

Retirement Handbook

May 2003

YOUR RETIREMENT PLAN

Retirement appears to be far in the future to employees in their twenties, thirties, and even forties. Those in their fifties and later realize how quickly time passes and the retirement years arrive. A successful retirement requires advance planning, starting in the early years, so that life after retirement will be pleasant and secure.

Accordingly, the City of Newnan has adopted a retirement plan. The plan provides for the payment of monthly benefits to you for life after retirement. The City manages the plan and plan funds are invested through the Georgia Municipal Employees Benefit System (GMEBS). Day-to-day administration of the plan is handled by the Georgia Municipal Association (GMA).

The plan is designed to help you prepare now for financial security in later years. It supplements your Social Security benefits and your personal savings by providing additional income at retirement. The income you receive from Social Security, the City's retirement plan, and your personal savings will help provide you an adequate income when you retire.

You should read this booklet and become familiar with the benefits afforded in the plan. Understanding how these benefits enrich your retirement can give you greater personal security. Give your family an opportunity to read about the plan, too.

Important

The full terms and conditions of the plan are set forth in the plan text available for your inspection in the office of your Pension Committee Secretary (Human Resources). The full text will control in deciding any questions that may arise concerning the plan. Your entitlement to benefits is governed by the terms of the retirement plan adopted by the City. This booklet is for information and illustration only and is not a part of the City's retirement plan.

The effective date of the plan is April 1, 1990. This booklet includes plan provisions that were in effect as of May 1, 2003.

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WHAT IS THE PURPOSE OF THE PLAN?

The purpose of the City's retirement plan is to help provide additional income for you in your later years and to make it easier for you and your family to be secure and independent when you retire. Your retirement plan is designed for career employees to supplement Social Security and your personal savings to provide you an adequate retirement income.

WHO MAY JOIN?

Regular, full-time employees hired prior to November 1, 1994, who work at least 20 hours per week on a regular basis for the City, and regular, full-time employees hired on or after November 1, 1994, who work at least 30 hours per week on a regular basis for the City, may participate in the plan when they have completed one year of continuous service. Participation in the plan always begins on the first day of a month. If you complete one year of service **on** the first day of a month, you are eligible to participate that same day. If you complete one year of service **after** the first of a month, you can join on the first day of the next month.

WHAT DOES IT COST ME?

You don't pay anything. The City pays the entire cost of the plan.

HOW DOES THE PLAN BENEFIT ME?

After you retire, the plan pays you a monthly retirement benefit for as long as you live. Your normal retirement benefit is a percentage of your final average earnings for each year of credited service. There are also provisions for early retirement. In addition, the plan offers death benefits, disability retirement benefits, and vested benefits to qualified participants.

HOW ARE BENEFITS DETERMINED?

The amount of your benefit is based on four items:

- 1. Credited Service.** Normally, your credited service will be the total years and months that you have worked for the City. However, service over 30 years is not credited for benefit calculation purposes.
- 2. Final Average Earnings.** Your final average earnings are the average of your earnings for the period of 3 consecutive years in which they are highest. In most cases this will be your last 3 years prior to retirement.
- 3. Benefit Formula.** The benefit formula is a percentage that is multiplied by your final average earnings and your years and months of credited service to produce your annual retirement benefit. Your annual benefit is calculated as follows:

If you terminate employment before age 62¹:

$$\begin{array}{c} \text{your final average earnings} \\ \times \\ \mathbf{1.5\%} \\ \times \\ \text{your years and months of service up to 30 years.} \end{array}$$

If you remain employed until or after age 62²:

$$\begin{array}{c} \text{your final average earnings} \\ \times \\ \mathbf{2.0\%} \\ \times \\ \text{your years and months of service up to 30 years.} \end{array}$$

4. Age at Retirement.

Regular Normal Retirement: If you terminate employment before age 62, regular normal retirement with **unreduced** benefits (based on the **1.5%** benefit formula) is available at age 65, provided you have at least 5 years of credited service if you were hired prior to April 11, 1995, or provided you have at least 10 years of credited service if you were hired on or after April 11, 1995.

Alternative Rule of 88 or Rule of 85 for Certified Police Officers and Fire Fighters: The alternative rule of 88 retirement benefit with **unreduced** benefits (based on the **1.5%** benefit formula) is available when you meet the rule of 88 (any combination of age + service that equals at least 88). If you are a certified fire fighter or police officer, the alternative rule of 85 retirement benefit with **unreduced** benefits (based on the **1.5%** benefit formula) is available when you meet the rule of 85 (any combination of age + service that equals at least 85).

PLEASE NOTE: If you meet the alternative Rule of 88 or Rule of 85 retirement benefit provisions, you will receive a higher benefit under the enhanced early retirement provision if you remain employed with the City after age 62 (see the *Enhanced Early Retirement* paragraph following on page 3).

¹ Unreduced benefits are payable at age 65 or under the alternative Rule of 88, or Rule of 85 for certified fire fighters and police officers. Reduced benefits are payable before age 65. (See the following *Age at Retirement* section.)

² Unreduced benefits are payable at age 65. Reduced benefits are payable before age 65. (See the following *Age at Retirement* section.)

Enhanced Normal Retirement: If you remain employed with the City until or after age 65, enhanced normal retirement with **unreduced** benefits (based on the **2.0%** benefit formula) is available at age 65, provided you have at least 5 years of credited service if you were hired prior to April 11, 1995, or provided you have at least 10 years of credited service if you were hired on or after April 11, 1995.

Regular Early Retirement: If you terminate employment before age 62, regular early retirement with **reduced** benefits (based on the **1.5%** benefit formula) is available between ages 55 and 65, provided you have at least 15 years of credited service. (The *Regular Early Retirement Reduction Table* is shown on page 10 of this handbook.)

Enhanced Early Retirement: If you remain employed with the City until or after age 62, enhanced early retirement with **reduced** benefits (based on the **2.0%** benefit formula) is available between ages 62 and 65, provided you have at least 5 years of credited service if you were hired prior to April 11, 1995, or provided you have at least 10 years of credited service if you were hired on or after April 11, 1995. (The *Enhanced Early Retirement Reduction Table* is shown on page 11 of this handbook.)

PLEASE NOTE: If you apply for enhanced early retirement benefits, your age at termination of employment determines the reduction factor to be used in calculating your enhanced early retirement benefits.

HOW ARE BENEFITS PAID?

Your retirement benefits are paid to you each month for as long as you live. Retirement is on the first day of a month. Your first check will be sent to you on the first day of that month. Future checks will also be sent to you on the first day of each month. You can choose one of four ways to receive your benefits:

- 1. Plan A (Maximum Payment).** If you choose the maximum payment, you get just that--the largest possible benefit for as long as you live. However, payments stop when you die, and nobody else is entitled to further benefits.
- 2. Plan B (Joint and Survivor Option).** Your benefit is less than the maximum amount if you choose this option, but at your death your beneficiary receives 25%, 50%, 75%, or 100% of your monthly benefit for the rest of his or her life. Any relative or friend may be named as your beneficiary. You select the percentage you want your beneficiary to receive when you retire. The reduction depends partly on the age difference between you and your beneficiary and partly on the percentage you choose to leave to your beneficiary.
- 3. Plan C (Period Certain and Life Option).** Your benefit is less than the maximum amount with this option also. Payments to you continue no matter how long you live, but if you die within 5, 10, 15, or 20 years after retirement, your beneficiary receives the same amount you did, but only for the remainder of the period you select. The reduction depends on the length of the period you select. Any relative or friend may be named as your beneficiary. Plan C can be useful if your

beneficiary is a dependent child who may need an income for only a limited number of years if you should die before the child grows up.

- 4. Plan D (Social Security Option).** With this option you can receive an increased monthly benefit from the City's plan at early retirement until you become old enough for Social Security benefits (age 62), and a reduced monthly benefit afterwards. The object is to provide a more level retirement income before and after Social Security payments begin if you retire before age 62. In order to calculate benefits under the Social Security Option, you must first obtain a statement from Social Security that shows the amount that you will be receiving from Social Security at age 62. Under Plan D you cannot name a beneficiary to receive benefits after your death.

DEATH BENEFITS

As an Active Employee -- When you have completed 15 years of credited service or become eligible for normal retirement, you may name one person as your beneficiary. Any relative or friend may be named as your beneficiary. If you die while you are employed by the City, your beneficiary will receive an immediate monthly lifetime benefit, or the benefit may be deferred to a future date if your beneficiary is your spouse. The amount depends on your age, credited service, salary, and your beneficiary's age. You may change your beneficiary any time prior to termination of employment by giving written notice to your Pension Committee Secretary.

If you die before you have completed 15 years of service or before you have qualified for normal retirement, if you don't name a beneficiary when you are eligible to do so, or if your designated beneficiary does not survive you, no benefits are paid.

As a Retiree -- Death benefits after retirement depend on which form of payment you choose when you retire. If you choose Plan B or Plan C at retirement, your designated beneficiary will receive benefits after your death based on the plan selected. If you choose Plan A or Plan D, you cannot name a beneficiary.

DISABILITY BENEFITS

You are entitled to disability retirement benefits from the City's plan provided you are a participant in the plan, your employment terminates as a result of total and permanent disability, and you apply and qualify for Social Security disability benefits within one year from your termination date. If you lack the quarters of Social Security coverage to qualify for Social Security disability benefits, you can qualify for disability retirement benefits from the City's plan if the City's Pension Committee determines you are permanently disabled on the basis of certificates signed by 2 physicians that state you are permanently and totally disabled. Disability benefits are paid as long as you live, assuming that you remain disabled for life. Verification of the continuance of your disability may be required each year. You may select either Plan A, Plan B, or Plan C.

The amount of the disability retirement benefit depends on your earnings and credited service up to the date your employment terminates due to disability, but it is never less than 66-2/3% of your average monthly earnings from your last 12 months of employment less any benefits paid from Workers' Compensation, individual Social Security as a result of Disability, state compulsory disability plans, and any group disability income plan

sponsored by the City. There is no reduction for age even though disability retirement may occur before normal retirement.

WHAT IF I LEAVE BEFORE I RETIRE?

If you were hired prior to April 11, 1995, you have a full vested benefit in the plan after you have 5 years of credited service. If you were hired on or after April 11, 1995, you have a full vested benefit in the plan after you have 10 years of credited service. The benefit you earned while you were working is then held for you, or vested, until you qualify for retirement and draw your monthly benefits. You may apply for your benefits at any time after you qualify for retirement.

If you were hired prior to April 11, 1995, you can qualify for a vested benefit with less than 5 years of service with the City if you leave the City after participating in the plan and transfer within 5 years to another GMEBS member employer. Then you are fully vested in the benefits you earned up to the time of your transfer, provided you remain employed by a GMEBS employer until your service with all GMEBS employers totals 5 years.

If you were hired on or after April 11, 1995, you can qualify for a vested benefit with less than 10 years of service with the City if you leave the City after participating in the plan and transfer within 5 years to another GMEBS member employer. Then you are fully vested in the benefits you earned up to the time of your transfer, provided you remain employed by a GMEBS employer until your service with all GMEBS employers totals 10 years.

EXAMPLES OF BENEFIT CALCULATIONS

The following examples show how benefits are figured. You can also calculate an estimate of your own normal retirement benefit in the blanks on the right side of the worksheet on the following pages.

Example 1 - Plan A

(Maximum Benefit with No Beneficiary)

**Regular Normal Retirement
and
Alternative Rule of 88 or Rule of 85 Retirement Benefit**

1.5% Benefit Formula

The following steps are necessary to calculate a monthly regular normal retirement benefit or an alternative Rule of 88 or Rule of 85 retirement benefit under the City's plan. Our sample participant has final average earnings of \$20,000, has 25 years and 0 months of credited service, **terminates employment before age 62**, and applies for retirement at age 65.

	<u>Sample Participant</u>	<u>You</u>
1. Final average earnings.	\$ <u>20,000</u>	\$ _____
2. Multiply line 1 by 1.5% (.015).	\$ <u>300.00</u>	\$ _____
3. Credited service (years and months) up to 30 years.	<u>25,0</u>	_____
4. Multiply line 2 by line 3 to find annual normal retirement benefit.	\$ <u>7,500.00</u>	\$ _____
5. Divide line 4 by 12 to find monthly normal retirement benefit.	\$ <u>625.00</u>	\$ _____

Remember, the resulting amount will change if an optional form of payment is chosen or if retirement is before age 65. Remember also to count Social Security benefits and your personal savings when estimating *total* retirement income.

Example 2 - Plan A

(Maximum Benefit with No Beneficiary)

Enhanced Normal Retirement

2.0% Benefit Formula

The following steps are necessary to calculate a monthly enhanced normal retirement benefit under the City's plan. Our sample participant has final average earnings of \$20,000, has 25 years and 0 months of credited service, **remains employed with the City until age 65**, and applies for retirement at age 65.

	<u>Sample Participant</u>	<u>You</u>
1. Final average earnings.	\$ <u>20,000</u>	\$ _____
2. Multiply line 1 by 2.0% (.02).	\$ <u>400.00</u>	\$ _____
3. Credited service (years and months) up to 30 years.	<u>25,0</u>	_____
4. Multiply line 2 by line 3 to find annual normal retirement benefit.	\$ <u>10,000.00</u>	\$ _____
5. Divide line 4 by 12 to find monthly normal retirement benefit.	\$ <u>833.33</u>	\$ _____

Remember, the resulting amount will change if an optional form of payment is chosen or if retirement is before age 65. Remember also to count Social Security benefits and your personal savings when estimating *total* retirement income.

Example 3 - Plan B

(Joint and Survivor Option at 100%)

If our participant decides to take Plan B so that after his death 100% of his monthly benefit will continue to be paid to a beneficiary, he will receive a reduced benefit. We reduce his benefit because his benefit must be spread out to cover the expected lifetimes of two persons instead of one. The amount of the reduction depends on the age difference between the retiree and the beneficiary. The younger the beneficiary, the greater the reduction.

If both are the same age, the reduced benefit is 83.3% of his Plan A retirement benefit.

Our sample participant from Example 1 (regular normal retirement or alternative Rule of 88 or Rule of 85 retirement benefit) will receive \$520.63 each month as long as he lives, and at his death his beneficiary will receive 100% or \$520.63 each month for the rest of her life.

Our sample participant from Example 2 (enhanced normal retirement) will receive \$694.16 each month as long as he lives, and at his death his beneficiary will receive 100% or \$694.16 each month for the rest of her life.

Example 4 - Plan B

(Joint and Survivor Option at 50%)

If our participant selects 50% of his monthly benefit to continue to be paid to a beneficiary, he will also receive a reduced benefit, but the reduction will not be as great as at the 100% level. The participant's benefit is larger than in Example 2, but the beneficiary's benefit is smaller.

If both are the same age, the participant gets 90.9% of his Plan A retirement benefit.

Our sample participant from Example 1 (regular normal retirement or alternative Rule of 88 or Rule of 85 retirement benefit) will receive \$568.13 each month as long as he lives, and at his death his beneficiary will receive 50% or \$284.07 each month for the rest of her life.

Our sample participant from Example 2 (enhanced normal retirement) will receive \$757.50 each month as long as he lives, and at his death his beneficiary will receive 50% or \$378.75 each month for the rest of her life.

Example 5 - Plan C

(Period Certain and Life Option at 10 Years)

We start with the Plan A calculation at Example 1 or Example 2 again with the same participant retiring at age 65. Instead of the maximum payment under Plan A, he chooses a different reduced benefit during his lifetime (Plan C), so that if he dies within 10 years after retirement, his beneficiary gets his payments for the rest of that 10-year period. If he dies later than 10 years after retirement, his beneficiary gets nothing.

The reduction for this option depends only on the length of the period selected. The benefit is usually higher than for Plan B, but remember that although payments are guaranteed to the retiree for as long as he lives, they aren't guaranteed to the beneficiary.

The retiree in this example will receive 91.1% of his Plan A retirement benefit.

Our sample participant from Example 1 (regular normal retirement or alternative Rule of 88 or Rule of 85 retirement benefit) will receive \$569.38 each month for as long as he lives. If he dies within 10 years after retiring, his beneficiary gets \$569.38 each month until 10 years from the date the participant retired. Then payments to the beneficiary stop.

Our sample participant from Example 2 (enhanced normal retirement) will receive \$759.16 each month for as long as he lives. If he dies within 10 years after retiring, his beneficiary gets \$759.16 each month until 10 years from the date the participant retired. Then payments to the beneficiary stop.

Example 6 - Early Retirement Benefit

A participant who chooses to retire early will have less credited service and undoubtedly lower final average earnings than if he had worked to normal retirement, so his accrued benefit is lower than if he had worked until age 65. Then, because he is expected to receive more monthly payments than someone who retires at age 65, his accrued benefit is reduced to compensate for his longer life expectancy. That's why early retirement benefits are lower than normal retirement benefits.

Regular Early Retirement

If you terminate employment before age 62, regular early retirement with **reduced** benefits (based on the **1.5%** benefit formula) is available between ages 55 and 65, provided you have at least 15 years of credited service. The factors in the following *Regular Early Retirement Reduction Table* are used for employees who terminate employment before age 62.

Say that our participant terminates employment before age 62 and takes early retirement at age 62. He is taking the maximum payment himself with no beneficiary (Plan A). For simplicity, we will use the same final average earnings and years of service for this example as we used in Example 1 (regular normal retirement or alternative Rule of 88 or Rule of 85 retirement benefit). But as stated earlier, an employee's final average earnings and credited service will actually be lower when he retires early.

We follow all the steps in Example 1 (regular normal retirement or alternative Rule of 88 or Rule of 85 retirement benefit) and then must apply an early retirement reduction factor. His accrued normal retirement benefit at age 65 was \$625.00 per month. However, to find the amount he can draw at age 62, we must multiply the accrued benefit at age 65 by the early retirement reduction factor for age 62. The following *Regular Early Retirement Reduction Table* shows that a participant who terminates employment before age 62 and retires at age 62 gets 85% of his accrued normal retirement benefit (based on the 1.5% benefit formula). 85% of \$625.00 yields a monthly benefit of \$531.25 starting at age 62 and continuing for the rest of his life.

Regular Early Retirement Reduction Table

(To be used if you terminate employment before age 62, with the 1.5% Benefit Formula)

Number of Years Before Normal Retirement	Percentage of Your Normal Retirement Income³
0	100%
1	95%
2	90%
3	85%
4	80%
5	75%
6	70%
7	65%
8	60%
9	55%
10	50%

Enhanced Early Retirement

If you remain employed with the City until retirement at or after age 62, enhanced early retirement with **reduced** benefits (based on the **2.0%** benefit formula) is available between ages 62 and 65, provided you have at least 5 years of credited service if you were hired prior to April 11, 1995, or provided you have at least 10 years of credited service if you were hired on or after April 11, 1995. The factors in the following *Enhanced Early Retirement Reduction Table* are used for employees who remain employed with the City until or after age 62.

Say that our participant remains employed with the City until age 62 and takes early retirement at age 62. He is taking the maximum payment himself with no beneficiary (Plan A). For simplicity, we will use the same final average earnings and years of service for this example as we used in Example 2 (enhanced normal retirement). But as stated earlier, an employee's final average earnings and credited service will actually be lower when he retires early.

We follow all the steps in Example 2 (enhanced normal retirement) and then must apply an early retirement reduction factor. His accrued normal retirement benefit at age 65 was \$833.33 per month. However, to find the amount he can draw at age 62, we must multiply the accrued benefit at age 65 by the early retirement reduction factor for age 62. The following *Enhanced Early Retirement Reduction Table* shows that a participant who remains employed with the City until or after age 62 and retires at age 62 gets 75% of his accrued normal retirement benefit (based on the 2.0% benefit formula). 75% of \$833.33 yields a monthly benefit of \$625.00 starting at age 62 and continuing for the rest of his life.

Enhanced Early Retirement Reduction Table

**(To be used if you remain employed with the City until or after age 62,
with the 2.0% Benefit Formula)**

³ Interpolate for whole months.

Number of Years Before Normal Retirement	Percentage of Your Normal Retirement Income⁴
65	100%
64	91.67%
63	83.33%
62	75.00%

GENERAL INFORMATION

How Can I Sign Up?

An Application for Participation in the plan is available from the City's Pension Committee Secretary (Human Resources) after you have completed one (1) year of employment. You don't need to take a physical examination.

Where Can I Get More Information?

Your Pension Committee Secretary will be glad to answer any questions that may occur to you after you have read this booklet. The pension committee is responsible for administration of the plan and will handle all questions between the City and its employees in any matters regarding the plan.

Reinstatement of Terminated Employees

If you were a participant in the City's retirement plan and your employment terminated, you can resume participation in the plan on the first day of the month immediately following or coinciding with your reemployment date. Your previous service will be credited upon your return.

After an authorized leave of absence, you can also resume participation when you return to work and immediately receive credit for your previous service provided you follow the rules of the leave of absence that you were granted.

PLEASE NOTE: If a former employee or retiree becomes reemployed by the City on or after January 11, 2000, the employee will not be eligible for retirement benefits based on the 2.0% benefit formula or the alternative Rule of 88 or Rule of 85 retirement benefit unless he remains continuously employed with the City as a full-time employee for a minimum of 5 years after reemployment.

Employment After Retirement

Your retirement income will continue just the same if you take a part-time or full-time job with another employer after retiring from the City. Your retirement income will also

⁴ Interpolate for whole months.

continue if you keep on working for the City in a consulting capacity or on a retainer or fee basis in a non-eligible category.

You Can't Borrow or Pledge Money from the Fund

The purpose of the retirement plan is to ensure that participants will receive the intended rate of income upon retirement. Therefore, the State of Georgia statute creating GMEBS contains provisions to prevent the sale, assignment, pledge, or attachment of benefits.

Social Security and Your Retirement Benefits

Your benefits from the City's retirement plan are entirely over and above anything you or your family may receive in Social Security benefits. At the present time, full benefits under Social Security are payable at age 65. You can start receiving reduced benefits as early as age 62.

Following are two charts that indicate the approximate percentages of pre-retirement income a career employee can receive from the City's retirement plan and Social Security (1.5% benefit formula on page 15 and 2.0% benefit formula on page 16). The City's retirement plan is designed to provide career employees an adequate retirement income when coupled with Social Security benefits.

APPROXIMATE PERCENTAGES OF PRE-RETIREMENT INCOME FROM THE CITY'S PLAN AND SOCIAL SECURITY AT NORMAL RETIREMENT

**Regular Normal Retirement
and
Alternative Rule of 88 or Rule of 85 Retirement Benefit**

(1.5% Benefit Formula)

<u>Earnings</u>	<u>Retirement Benefit from City's Plan⁵</u>	<u>Estimated Retirement Benefit from Social Security⁶</u>	<u>Estimated Total Retirement Benefit</u>
\$10,000	37.5%	51.0%	88.5%
\$15,000	37.5%	43.0%	80.5%
\$20,000	37.5%	39.0%	76.5%
\$25,000	37.5%	36.0%	73.5%
\$30,000	37.5%	35.0%	72.5%
\$35,000	37.5%	31.0%	68.5%
\$40,000	37.5%	27.0%	64.5%
\$45,000	37.5%	25.0%	62.5%
\$50,000	37.5%	23.0%	60.5%

**APPROXIMATE PERCENTAGES OF PRE-RETIREMENT INCOME FROM
THE CITY'S PLAN AND SOCIAL SECURITY
AT NORMAL RETIREMENT**

⁵ Assumes 25 years of credited service.

⁶ Assumes continuous Social Security coverage from age 22 to Social Security normal retirement age.

Enhanced Normal Retirement

(2.0% Benefit Formula)

<u>Earnings</u>	<u>Retirement Benefit from City's Plan⁷</u>	<u>Estimated Retirement Benefit from Social Security⁸</u>	<u>Estimated Total Retirement Benefit</u>
\$10,000	50.0%	51.0%	101.0%
\$15,000	50.0%	43.0%	93.0%
\$20,000	50.0%	39.0%	89.0%
\$25,000	50.0%	36.0%	86.0%
\$30,000	50.0%	35.0%	85.0%
\$35,000	50.0%	31.0%	81.0%
\$40,000	50.0%	27.0%	77.0%
\$45,000	50.0%	25.0%	75.0%
\$50,000	50.0%	23.0%	73.0%

⁷ Assumes 25 years of credited service.

⁸ Assumes continuous Social Security coverage from age 22 to Social Security normal retirement age.