneficiary**, at the Retiree's death, such benefits will be paid to the designated survivor. If the survivor beneficiary does not survive the Retiree, monthly benefits cease. However, if the survivor beneficiary does not survive the Retiree, and the Retiree's deposits have not been paid out, the Retiree's remaining deposits will be paid in a lump sum to the Retiree's designated beneficiary(ies) or estate.

### Active Members

**If the Active Member was not yet eligible for retirement**, the designated beneficiary(ies) is entitled to a lump sum payment of the Member's accumulated deposits (contributions and interest) and a death benefit from COA ERS equal to the deposits.

For example, if a Member dies and has \$25,000 in accumulated deposits, the Member's designated beneficiary will receive \$50,000 (the \$25,000 deposits plus a death benefit of the same amount).

**If the Active Member was eligible for retirement prior to death**, a surviving spouse may choose any retirement option that would have been available to the Member. Alternatively, a surviving spouse may choose to receive a lump sum payment of the Member's accumulated deposits and a death benefit from COA ERS equal to the deposits.

If there is no spouse, the deceased Member's designated beneficiary(ies) may elect to receive payments under Option V, Fifteen Year Certain and Life annuity, or receive a lump sum payment as described above.

Whether a spouse or non-spouse, the beneficiary selecting a retirement option will also receive the \$10,000 death benefit. This benefit is **not** paid to the beneficiaries electing a one time lump sum payment.

### Inactive Vested Members

Beneficiaries of inactive Vested Members receive the same death benefits as beneficiaries of Active Members as described above.

## Leaving the System

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If a Member leaves City employment before reaching retirement eligibility, several options are available for designation of retirement deposits. A Member must complete a “Designation of Retirement Deposits” form to select his/her option. This form includes the required IRS Distributions Tax Notice which the Member should read and understand before making a decision on retirement plan benefits.

### Options for Members With Less Than Five Years Creditable Service:

**Have deposits refunded after termination** - A Member’s accumulated deposits refund check (less mandatory 20% tax withholding) will generally be issued within 60 days after a Member is terminated from the City’s payroll system and the Retirement Office has received completed forms. A Member’s final paycheck as an employee will include a final contribution to the System.

**Leave contributions in the System through the end of the calendar year** - A Member who chooses to leave his/her deposits in the System through the end of the calendar year will receive interest on the deposits, and a refund check will be issued in January of the next year.

Retirement interest is accrued at the beginning of the calendar year based on the amount that each Member had in the System on the first day of the previous calendar year. For instance, if a Member had \$1,000 in the System on January 1, and on December 31 they had \$1,500, the interest for that year would be based on the \$1,000 in the System on January 1. A Member’s money must remain on deposit for the entire calendar year in order to accrue interest.

**Roll over all or any portion of the contributions** - In a direct rollover, the eligible rollover distribution is paid directly from COA ERS to an IRA, 457 or qualified plan that accepts rollovers. In addition to the COA ERS “Designation of Retirement Deposits” form, a letter of transfer on company letterhead or an original Transfer/Rollover form must be sent to the Retirement Office from the receiving plan or financial institution. The Letter of Transfer or Direct Transfer/Rollover form must be an original and signed by the participant **and** the new custodian. If a Member chooses a direct rollover, taxes and penalties may be avoided until a distribution is taken from the new plan. COA ERS does not offer wire transfers for rollover transactions.

**Retain contributions in COA ERS pending participation in the Proportionate Retirement Program** - To qualify, a Member must have been or become a member of one of the participating retirement systems under the statewide Proportionate Retirement Program. It is the responsibility of the Member to contact COA ERS upon eligibility for retirement and to notify the Retirement Office, in writing, of any change of address.

### **Options for Members With Five or More Years Creditable Service**

When a Member has five or more years Creditable Service with COA ERS, he/she becomes a VESTED MEMBER. This means, in addition to the four refund/rollover choices available to Members with less than five years Creditable Service, a Vested Member also has a fifth choice for designation of accumulated retirement deposits. If a Vested Member leaves City employment and keeps his/her deposits in the System, he/she may begin receiving lifetime retirement benefits when age and/or years of service eligibility requirements are met.

Upon leaving the City, a Member should indicate on the “Designation of Retirement Deposits” form that he/she wants to retain his/her deposits in the System as a Vested Member. Deposits will remain in the System until retirement eligibility is reached and a monthly annuity has been requested. Deposits will continue to earn interest until the monthly annuity begins. A Member can withdraw funds at any time, however withdrawal will forfeit vested status.

Retirement annuity payments will be calculated using benefit criteria in effect at the time of retirement. It is the responsibility of the Member to contact COA ERS upon eligibility for retirement and to notify the Retirement Office, in writing, of any change of address.

### **The Employer’s Contributions and Member Refunds**

The contributions made by the employer and interest earned thereon are used to pay benefits to COA ERS Retirees and their survivor beneficiaries. COA ERS is designed to provide income to Members who retire from the City of Austin.

If a Member leaves City employment before he/she becomes eligible for retirement and elects to withdraw and have a refund paid to them or roll over into an IRA, 457 or qualified plan that accepts rollovers, all of the contributions made by the Member and the interest earned will be paid as requested; however, no employer contributions or interest earned will be paid.

## Other Information

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### Compliance with Applicable Law

State Statute Art. 6243n., the Internal Revenue Code, and other state and federal laws are applicable to the operation and management of, and the benefits provided by, the System. Such laws place restrictions and limitations on retirement systems, including COA ERS, and directly or indirectly affect Member benefits and options. Such requirements and limitations protect the Members and their benefits. The retirement benefit options available to Members are established by Statute and may provide for beneficiaries and survivors. Deposits or retirement benefits may not be transferred or assigned except pursuant to a Qualified Domestic Relations Order (QDRO). Sample QDRO forms are available on the website, [www.coaers.org](http://www.coaers.org), for both Member benefits and child support payments. All QDRO's are subject to approval and must meet all statutory requirements. In addition, funds actually due and payable to a Member, beneficiary, or alternate payee may be subject to IRS seizure.

### Determining Interest on Members' Contributions

The Board of Trustees annually determines the amount of interest paid on Members' accumulated deposits, taking into consideration the current yield of the most recently issued 10-year U.S. Treasury notes and System actuary recommendations. The actuary considers what funds are necessary to pay all the benefits to which Retirees and their surviving beneficiaries are entitled, as well as the expected liability for current employees who will someday retire as a critical step in the decision.

Retirement interest is paid at the beginning of the calendar year based on the amount that each Member had in the System on the first day of the previous calendar year. For instance, if a Member had \$1,000 in the System on January 1, and on December 31 they had \$1,500, the interest for that year would be based on the \$1,000 in the System on January 1. The money must remain on deposit for the entire calendar year in order to accrue interest.

Because COA ERS is a defined benefit, and not a defined contribution plan, interest is set conservatively based on fixed income type returns, not returns earned by the entire fund or other more aggressive investment vehicles.

## **Retirement Fund Investments**

COA ERS' funds are invested according to the requirement of the State Statute and the Board of Trustees' Investment Policy. The investments provide returns that help fund the monthly retirement annuity and other benefits paid by the System to its Members and beneficiaries. Our Annual Report provides additional information about COA ERS' investments. The COA ERS Annual Report is available for review on our website at [www.coaers.org](http://www.coaers.org) and is available from the Retirement Office upon request.

## **Monitoring Members' Accumulated Deposits**

Active/Vested Members receive an annual "Statement of Account" from COA ERS in January each year to provide information on total accumulated deposits and interest. Note that this statement does not include the six-month probationary period for employees hired prior to 1995.

## **Prohibition on COA ERS Loans and Withdrawals**

State and Federal law does not allow Members to make a partial withdrawal of deposits or to receive loans from their retirement funds.

## History of Benefit Increases

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Year	Multiplier	Cost of Living Adjustment (COLA)
2004		
2003		
2002	3.0%	2.5%
2001		3.5%
2000	2.98%	
1999	2.7%	3.0%
1998		5.0%
1997	2.6%	6.0%
1996		6.0%
1995	2.3%	6.0%
1994		6.0%
1993	2.2%	3.1%
1992		4.0%
1991	2.1%	3.0%

## System Changes

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The City of Austin Employees' Retirement System is constantly undergoing benefit improvements and changes. Changes to COA ERS during the last 20 years include:

**December 1984:**

- Plan is qualified with the Internal Revenue Service. Member contributions after January 1, 1985 are not taxed until the time benefits are paid to the Member.

**March 1988:**

- Survivor benefit options are available to Disability Retirees effective March 13, 1988.

**August 1988:**

- Employees who previously worked for the City and received a full refund of their retirement deposits when they left City employment and have since returned to City employment, have the option of purchasing and reinstating their prior Creditable Service.
- Employee vesting occurs after five years of Creditable Service.

**February 1990:**

- Eligibility for unreduced retirement benefits is established for employees who retire at any age with 30 years of service.

**August 1991:**

- Governance of COA ERS changes from City ordinance to State Statute Art. 6243n. All changes to the System are made by the Texas State Legislature.
- COA ERS participates in the statewide Proportionate Retirement Program.

**July 1993:**

- Eligibility for unreduced retirement benefits is established for employees who retire at any age with 25 years of service.
- Military service of up to two years (24 months) can be purchased for active federal duty in the armed forces of the United States of America.

*(continued)*

## System Changes (cont.)

### **October 1995:**

- Death benefit for Retirees is increased from \$2,000 to \$10,000.
- City of Austin employees become Members of COA ERS at date of employment, and current employees are given retirement service credit for up to one six-month probationary period at time of retirement.
- Composition of the Board of Trustees changes. Place 4, Director of Finance Designee, is replaced with additional Retired Member to be elected by Retirees.

### **October 1997:**

- Eligibility for unreduced retirement benefits is established for employees who retire with 20 years of service at age 55.
- Military service of up to four years (48 months) can be purchased for active federal duty in the armed forces of the United States of America.
- Members may purchase Non-contributory time, including part time or temporary service, approved leaves of absence, and time spent on workers' compensation.
- City of Austin may purchase service credit for Members.

### **October 1999:**

- Active Members' contributions to COA ERS increase from 7% to 8% following vote by Active Members.
- Eligibility for unreduced benefits for Members who retire at any age is changed from 25 years to 23 years of service.
- New limits are established for Retirees returning to work for the City of Austin.
- "Pop-up" benefit is added for Retirees choosing Option I, II, or III (Joint and Survivor Annuities) to increase Retiree benefits if survivor beneficiary predeceases Retiree on or after October 1, 1999.
- Disability benefits for off the job injury/illness is available after five years Creditable Service; previously available after ten years of Creditable Service.
- Board of Trustees is granted authority to authorize certain benefit improvements subject to Statute guidelines.

### **January 2000:**

- "415 Restoration of Retirement Income Plan" is established.

**April 2000:**

- City Council approves increase in the City's contribution to COA ERS from 7% to 8%, first increase in City contribution rate in 15 years.

**July 2000:**

- "Pop-up" benefit is extended to Retirees who selected the actuarial equivalent of Life Annuity option with underlying options of I, II, or III.

**January 2002:**

- Purchases of Permissive Time are allowed for Active and Inactive Vested Members based on EGTRRA (Economic Growth Tax Relief and Reconciliation Act) federal law, with a minimum purchase of one month and a maximum of 60 months (five years) or the number of months needed to reach first eligibility for retirement, whichever is less.
- Proportionate Retirement Program provided by Texas Government Code Chapter 803 is amended to allow former members of participating proportionate systems to re-establish Creditable Service previously forfeited in that system without returning to membership in that system.

**April 2002:**

- Backward DROP benefit is available up to five years for Members working beyond retirement eligibility.
- Sick leave balances may be converted to Creditable Service at time of retirement with purchase paid by Member and City of Austin.

**January 2003:**

- "Pop-up" benefit was extended to any Joint and Survivor option other than Joint and Last Survivor.
- Permissive Time resolution is amended, removing the provision which restricts Members from purchasing Permissive Time in excess of the amount needed to reach first eligibility for retirement.

## COA ERS Board of Trustees

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COA ERS is administered by a Board of Trustees which acts as Trustee of the Fund. The Board consists of 11 Members, including:

- Three Members of the community; two appointed by City Council and one Member appointed by the Board
- Four Active employee Members elected by the Active-contributing Members of COA ERS
- Two Retired Members elected by the Retired Members of COA ERS
- One City Council Member
- The City Manager or his/her designee

### 2004 Board of Trustees

**Cathy Rodgers**  
Chairperson  
Elected Active Member

**Dennis Waley**  
Vice Chair  
City Manager Designee

**Janet Bartles**  
Elected Retired Member

**Eyna Canales-Zarate**  
Elected Active Member

**Reagan David**  
Board Appointed  
Citizen Member

**Francine Gertz**  
Elected Active Member

**Ed Golden**  
City Council Appointed  
Citizen Member

**Elizabeth S. Gonzales**  
City Council Appointed  
Citizen Member

**Jackie Goodman**  
Mayor Pro Tem  
City Council Designee

**Sheila (Matthews) Hale**  
Elected Retired Member

**Mark Monteith**  
Elected Active Member

Members are welcome to attend all Board and Committee meetings. In compliance with the Open Meeting Laws, Members wishing to discuss issues with the Board must request that the issue be specifically identified on the posted Board agenda. Members are invited to contact the Board of Trustees by mail, care of the Retirement Office, or by email at [board@coaers.org](mailto:board@coaers.org).

## COA ERS Staff

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## Notes

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