

Retirement Planning Checklist For Full-Time City Employees Covered By Virginia Retirement System (VRS)

Applying for Service Retirement – Tips for a Smooth Retirement Process

No.	Topic	Notes
1	<p>You Are Making Important Decisions</p> <p>Plan now for retirement and for when you are not able to make decisions</p>	<p>You are about to make one of the most important decisions of your life.</p> <p>You are making choices that can affect you and your survivor or family members for 30 years or longer. Be sure to work with your spouse or significant other in planning for retirement.</p> <p>It may be beneficial for you to seek help from financial and/or tax advisors.</p> <p>Don't take advice from just anyone, especially from persons who are not certified to give financial or tax advice. The Pension Administration Division staff are not tax professionals and cannot give tax advice.</p> <p>While you are seeking financial and tax advice, you also may want to seek legal advice to plan your will, power of attorney, advance medical directive, your estate, etc.</p> <p>Advanced planning allows you to plan for the time when you can no longer make your own decisions.</p> <p>Look for other seminars that might be helpful in planning for retirement. Senior Services of Alexandria usually has a free seminar that covers issues of interest to retirees such as related to wills, powers of attorney, and advance medical directives.</p>
2	Retirement Date	When do you think you will retire under the City retirement plans?
3	Plan Rules	<p>When does your retirement plan(s) allow you to retire?</p> <ol style="list-style-type: none"> 1. Virginia Retirement System (VRS) -- <u>three plans' rules are different</u> <ul style="list-style-type: none"> • Unreduced retirement -- <i>VRS Plan 1, Plan 2, or Hybrid Plan</i> • Reduced retirement for -- <i>VRS Plan 1, Plan 2, or Hybrid Plan</i> 2. Supplemental Retirement Plan – <u>2 plans</u> (Prudential is record keeper) <ul style="list-style-type: none"> • Unreduced retirement – Civilian or Dep Sheriff/Medic/Fire Marshal • Reduced Retirement – Civilian or Dep Sheriff/Medic/Fire Marshal

<p>4</p>	<p>Payment Amount</p>	<p>How much can you receive from your retirement plans on the date(s) you plan to retire? Log into websites to determine <u>various</u> payment options.</p> <ul style="list-style-type: none"> • VRS Plan 1 or Plan 2 – log into www.varetire.org for estimates • Supplemental Retirement Plan – log into www.prudential.com/online.retirement for estimates <p>For voluntary savings plans visit ICMA-RC website, www.icmarc.org and review various payment options: installment payments, lump sum payments</p> <ul style="list-style-type: none"> • 457 Deferred Compensation Plan • Payroll Roth IRA Plan
<p>5</p>	<p>Retirement Needs</p>	<p>How much do you need to retire?</p> <ul style="list-style-type: none"> • What are your monthly/quarterly/annual expenses? • What will be balance on any debt on retirement date? • Who do you need to provide for in retirement? • What are your plans for retirement: travelling, moving, spending money on family, spending money on education/hobbies? <p><u>Financial planning/wellness resources:</u></p> <ul style="list-style-type: none"> • www.varetire.org -- Before you log in look for myVRS Financial Wellness • www.prudential.com/online/retirement -- log in and look for My Financial Life • www.icmarc.org – Before you log in look for Retirement Education Center
<p>6</p>	<p>Your Savings</p>	<p>How much have you saved for retirement? Will it be enough?</p> <ul style="list-style-type: none"> • City 457 Deferred Compensation Plan • ICMA-RC Payroll Deduct Roth IRA Plan • Other retirement Plans • Other personal savings • How much do you plan to withdraw monthly/quarterly/annually from each savings/investment account once you retire? • What happens if you exhaust all savings and only have your monthly retirement payments to live on? Can you afford to live on that?
<p>7</p>	<p>Debt</p>	<p>What debt do you have: mortgage, car loan, education loans, credit cards, home equity loans, home maintenance debt, personal loans, 457 Plan (ICMA-RC) loan?</p> <ul style="list-style-type: none"> • What is your plan to pay off that debt? • Can you pay off the debt before you retire? • What contingency plans do you have for debt payment if things don't go as planned after you retire? • Should you consider working another year or two in order to pay down all or some of the debt?

8	Who Will You Provide For	<p>Who do you need to provide for in retirement?</p> <ul style="list-style-type: none"> • Do you have a spouse/child that you want to provide for? • Will you be providing financial assistance for children/parents or ex-spouse?
9	Divorce and QDROs	<p>Do you have a divorce decree or Qualified Domestic Relations Order (QDRO) that requires some of your pension be paid to another person? The pension plans, VRS and Supplemental, must honor a valid QDRO requiring payments be made to another person.</p> <p>★👉 If you were married and divorced while working for the City, you will need to provide a copy of your divorce documents, any agreements/documents referenced in the divorce document, and any QDRO to the Pension Division in order to apply to retire under the Supplemental Retirement benefits.</p>
10	Create Payment Estimates	<p>Visit websites to create retirement estimates.</p> <ol style="list-style-type: none"> 1. VRS: www.varetire.org 2. Prudential: www.prudential.com/online/retirement <ul style="list-style-type: none"> • When creating the estimates, the plan wants you to enter the 1st of the month after you stop work as your pension retirement date. The Supplemental Plan also wants you to enter a termination date – enter last day of month will work. • Learn about the different payment options under VRS and the Supplemental Retirement Plan: monthly payments payable to you, survivor payments for spouse/partner, etc., lump sum or partial lump sum payments • If married or have a partner, be sure to create estimates with survivor benefits for your spouse/partner. Creating an estimate does not commit you to receiving the survivor payment option. <p>VRS allows survivor payments at your death of between 10% - 100% of the benefit you receive during retirement. The Supplemental Plan allows survivor payments of 50%, 66 2/3% or 100% of the benefit you receive while you are living.</p>

<p>11</p>	<p>Death Benefits</p>	<p>Understand the death benefits provided by your retirement plans.</p> <ul style="list-style-type: none"> • If you die prior to your retirement date, VRS and the Supplemental plans pay a lump sum payment of member contributions to your beneficiary. Under VRS, if your named beneficiary is your spouse, your natural or legally adopted minor child or your parent, he or she may elect a lump-sum payment or a monthly benefit. The death-in-service benefit is in addition to any life insurance benefits you may have with the City. • After retirement, the payment option you elected will determine if any money will be paid to a survivor or beneficiary after you die. • The ICMA-RC 457 Plan and Payroll Deduct Roth IRA Plan will pay money to the beneficiaries that appear in their system.
<p>12</p>	<p>COLAs</p>	<p>Understand the Cost of Living Adjustments (COLAs) that may be available under the plans.</p> <ul style="list-style-type: none"> • See the VRS website for information on how COLAs are determined and when they start. This is very important if you are retiring early. • The Supplemental Plan does not provide a COLA.
<p>13</p>	<p>Can You Afford to Retire</p>	<p>Can you afford to retire when you planned based on following?</p> <ul style="list-style-type: none"> • your retirement estimates from VRS and Supplemental • your savings • estimated debt at retirement • your retirement plans and goals
<p>14</p>	<p>Options If Can't Afford to Retire as Planned</p>	<p>If not, what other options are available?</p> <ul style="list-style-type: none"> • Can you or should you work longer? • Can you save more money? • Can you reduce more debt? • Will you need to get another job when you retire?
<p>15</p>	<p>Try on Retirement</p>	<p>If you believe you can afford to retire when you plan, try living on your retirement income for 6 – 12 months.</p> <p>Many retirees suggest you do this.</p>

<p>16</p>	<p>Taxes</p>	<p>Consider the tax consequences of retirement. This may be a good time to work with a financial or tax advisor. (Note: Pension staff cannot answer tax-related questions.)</p> <ul style="list-style-type: none"> • VRS will withhold federal taxes from the monthly payments, but they will only withhold state taxes for Virginia residents. • If you are not a Virginia resident, does your state require you to file state taxes during the year? Contact your state tax division for information. How will you handle this? • Will you receive only monthly payments, or will you receive some of your pension as a lump sum/partial lump sum payment? • If you are planning on taking a lump sum payment, keep in mind lump sum payments are subject to taxes which may push you into a higher tax bracket for the year. • However, you can defer taxes on lump sum payments if you roll payments to a qualified retirement plan, such as the 457 Plan or a traditional IRA or other qualified plan. <p>The Internal Revenue Service Publication 575, Pension and Annuity Income, may provide you with some useful information on this subject.</p>
<p>17</p>	<p>Retirement Date for City Is Last Day of Work</p> <p>Retirement Date for Pension Plan is 1st of Following Month</p>	<p>Determine your retirement date.</p> <ol style="list-style-type: none"> 1. For department and Human Resources purposes, <u>your last day of work is your City retirement date</u>. You must work on the day that you say will be your last day of work. You cannot be on leave for your last day of work. Contact HR if you have any questions on this. 2. VRS and the Supplemental Plan indicate your pension retirement effective date is the 1st of the month following your last day of work/City retirement date. <p>If you work after the date that you told the Pension Division would be your last day of work, this could cause your pension amount to decrease, could cause your pension payments to be <u>delayed</u> by month or more, and could cause you first pension payment to be payable one month later than you planned.</p> <p>★👉 <i>When you meet with Human Resources, be sure to tell them the date that you told Pension would be your last day of work. You cannot work on the 1st, get insurance at the employee rate for the month, and have your retirement effective the same month.</i></p>

<p>18</p>	<p>Payments Start</p>	<p>Understand when the payments will start. Assuming you apply timely:</p> <ol style="list-style-type: none"> 1. VRS pays all payments a month in arrears. Your VRS retirement is effective the first of the month following your last day of work (City retirement date). But this means your first VRS monthly payment is payable one month later. This is at least a month after your last day of work. 2. Prudential, payor for the Supplemental Plan benefits, must receive final pay information before your retirement benefit calculations can be finalized and payment made to you. Payroll sends your final pay information to Prudential on your last pay day Friday – after you have left the City. The first payment may be paid several weeks – 1 ½ months after last pay day. <p>Do you have the funds to cover your expenses before your pension payments start?</p>
<p>19</p>	<p>Payments from 457 and Roth</p>	<p>After you retire, you can take a lump sum payment or partial lump sum payment from your 457 or Roth IRA Plan. You can also set up installment payments similar to a monthly pension payment.</p> <p>If you have a 457 Plan account or a Payroll Deduct Roth IRA with ICMA-RC, contact ICMA-RC at 800.669.7400 to discuss how the plans can pay money to you during retirement. You can also call the City’s ICMA-RC Representatives to discuss your payments. For Kathy Findeisen call 866.328.4666 and for Antoinette Guy-Wharton call 800.283.1762.</p>
<p>20</p>	<p>Make Appointment to Meet with Pension Staff</p>	<p>Two to Five years Before Your Retirement Date:</p> <p>You should be in the planning phase for your retirement. Log into the websites for VRS and Supplemental (Prudential website) to estimate various payment options. In addition to examining all of the payment options under each plan you should consider your retirement goals and needs, consider the debt you have and how you can eliminate it or reduce it before you retire, and evaluate when you can afford to retire.</p> <p>One Year Before Your Retirement Date</p> <p>Make an appointment to meet with Pension staff to review the estimates you have run, complete the 457 Pre-Retirement Catch-up Form for leave pay if applicable, and provide Pension with a copy of divorce documents if you divorced while working for the City.</p> <p>Four Months Before Your Retirement Date</p> <p>See the next box regarding applying for retirement.</p>

<p>21</p>	<p>Four Months Before Retirement Date Make Appointment to Meet with Pension to Apply to Retire</p>	<p>Employees need to provide a completed VRS application and proofs of birth to Pension in order to apply for retirement. Pension cannot accept forms with a signature dated more than four months before the planned retirement date. You will also need to complete a Supplemental Retirement Plan application to retire.</p> <p>Eventually, employees will be able to go online with VRS, www.varetire.org, to apply to retire with VRS. However, you still need to contact the Pension Division in order to apply to retire from the City.</p> <p>Bring the following to your appointment:</p> <ul style="list-style-type: none"> • Application for retirement under Supplemental Retirement Plan • VRS 5 Application for Service Retirement • Copy of proof of birth (a passport or birth certificate, etc.) for you • Copy of proof of birth for anyone you will name as contingent annuitant or survivor on your VRS or Supplemental retirement • Copy of proof of marriage if will name a spouse as survivor on the Supplemental pension • If you have not already done so, provide copies of divorce documents if you divorced while working for the City. • If you have DRO/QDRO stating you must pay part of your pension to another, bring copy to appointment <p>See checklist for retirement appointment at the end of this handout that lists topics that need to be discussed at your Pension meeting four months before retirement.</p>
<p>22</p>	<p>Pension Contribution and Service Credit Accrual for Final Month</p>	<p>VRS requires employees contribute to the pension plan any month you are at work on or after the first business day of the month. The City withholds employee VRS contribution deductions from two paychecks each month. Employees who do not work the full month, must pay the two contributions, even if it means deducting double contributions from the first paycheck of your last month of work. If the City is not able to deduct two paychecks worth of contribution deductions, you will <u>not</u> receive service credit for that month.</p> <p>Supplemental contribution deductions are deducted from every paycheck. Speak to Pension if you will not work during the entire month but you need to receive service credit for that month.</p> <p>Employees who are satisfying an age requirement or service requirement in their last month of work will need to work until the end of the month.</p>

<p>23</p>	<p>Leave Payouts</p>	<p>Will you be paid for a large amount of leave?</p> <ul style="list-style-type: none"> • If yes, you may be able to contribute some or all the leave payment to the 457 Deferred Compensation Plan. • If you defer leave payments to the 457 Plan, you will defer paying federal and state taxes until you withdraw and use the money. • All leave pay is subject to Social Security and Medicare taxes, even if you contribute it to 457. • If you do not have a 457 account and you want to contribute leave pay to 457, you must set up account <u>before</u> you retire if you wish to defer leave payments. <i>You cannot set up a 457 account <u>after</u> you retire.</i> • At least one month before your retirement date, you must provide Pension with a 457 Change form if you want to contribute some or all your leave to 457. You may need to also complete the Pre-Retirement Catch-up Form. • The 457 Plan requires that required minimum distributions (RMD) be paid beginning at age 70 ½, or, if later, the April after the retirement date.
<p>24</p>	<p>Working After Retirement</p>	<p>If you plan to work after you retire, learn how that could affect your monthly payment from:</p> <ul style="list-style-type: none"> • VRS • Supplemental Retirement Plan • Social Security <p>See also the next section, Return to Work with the City after Retirement.</p>
<p>25</p>	<p>Return to Work with the City after Retirement</p>	<p style="text-align: center;"><u>*** IMPORTANT NOTE ***</u></p> <p>VRS has strict rules on returning to work with your same employer. If you return to work for the City after you retire:</p> <ul style="list-style-type: none"> • There must be a <u>one calendar month break in service</u>. • There can be no pre-arrangement with your employer before you retire regarding returning to work. • You cannot work more than 80% time if you return to work for the City or another VRS covered employer. <p>If you do not comply with these rules, you and the City can be penalized in a way that impacts your VRS payments. Call VRS at 888.827.3847 if you have questions.</p>

<p>26</p>	<p>Reconsider Whether to Take Vacation Around Retirement</p>	<p>Assuming you apply to retire 4 months in advance, every effort is made to ensure your payments will start timely.</p> <p>★👉 However, we cannot guarantee that you may not need to complete paperwork or answer questions at the last minute. Therefore, we suggest that you not plan to go on a long vacation right before or after your retirement date.</p>
<p>27</p>	<p>Contact HR for Exit Interview</p> <p>If you or spouse are 65 in year you retire</p>	<p>Contact the Human Resources Benefits section to have an Exit Interview two months prior to your City retirement date. Discuss health and life insurance benefits and costs and determine the amount of leave that can be paid to you in your last paycheck.</p> <p>Be sure to also discuss with HR how you need to coordinate your City health insurance when Medicare begins at 65 or later.</p> <p style="text-align: center;">*** IMPORTANT NOTE ***</p> <p>If you or spouse is or will be 65 in year you retire, contact HR Benefits at least two months prior to retiring to schedule an exit interview to discuss the coverage as a retiree covered under Medicare. You need to contact Social Security three months in advance of retirement to apply for Medicare Parts A and B. Be sure to give them your City retirement date to ensure the correct effective date is issued for Medicare Part A and B. Be sure to let them know if you and/or spouse are covered under a City group health insurance plan.</p>
<p>28</p>	<p>Notify Your Department and Human Resources</p>	<p>It is your responsibility to provide adequate notice to your department and Human Resources of your planned retirement (i.e., your last day of work).</p> <p>The City ARs require that you give minimum notice to receive your leave payout. See AR 6-18. Consider your position with the City and whether you should provide more time to let the City know you are retiring. Contact HR with questions.</p>
<p>29</p>	<p>Watch for Mail from VRS</p>	<p>VRS may send several forms that you need to complete and return to them. Contact VRS with any questions you have on mail you receive from them.</p> <p>Keep Pension updated on any mail you receive from VRS. For some requests, Pension may be able to fax information to VRS.</p>

<p>30</p>	<p>Watch for Mail from Prudential Regarding Supplemental Retirement</p>	<p>Prudential will mail a retirement package with forms for the Supplemental Retirement Plan. Complete and mail them back to Prudential or you can meet with Pension to answer your questions and help you complete the forms. Pension can fax the forms to Prudential to speed up processing.</p> <p>Prudential cannot begin your monthly payments without these forms.</p> <p>NOTE: If you are requesting Prudential to rollover a lump sum payment or part of a lump sum payment to the 457 Plan or some other plan, you must provide correct rollover information. The 457 Plan will refuse to accept any rollover that does not have the correct “pay to” information.</p>
<p>31</p>	<p>Notify Pension ASAP If You Change Your Last Day of Work</p>	<p>You must notify the Pension Division immediately if you change your planned last day of work or your retirement date.</p> <p>★👉 If you make a change without notifying Pension, your monthly payments may be delayed, the payment amounts may change, even decrease, and your benefits may be effective one month later than you planned.</p>
<p>32</p>	<p>Pension Final Action for Your Payments</p>	<p>On or after you last pay day Friday</p> <ul style="list-style-type: none"> • Pension will provide information about your last paycheck to Prudential <u>after</u> your last payday Friday. Prudential needs the information in order to complete the final calculations for your Supplemental retirement. • Pension will enter a termination date in the ICMA-RC system <u>after</u> your last payday Friday. This date must be in the ICMA-RC system for you to request online withdrawals.
<p>33</p>	<p>Social Security</p>	<p>Apply to Social Security four months before you plan to start receiving Social Security benefits. Many people are eligible to complete the application online, www.socialsecurity.gov.</p>
<p>34</p>	<p>Medicare</p>	<p>Apply to Social Security for Medicare benefits before you plan to start receiving Medicare benefits. All persons should apply for Medicare A and B before turning 65.</p> <p>If you are still working for the City at age 65 and you are covered under a City health plan, you do not apply for Medicare B until three months before you retire. Contact Human Resources to discuss this.</p> <p>If you and/or spouse is 65 or will be 65 in year you retire, coordinate with Human Resources Benefits staff and Medicare. Discuss this with Human Resources.</p>

<p>35</p>	<p>Notify Payers of Changes Changing Bank Account</p>	<p>After you retire,</p> <ul style="list-style-type: none"> • If you change your address, notify the City, VRS, and Prudential. • You can log onto ICMA-RC, www.icmarc.org to change personal information on your 457 account. • Contact any agency (VRS, Prudential, ICMA-RC) making payment to you if your bank account information is changing. <u>This should be done before you close your old account. The payors may need at least one month's notice.</u>
<p>35</p>	<p>Contacts</p>	<p>Virginia Retirement System (VRS) 888.827.3847 Monday – Friday 8:30 a.m. – 5:00 p.m. www.varetire.org</p> <p>Supplemental Retirement Plan (Prudential is record keeper) 877.7782100 Monday – Friday 8:00 a.m. – 9:00 p.m. Auto phone service 24 hours a day www.prudential.com/online/retirement</p> <p>457 Deferred Compensation Plan (ICMA-RC is administrator) 800.669.7400 Monday – Friday 8:30 a.m. – 9:00 p.m. www.icmarc.org</p> <p>Payroll Deduct Roth IRA with ICMA-RC 800.669.7400 Monday – Friday 8:30 a.m. – 9:00 p.m. www.icmarc.org</p> <p>Social Security 800.772.1213 Monday – Friday 7:00 a.m. – 7:00 p.m. www.socialsecurity.gov</p>

<p>Retirement Appointment Discuss with Pension Division</p>	<p style="text-align: center;"><u>Retirement Appointment</u></p> <p>Discuss/complete the following with the Pension Division:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Last day of work = City retirement date <input type="checkbox"/> Pension retirement effective date is 1st of the following month <input type="checkbox"/> Choose City retirement date carefully if retiring in month satisfy age/service such as exactly when you have accrued 30 years of service <input type="checkbox"/> Pension plan payments are subject to federal and state taxes <input type="checkbox"/> VRS retirement application forms <input type="checkbox"/> VRS Health Insurance Credit, if you are eligible <input type="checkbox"/> VRS final 1 or 2 contributions deducted from paychecks for last month <input type="checkbox"/> Supplemental retirement application form <input type="checkbox"/> Prudential Distribution Election Package <input type="checkbox"/> Payment options under VRS and Supplemental plans <input type="checkbox"/> Cost of Living Adjustments (COLA) if/when available <input type="checkbox"/> Deadlines involved in applying for retirement <input type="checkbox"/> Time lags involved in receiving your first payment <input type="checkbox"/> Return to work provision under each plan <input type="checkbox"/> How benefit payments will be impacted by any divorce documents or QDRO/DRO that may be in effect now or later <input type="checkbox"/> Death benefits after retirement <input type="checkbox"/> Beneficiary change forms <input type="checkbox"/> Benefits you may be eligible for under any other City retirement plan <input type="checkbox"/> Issues related to the 457 Deferred Compensation Plan <ul style="list-style-type: none"> <input type="checkbox"/> Payment options including Required Minimum Distributions <input type="checkbox"/> 457 Basic Withdrawal Form packet <input type="checkbox"/> Deferring retirement with ICMA-RC <input type="checkbox"/> Benefit of contributing some or all of leave payout <input type="checkbox"/> Catch-up Provisions -- Pre-Retirement and Age-50 <input type="checkbox"/> 457 Declaration of Normal Retirement Age, if needed <input type="checkbox"/> 457 Deferred Compensation Plan Amount Change form if contributing any leave payout or changing contribution in last paycheck(s) <input type="checkbox"/> If want to open 457 Plan account for leave pay or lump sum rollover from VRS or Supplemental, you must set up new 457 account one month before retiring <input type="checkbox"/> 457 Enrollment Form, if needed <input type="checkbox"/> When your retirement date will be entered in ICMA-RC system might impact when you can make a withdrawal from 457 <input type="checkbox"/> Outstanding loan balance becomes taxable if not paid off <input type="checkbox"/> Deputy Sheriffs, Medics, and Fire Marshals who transferred RIP account balances from Prudential to ICMA-RC in 2011 <input type="checkbox"/> Retiree Information Form <input type="checkbox"/> Contact Pension Division on any changes
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