



Police & Fire Department Retirement Plan

Tier 2 Retirement Benefits Handbook*

MARCH 2025

*Tier 2 applies to any person who is hired, rehired, or reinstated by the City of San José as an employee of the Police Department in a position covered by this Plan on or after August 4, 2013 and any person who is hired, rehired, or reinstated by the City of San José as an employee of the Fire Department in a position covered by this Plan on or after January 2, 2015.

TABLE OF CONTENTS

Chapter 1: Introduction.....	5
Chapter 2: Plan Management	6
Board of Administration	6
Actuarial Evaluation	6
Board Meetings	7
Hearings.....	7
Chapter 3: Membership	8
Eligible Employees	8
Ineligible Employees.....	8
Suspension of Membership	9
Members' Responsibilities	9
Chapter 4: Contributions.....	12
Record of Contributions.....	12
Social Security	12
Medicare	12
Tax Treatment of Contributions.....	12
Contributions During Military Service	13
Withdrawal of Contributions	13
Chapter 5: Benefit Eligibility Requirements.....	14
Chapter 6: Service Retirement	15
Eligibility Requirements & Retirement Allowance Calculation.....	15
Service Retirement Allowance Calculation.....	15
Reemployment of Retired Member.....	16
Limited Reemployment of Retired Person	16
Chapter 7 – Early Retirement – Reduced Benefit.....	18
Computation of Reduced Benefit Allowance.....	18
Chapter 8: Applying for Service Retirement	20
Filing a Retirement Application	20
Retirement Process.....	21
Chapter 9: Disability Retirement.....	23
Eligibility	23

Service-Connected and Non-Service-Connected Disability.....	23
Disability Retirement Benefit Chart:	24
Disability Retirement Allowance.....	25
Workers’ Compensation Offset.....	27
Outside Earnings	30
Reinstatement to Duty After Disability Retirement Approval.....	32
Chapter 10: Applying for a Disability Retirement	34
Application	34
Disability Retirement Application Time Limit	34
Chapter 11: Optional Payment Options.....	35
How Options Are Calculated.....	35
Time Limits to Choose Options	36
Post-Retirement Marriage or Domestic Partnership	36
Chapter 12: Death Before Retirement (Active Employees)	38
Active Non- Service Connected Death With Less Than 2 Years of Service	38
Active Non-Service Connected Death with More Than 2 Years of Service	39
Active Non-Service Connected Death While Eligible for Service Retirement.....	43
Active Service-Connected Death Regardless of Years of Service.....	45
Chapter 13: Death After Retirement.....	49
Survivorship Benefits after Service Retirement.....	49
Survivorship Benefits on a Service-Connected Disability Retirement.....	50
Survivorship Benefits on a Non-Service Connected Disability Retirement.....	51
Chapter 14: Surviving Child’s School Allowance	53
Definition of a Full-Time Student.....	53
Qualifying Educational Institutions	54
Periods of Non-Attendance	54
Duration of School Allowance	55
Amount of School Allowance	55
Reporting Requirements	55
Chapter 15: Medical and Dental Benefits	56
Medical and Dental Coverage for VEBA Members	56
Medicare	56
Medicare Income-Related Monthly Adjustment Amount (IRMAA)	57
Catastrophic Disability Healthcare Program	58

Open Enrollment	59
Qualifying Life Events.....	59
Chapter 16: Separation from City Service Prior to Retirement.....	60
Options at the Time of Separation From the City	60
Return of Contributions	60
Leaving Contributions in the Retirement Fund.....	61
Deferred Vested Benefits Eligibility Requirements.....	61
Deferred Vested Survivorship Benefits if You Die Before Eligible to Receive Benefits	63
Deferred Vested Survivorship Benefits if you Die While Eligible to Receive Benefits, but Before Starting to Receive a Retirement Allowance.....	63
Deferred Vested Survivorship Benefits if You Die After Receiving Monthly Benefits	66
Cost of Living Adjustment	69
Retiree Healthcare for Deferred Vested Members.....	69
Chapter 17: Service Purchases	70
Summary of Service Purchases	70
"Regular" Rehire Redeposit Contributions.....	71
"Prior" Rehire Redeposit Contributions.....	72
Service Purchase of Leave of Absences	73
Domestic Relations Order Redeposit.....	73
"Regular" Transfer of Contributions to Police & Fire Plan From Federated System ...	73
"Prior" Transfer of Contributions to Police & Fire Plan From Federated System	74
Military Service Purchase.....	74
Reciprocity Redeposit Contributions.....	75
Chapter 18: Reciprocity	76
Summary	76
General Eligibility Requirements.....	76
Benefits of Reciprocity	77
Special Reciprocity Redeposit Provisions	79
Electing Reciprocity.....	80
Chapter 19: Annual Cost of Living (COLA) Adjustments.....	81
Chapter 20: Termination of Benefits.....	83
Termination of Retirement Benefits for Treason or Conviction of a Felony	83
Termination of Survivorship Benefits for Treason or Conviction of a Felony	83

Other Grounds for Termination of Allowances or Benefits	83
Chapter 21: IRS Limits	84
Internal Revenue Code (IRC) Section 401(a)(17).....	84
Internal Revenue Code Section 415.....	84
Chapter 22: Dissolution of Marriage or Domestic Partnership.....	86
Plan Approved Domestic Relations Order (PADRO)	86
Combined Account Domestic Relations Order (CADRO).....	87
Separate Account Domestic Relations Order (SADRO)	87
Chapter 23: Other Retirement Benefits Not Administered by Retirement Services	90
Deferred Compensation Program.....	90
\$3,000 Tax Exclusion for Qualified Health Insurance Premiums	90
San Jose Police Officers' Association (SJPOA)	91
International Association of Fire Fighters (IAFF)	91
Association of Retired San Jose Police Officers and Firefighters	91
Chapter 24: Social Security.....	92
Chapter 25: Glossary	93

Chapter 1: Introduction

The purpose of this handbook is to summarize Tier 2 retirement benefits available to members and beneficiaries of the 1961 Police & Fire Department Retirement Plan. The Plan provides benefits to qualifying sworn employees of the City of San Jose's Police and Fire Departments and their qualifying beneficiaries. The terms and conditions of benefits under the Plan are established in the San José Municipal Code (SJMC), the San José City Charter, and other applicable state and federal laws.

Tier 2 applies to any person who is hired, rehired, or reinstated by the City as an employee of the Police Department in a position covered by this Plan on or after August 4, 2013; Any person who is hired, rehired, or reinstated by the City as an employee of the Fire Department in a position covered by this Plan on or after January 2, 2015, unless otherwise excluded by prevailing circumstances. Details of Tier 2 can be found in Title 3, Chapters 3.36 and 3.44 of the SJMC. References to specific sections of the SJMC appear throughout this handbook, when appropriate. This handbook is based on the Office of Retirement Services' understanding of applicable law as of the time of this handbook's preparation. Applicable law, or interpretations of applicable law, may change from time to time. **IF THIS HANDBOOK DIFFERS IN ANY WAY FROM APPLICABLE LAW, THE LAW WILL PREVAIL.**

Changes to a member's retirement benefits are subject to the meet and confer process under the Meyers-Milias-Brown Act, which requires employers to meet with employee representatives and bargaining units to confer about changes in wages, hours, or terms and conditions of employment. Proposed changes in retirement benefits are discussed during negotiations between City representatives and representatives of the recognized employee bargaining organizations.

Please consult with the Retirement Staff if you have questions regarding your retirement benefits that cannot be answered by this handbook. We are here to help!

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Chapter 2: Plan Management

This chapter describes the structure and responsibilities of the Board of Administration for the Police and Fire Department Retirement Plan. In addition, information on the schedule for regular monthly Board meetings and the process for hearings are included.

Board of Administration

The Board of Administration (referred to in this handbook as the “Retirement Board” or the “Board”) administers the Police and Fire Department Retirement Plan (referred to in this handbook as the Retirement Plan or the Plan). The Retirement Board consists of two City employees elected by members of the system – one Police member and one Fire member, two Retired Plan members elected by the Retiree Associations, four public independent non-City affiliated members and another public member, who is recommended to the City Council for approval by the eight other Board members. [S]MC 2.08.1210; 2.08.1240; 2.08.1245]

The Retirement Board may make and enforce reasonable rules and regulations for the administration, management, and control of the Retirement Plan and fund, subject to the provisions of the San José Municipal Code and the Charter of the City of San José. In addition, professional investment advisors may be retained, as needed, to assist the Board in setting and implementing investment policies for the retirement fund. [S]MC 3.36.350 & 3.36.530]

The Retirement Board must keep all necessary records for the Plan, including:

- Members’ contributions;
- City’s contributions;
- The investment and disposition of the money in the plan; and
- The names of all persons receiving benefits under the retirement system, the nature of such benefits and the amounts paid to each.

[S]MC 3.36.430]

Actuarial Evaluation

The Retirement Board must keep data for actuarial valuations of the Plan. These are statistical calculations that analyze the soundness of the Plan. An actuarial evaluation of the Plan must be conducted at least once every five years. In practice, the Board conducts a valuation every year. In addition, an actuarial experience investigation must be conducted at least once every five years. This investigation will result in a report that includes the mortality, disability, service and compensation experience of members and persons receiving benefits. [S]MC 3.36.400]

Board Meetings

The Retirement Board holds regular monthly meetings the first Thursday of every month, except July, the Board does not meet in July. Please visit our website, www.sjretirement.com, or contact Retirement staff to verify the dates, times and location of the Board meetings. There is a section of the Board agenda for Public Comments. You may attend the Board meeting and address the Board during this time.

You may also watch the meetings online at www.sjretirement.com. The City's YouTube page also live streams each Board meeting.

Hearings

The Retirement Board may, at its own discretion, hold hearings to determine any question involving any right, benefit or obligation of a person under the Retirement Plan. If the Board has not held a hearing with regard to its determination, any person affected by the determination may petition the Board in writing for a hearing. The request for a hearing must be filed within 30 days of the Board's determination. After the hearing, the Board may affirm, reverse, or modify its prior determination. [SJMC 3.36.450]

Chapter 3: Membership

This chapter explains the eligibility requirements for membership in the retirement plan, criteria for suspension of membership and members' responsibilities.

Eligible Employees

As noted above, the Tier 2 Retirement Plan applies to any person who is hired, rehired, or reinstated by the City as an employee of the Police Department in a position covered by this Plan on or after August 4, 2013; Any person who is hired, rehired, or reinstated by the City as an employee of the Fire Department in a position covered by this Plan on or after January 2, 2015.

Note: You were not a member of the Police and Fire Department Retirement Plan while you were in the Academy since no contributions were paid and no service was credited. [SJMC 3.36.020.15; 3.36.170; 3.36.200; 3.36.205; 3.36.160(B)]

If you were a member of the Federated City Employees' Retirement System before entering the Academy, you continued to accrue Federated retirement credit while attending the Academy if there was no break in service between the Federated service and the Academy.

Your membership in this retirement plan continues until you retire or leave the position that qualifies you for membership in the plan. [SJMC 3.36.1610]

Ineligible Employees

The following classes of employees are not qualified for membership in the retirement plan:

- Independent contractors who are not employees;
- Persons in City service principally for training or educational purposes, whether or not they receive any compensation (this includes police & firefighter recruits during their academy time);
- Persons serving or employed on a part-time basis;
- Auxiliary or voluntary police officers or fire fighters, whether or not they receive any compensation;
- Persons serving or employed who are paid on a per diem, per hour, or any basis other than monthly (monthly includes bi-weekly); or
- Persons who are members of any other retirement or pension system and who are receiving credit in the other system for services are, as to such service, excluded from this system.

[SJMC 3.36.160]

A Fire Chief or Police Chief, with an effective employment start date on or after August 1, 2010, would be ineligible, if on the effective date of such person's appointment they are not

entitled to credit for service in this retirement system and if the person is not entitled to redeposit withdrawn accumulated contributions. [SJMC 3.36.205]

Suspension of Membership

Your membership in the Retirement Plan will automatically be suspended during such time as:

- You are suspended from City service;
- You are temporarily laid off due to lack of work requiring your services;
- You are on a leave of absence without bi-weekly compensation; or
- You are not receiving or you are not entitled to receive your full bi-weekly compensation.

Your membership in this retirement system will automatically be reinstated when such time period expires and you have returned to full-time City service. If suspended, you will not be entitled to:

- A disability retirement allowance due to any disability that occurs during your suspension; or
- A return of your contributions or interest on your contributions because of your suspension or during your suspension.

[3.36.1600]

Members' Responsibilities

Beneficiary Designation

Members are responsible for completing a beneficiary designation form and keeping their designation information current.

Change of Name and/or Address

Active members must change their address through the venue provided by Human Resources. Please note that if the change is made with Retirement Services and not made with Human Resources, it is possible that older information from Human Resources will automatically override any information updated in our system.

Retirees and former members who have contributions on deposit must fill out a "Change of Name Form" and/or a "Change of Address Form" when changing names or addresses and submit the form and any necessary documentation to the Office of Retirement Services. These forms and other forms can be found on the Retirement Services website (www.sjretirement.com).

Change of Family Status and/or Beneficiaries

If any change takes place in your family status (i.e. marriage/domestic partnership, divorce, adoption, birth or death in the family), be sure to provide copies of the appropriate documents to the Office of Retirement Services. If necessary, you should also update your beneficiary designations at this time. The beneficiary form is available under “Forms” on the Retirement Services website (www.sjretirement.com). Be sure to select the appropriate form (active employees should use the Beneficiary Designation - Active Members and retirees should use the Beneficiary Designation - Police & Fire Retiree).

Necessary Documentation for Changes in Family Status

Following is a list of the documents that must be submitted along with any applicable Office of Retirement Services forms related to the various scenarios referred to below.

Marriage*

1. A copy of your Certified Marriage Certificate which has been filed with the county in which you were married; and
2. A copy of your new spouse’s birth certificate.

If you are retired and considering a post-retirement marriage or certified domestic partnership, please see Chapter 11 for more information.

Certified Domestic Partnership*

1. A copy of your State Certified Domestic Partnership Certificate;
2. A Declaration of Domestic Partnership (notarized); and
3. A copy of your Domestic Partners Birth Certificate.

*If you are retired and considering a post-retirement marriage or certified domestic partnership, please see Chapter 11 for more information.

Prior to retirement you must register with the California Secretary of State to be eligible for survivorship benefits and you must be eligible to enter a domestic partnership.

Divorce

You must provide a copy of the full divorce stipulation identifying the community property settlement. It must clearly address the community property interest in your City of San Jose Police & Fire Dept. Retirement Plan pension. This document is usually referred to as the Judgment of Dissolution with a Marital Settlement Agreement attached.

If your pension is being divided, you must also provide the filed Plan Approved Domestic Relations Order (PADRO) with a copy of your Judgment of Dissolution. If you or your attorney need more detailed information on PADRO’s, please see the chapter on divorce and PADRO’s in this handbook. Upon your request, one of our Retirement Benefit Analysts will provide you with our *Guidelines for Plan Approved Domestic Relations Orders* which will guide you and your attorney through the PADRO process.

Birth, Adoption or Legal Guardianship of a Child

1. Copy of your new child’s birth certificate; or
2. Legal Documentation of the Adoption or Guardianship

Death in the Family

1. Copy of the certified death certificate for that family member.

Active employees should submit information regarding the above-mentioned changes of status to both Human Resources Department and Retirement Services. Retirees and former members who left their contributions on deposit should notify Retirement Services of any changes in family status. Notification should be given within 30 days of the event.

Member's Responsibility to Prove Claims

Any person who applies for any allowance or benefit under this Retirement Plan has the burden of proving all the facts, circumstances and conditions that must be established to entitle such person to the allowance or benefit. [SJMC 3.36.090]

Examples of Proof That Will be Required:

- A certified copy of your birth certificate to verify your age which is used to determine eligibility for retirement.
- A valid United States (U.S.) Passport.
- A certified copy of your marriage certificate or Domestic Partnership to verify that you are married or in a domestic partnership and who is entitled to spousal or domestic partner benefits such as health benefits and survivorship payments upon your death.
- A certified copy of your spouse/domestic partner's birth certificate to verify your spouse/domestic partner's age which is a factor in calculating your retirement benefit optional settlements.
- A valid U.S. Passport for your spouse/domestic partner
- A certified copy of your dependent children's birth certificate to verify their age and to verify that they are entitled to benefits such as health and survivorship payments upon your death.
- A copy of your dependent children's Full-time Student Documentation to determine whether or not they are entitled to dental, vision coverage and/or survivorship allowance.
- A copy of your divorce related documents to verify how the community property interest in your pension has been addressed.

Any document in a foreign language needs to have a certified English translation submitted with the document.

Chapter 4: Contributions

This chapter discusses the contributions that both you and the City make to the retirement plan. The contribution rates are the percentages of your salary that you and the City each pay into the retirement plan. Your contributions are made through payroll deductions.

The Retirement Board reviews annually and sets, the rates of contribution necessary to make this system actuarially sound. This ensures that the retirement plan will have sufficient funds to provide your retirement benefits. The Board's contribution rate determination is based on actuarial studies of the retirement fund.

Record of Contributions

Although all contributions to the retirement plan are kept together in the retirement fund, a record is kept of your contributions, and your contributions are credited to your individual "account." Your "accumulated contributions" represent the total of all your contributions to the retirement plan. [SJMC 3.36.020.1, 3.36.1510 & 3.36.1540]

You will receive an annual notice documenting your retirement service credit, your contributions to the plan, and interest earned on your contributions.

Social Security

City employees do not contribute to the Social Security system and do not receive Social Security credit for their City service. You may still be eligible for Social Security benefits if you were previously employed by some other institution or company that did contribute to Social Security. Refer to Chapter 22: Social Security for more information.

For more information on social security benefits, visit the Social Security Administration website at www.ssa.gov.

Medicare

The Medicare portion of Social Security (FICA) tax is withheld from payroll checks of employees hired after March 31, 1986. For more on VEBA health benefits and Medicare see Chapter 15 and Chapter 23.

For more information on Medicare, visit the Social Security Administration website at www.medicare.gov.

Tax Treatment of Contributions

Starting April 19, 1987, the contributions made to the retirement plan were paid with pre-tax dollars. [SJMC 3.36.1580]

Payments made with after-tax dollars for a service purchase or redeposit will not be subject to additional taxation. If you receive a retirement allowance or a survivorship allowance, the after-tax contributions you made are prorated over your life expectancy as a tax-free portion of your pension.

Contributions During Military Service

If you take a leave of absence to serve in the military during a time of war, or if you are drafted in peacetime, you may be eligible for service credit during the leave. If you are eligible and elect to continue retirement contributions while on leave, the City will make the Employer contributions required. You will need to pay the employee contributions. Please see City of San Policy Manual on Military Leave for more information. [SJMC 3.36.620]

Withdrawal of Contributions

You may not withdraw your contributions from the retirement plan unless your membership in the plan is terminated. Termination of your membership may be as a result of voluntary resignation, termination, or death. Such return of contributions shall include an amount equal to the amount of the employee contributions, plus interest accrued thereon at the rate of two percent per annum.

If you withdraw your contributions, you or any of your survivor(s) or your estate shall thereafter not be entitled to any other allowance or benefit under this system. [SJMC 3.36.1620(A) & 3.36.1640(A)(I)]

Chapter 5: Benefit Eligibility Requirements

Tier 2 members of the Police and Fire Plan become eligible to receive benefits according to the following schedule:

Benefit	Minimum Age	Minimum Service (Years)
Service Retirement [SJMC 3.36.750(C)(1)]	57	5
Early Retirement (Reduced Allowance) [SJMC 3.36.750(C)(2)]	50-56 Must be at least age 50	5
Deferred Vested Retirement (Separation from City prior to Retirement) [SJMC 3.36.1640(I)]	57	5
	Reduced Benefit 50-56 Must be at least age 50	5
Mandatory Retirement [SJMC 3.36.780]	70	None
Service Connected Disability [3.36.1000; 3.36.1020(A)(5d) & (6d)]	None	None
Non-Service Connected Disability [3.36.990]	None	5

Chapter 6: Service Retirement

This chapter explains the process and benefits of service retirement for members who retire directly from active City service. If you leave City service and qualify to retire later (Deferred Vested), please refer to Chapter 16.

Eligibility Requirements & Retirement Allowance Calculation

Type of Service Retirement	Minimum Age	Minimum Service (Years)	Retirement Allowance Calculation
Service Retirement – Retiring on or after August 4, 2013 for Police or January 2, 2015 for Fire [SJMC 3.36.750(C)(1); 3.36.808(B)(2)(3); 3.36.809(B)]	57	5	First 20 years of Service: <ul style="list-style-type: none">• 2.4% per year of service X final compensation (50% maximum) Next 21-25 years of service: <ul style="list-style-type: none">• 3.0% per year of service X final compensation Next 26-30 years of service: <ul style="list-style-type: none">• 3.4% per year of service X final compensation (Maximum 80%)
Early Retirement (Reduced Allowance) [SJMC 3.36.750(C)(1); 3.36.808(B)(3); 3.36.809(B)]	50-56	5	Allowance reduced pursuant to Municipal Code Section 3.36.808(B)(3); 3.36.809(B). See Chapter 7 – Early Retirement
Mandatory Retirement [SJMC 3.36.780; 3.36.808(B)(2)(3); 3.36.809(B)]	70	None	First 20 years of Service: <ul style="list-style-type: none">• 2.4% per year of service X final compensation (50% maximum) Next 21-25 years of service: <ul style="list-style-type: none">• 3.0% per year of service X final compensation Next 26-30 years of service: <ul style="list-style-type: none">• 3.4% per year of service X final compensation (Maximum 80%)

Service Retirement Allowance Calculation

The formula used to determine your monthly service retirement allowance is:

- First 20 years of Service: 2.4% per year X final compensation

- Next 21-25 years of service: 3% per year of service X final compensation
- Next 26-30 years of service: 3.4% per year of service X final compensation (Maximum 80%)

Example #1, if you have 20 years of City service and your final compensation was \$10,000 per month, your benefit would be:

$$20 \text{ years} \times 2.4\% = 48\%$$

$$\text{Total \% of final compensation} = 48\%$$

$$\$10,000 \times 48\% = \$4,800 \text{ Monthly Retirement Allowance}$$

[S]MC 3.36.750(C)(1); 3.36.808(B)(2)(3); 3.36.809(B)]

Example #2, if you have 28 years of City service and your final compensation was \$10,000 per month, your benefit would be:

$$20 \text{ years} \times 2.4\% = 48\%$$

$$5 \text{ years} \times 3\% = 15\%$$

$$3 \text{ years} \times 3.4\% = 10.2\%$$

$$\text{Total \% of final compensation} = 73.2\%$$

$$\$10,000 \times 73.2\% = \$7,320 \text{ Monthly Retirement Allowance}$$

[S]MC 3.36.750(C)(1); 3.36.808(B)(2)(3); 3.36.809(B)]

Reemployment of Retired Member

If a person who has been retired for service is retained or reemployed by the City, other than as an independent contractor or Rehired Retiree, to render any service, said person's service retirement allowance shall be suspended. The pension will be suspended as of the effective date of such reemployment and shall remain suspended while the person is retained or reemployed to perform such service. Upon cessation of such reemployment, the person's service retirement allowance shall be reinstated.

The provisions of this Section shall not apply to the election or appointment of any retired person to the City Council or to any board or commission of the City. [S]MC 3.36.756]

Limited Reemployment of Retired Person

A person who has been retired under this system, for service or disability, may be employed by the City to perform City service on a temporary basis without reinstatement from retirement where the employment does not exceed one hundred twenty working days or nine hundred sixty hours, whichever is greater, in any payroll calendar year. For

the purposes of this provision, "payroll calendar year" means the twelve-month period commencing on the first day of the first pay period for active City employees.

Reemployment Requirements:

1. The procedures for the employment of a retired person under this Section shall be in accordance with the procedures set forth in the City Policy Manual.
2. The employment of a person pursuant to this Section shall not operate to reinstate the person as a member of this system. The person shall not earn service credit in this system for any period of such reemployment, nor shall either the person or the City make any contributions to this system on account of such employment.
3. The employment of a person pursuant to this Section shall not operate to terminate or suspend the retirement allowance otherwise payable to such person.
4. A person employed pursuant to this Section shall not be entitled to a disability retirement from the position in which the person is reemployed.
5. If the Internal Revenue Service determines that a reemployment program such as that described in this Section cannot be implemented without placing a retirement system out of conformity with the qualified plan requirements of the Internal Revenue Code (Title 26 of the United States Code), this Section shall become inoperative and any employment of a person pursuant to this Section shall be terminated immediately.

Chapter 7 – Early Retirement – Reduced Benefit

Computation of Reduced Benefit Allowance

You may elect to retire early, from age 50 through age 56, if you have at least 5 years of service. If you select this Early Retirement option, you will receive a reduced retirement allowance to actuarially account for the fact that you will be receiving your allowance for a longer period of time by starting before the normal retirement age. Your benefit shall be reduced by a factor of seven percent for each year you retire before age fifty-seven, prorated to the closest month. The reduced benefit shall be determined by the actuary for the police and fire retirement plan. The early retirement reduction factors used are shown below:

Retirement Age	Early Retirement Factor
57	1.00
56	0.93
55	0.86
54	0.79
53	0.72
52	0.65
51	0.58
50	0.51

[S]MC 3.36.808(B)(3); 3.36.809(B)]

To calculate your estimated pro-rated early retirement allowance, you must have a system run estimate. You may run your own estimate in your Member Direct Account by logging into your Member Portal on the Retirement Services website www.sjretirement.com. If you don't have access, you may request log in assistance from Retirement Services.

Fire members on a 56-hour work week, please note that your years of service may be inflated or deflated in the Member Direct estimate based on your last pay period. Your Forecasted Final Average Salary may be inflated if your last pay period included FLSA pay.

Your Early Retirement benefit estimate will include the following:

- Your unreduced retirement allowance.
- Your actuarially determined age reduction factor.
- Your reduced monthly service retirement allowance.

[3.36.810(B)]

Example: If you have 28 years of City service and your final compensation was \$10,000 per month, your benefit would be:

20 years x 2.4% = 48%
5 years x 3% = 15%
3 years x 3.4% = 10.2%
Total % of final compensation = 73.2%

\$10,000 x 73.2% = \$7,320 Full Unmodified Monthly Retirement Allowance at age 57.

Early Examples showing reduction:

- If retiring 1 year early (age 56) your benefit will be multiplied by 0.93 (1.0-7% = 0.93) $\$7,320 \times 0.93 = \$6,887.60$
- If retiring 2 years early (age 55) your benefit will be multiplied by 0.86 (1.0-14% = 0.86) $\$7,320 \times 0.86 = \$6,295.20$
- If retiring 3 years early (age 54) your benefit will be multiplied by 0.79 (1.0-21% = 0.79) $\$7,320 \times 0.79 = \$5,782.80$
- If retiring 4 years early (age 53) your benefit will be multiplied by 0.72 (1.0-28% = 0.72) $\$7,320 \times 0.72 = \$5,270.40$

Note: For Early Retirement Retirees, survivorship and death benefits will be reduced by the same factor as the retiree's early retirement benefit. [S]MC 3.36.1340, 3.36.810 (C)]

Chapter 8: Applying for Service Retirement

This chapter covers the processes for applying for retirement. When you apply for a Service Retirement it is recommended that you submit your retirement application to the Office of Retirement Services three months prior to your retirement date. When you become eligible to retire, you may pick any retirement date you would like. However, it is generally best to select a retirement date at the end of a pay period. A date at the end of a pay period usually avoids any timecard and partial active pay issues. Please keep in mind the following factors when selecting a retirement date:

- Your Retirement Date cannot be earlier than the date your Retirement Application is received and date-stamped by Retirement Services.
- No active paid hours should be recorded on your timecard on your retirement date or beyond. If active hours are posted on or after your retirement date, it may affect our ability to set you up for payment.
- If you are an Exception Time Reporter who will retire at the end of a pay period, please arrange with your timekeepers to take you off Exception Time Reporting right after your last pay period to ensure that you do not inadvertently get paid after your retirement date.
- For Exception Time Reporters who do not retire at the end of a pay period, please arrange with your timekeepers to take you off Exception Time Reporting for your last pay period so that you can manually put in hours for only the days that you worked in that pay period.
- As an active employee, your active health insurance premiums are deducted from your first and second paychecks of each month. If you select a retirement date which will not allow the second insurance payment to be deducted from your active payroll check, you will be billed directly by Human Resources for the second insurance payment. Please note that payment for active insurances can not be deducted from your retirement check.

Filing a Retirement Application

You do not have to meet with a staff member from Retirement Services to submit your Retirement Application. The Retirement Application, which includes a list of required documents, is located on the Retirement Service website www.sjretirement.com under "Forms and Publications." You may also print a pre-populated Retirement Application from your Member Direct Account by logging into your Member Portal on the Retirement Services website sjretirement.com. The following documents should be turned in with your Retirement Application:

- Birth Certificate(s):
 - Certified copy of your birth certificate;

- Certified copy of your spouse or certified domestic partner's birth certificate, if applicable.
- Certified copies of any dependent children's birth certificates, if they are being added to your health plan(s).
- Adoption paperwork, if applicable.
- Legal Guardianship paperwork, if applicable.
- Certified Copy of your Marriage Certificate, if applicable; or Domestic Partnership Certificate, certified by State AND Declaration of Domestic Partnership (notarized), if applicable. (SJMC 3.36.020.14)
- Copy of any Judgment of Dissolution of Marriage, if applicable, including the Marital Settlement Agreement, for any divorce(s) that took place while you were an employee of the City. These Document(s) must clearly address your pension benefits.
 - The divorce documents are reviewed to ensure that the language in the document complied with the provisions of the Retirement Plan. Please see Chapter 22 Dissolution of Marriage or Domestic Partnership.

Although we will accept a retirement application up to the day of your effective retirement date, please remember that you cannot receive retirement benefits until:

- Your application has been placed on a Board agenda and is approved.
- All required document(s) are received in our office.

Retirement Process

Once your application is received by the Office of Retirement Services, the following occurs:

1. If you're a current City employee, a letter is sent to your department advising that you have submitted an application for retirement.
2. Retirement staff will contact you with the following:
 - You will be provided with the forms required to complete the retirement set-up process.
 - You will be provided with an estimate of your monthly pension amount. You may run a benefit estimate anytime on our website www.sjretirement.com under "Member Portal Login."
 - You will be scheduled for a Retirement Group Counseling session during which retirement staff will review all retirement forms and procedures, answer questions, and witness signatures. You spouse may attend Retirement Group Counseling also. It is strongly recommended that you review the materials sent to you prior to attending your Retirement Group Counseling Session so you can prepare questions which

address your specific circumstances. Please complete your forms as fully as possible prior to attending your Retirement Group Counseling session.

- Coordinate Reciprocity and any other additional information as necessary.
3. Your retirement application will be scheduled on the Board Agenda for approval (your attendance at the meeting is not required). The Board must approve your retirement before your retirement benefits can begin.
 4. Retirement staff will verify that all documentation and forms has been completed properly and your application is complete.

It is important to note that your retirement check is issued only once a month, on the last business day of the month. Therefore, because one to two months may pass before you receive your first retirement check; it would be prudent to plan for that period of time without pay.

Chapter 9: Disability Retirement

This chapter covers eligibility requirements for disability retirement, types of disability retirements and the associated benefits of each type. Various other scenarios and considerations related to disability retirement are also discussed.

Eligibility

The Retirement Board grants or denies a member's disability retirement application based on whether there is sufficient evidence to the satisfaction of the Board showing that the member is incapacitated for the performance of their duty and that the incapacity is service connected. The following factors are taken into consideration by the Board when considering your disability retirement application:

- Whether your disability, short of death, is of permanent or extended and uncertain duration;
- Whether your disability occurred while you were a member of this system; and
- Whether your disability renders you physically or mentally incapable of assuming the responsibilities and performing the duties of your position and of any other position in the same classification of positions to which the city may offer to transfer you.

The Board's Disability Retirement Application Rules and Procedures can be found on the Retirement website at www.sjretirement.com. [S]MC 3.36.900]

Service-Connected and Non-Service-Connected Disability

There are two types of disability retirements:

1. **Service-Connected Disability** – A disability that is determined to be a result of injury or disease arising out of and in the course of your employment with the City.
2. **Non-Service-Connected Disability** - A disability that is determined not to be a result of injury or disease arising out of and in the course of your employment with the City.

[S]MC 3.36.900(C) & [S]MC 3.36.900(B)]

Situations Where Member is not Eligible for Disability Retirement Benefits:

You do not qualify for any type of disability retirement under the following conditions:

- You became disabled before you were a member of this retirement plan.
- You become disabled after your membership in this retirement plan is terminated or you are no longer a City employee.

- You become disabled during a leave of absence from City service, unless you are on military leave or leave with full compensation and pay.
- You become disabled due to a non-service-connected injury or illness and you have less than two years of City service.
- When you have been separated from City service for more than **one month** as of the date your application for disability retirement is filed with the secretary to the board, except in the case where the person demonstrates by a preponderance of the evidence that the disability is due to diseases and/or conditions caused by exposure to workplace factors and/or conditions that at the time of separation from city service had no previous medical basis to be considered harmful.
- If you separated from City service before March 31, 2017 and you have been separated from city service for more than one year as of the date your application for disability retirement is filed with the secretary to the board, except in the case where the person demonstrates the evidence that the disability is due to diseases and/or conditions caused by exposure to workplace factors and/or conditions that at the time of separation from City service had no previous medical basis to be considered harmful.

[S]MC 3.36.920(A)(1-5) & 3.36.990]

In no case may you receive both service retirement and disability retirement benefits. [S]MC 3.36.930]

Disability Retirement Benefit Chart:

Retirement Type	Minimum Service	Benefit
Service-Connected Disability [S]MC3.36.1020(A)(5)(d); 3.36.1020(A)(6)(d)]	None	<p>The greater of the following: 50% of Final Compensation; OR</p> <p>If eligible for Service Retirement: 2.4% for each of the first 20 full years of city service, plus 3% between 21 and 25 years of city service, plus 3.4% excess of twenty-five years of city service (maximum 80%) reduced by a factor of seven percent for each year under age 57, prorated to the closest month x final compensation; OR</p> <p>If not eligible for Service Retirement: Same formula as service-retirement eligible, however, the allowance is actuarially reduced by the plan's actuary for each quarter year that the member's service age is less than age fifty multiplied by the number of years of safety service subject to the applicable retirement formula.</p>
Non-Service-Connected Disability [S]MC 3.36.995(F)]	5 Years	<p>Under age 50: Allowance equal to one and four-fifths percent of final compensation times years of city service.</p> <p>Age 50 and over: Allowance equal to: 2.4% for each of the first 20 full years of city service, plus 3% between 21 and 25 years of city service, plus 3.4% excess of twenty-five years of city service (maximum 80%) reduced by a factor of seven percent for each year under age 57, prorated to the closest month x final compensation.</p> <p>Less than 5 years of service credit – Return of contributions.</p>

Payment of Disability Retirement Benefits

No disability retirement benefits are payable prior to the filing of an application and approval by the Board, or prior to the date upon which the Board makes a motion to grant a disability retirement. If you are changing from a Service or Early Retirement to a Disability retirement your effective date of retirement will not change. [S]MC 3.36.900(A)(2)]

Disability Retirement Allowance

Service-Connected Disability Retirement

If the Board approves your application for service-connected disability retirement, the monthly retirement allowance will be the greater of the following:

1. Your Final Compensation x 50%

For example, if your final compensation is \$10,000 per month, then your monthly disability retirement allowance would be \$5,000 per month ($\$10,000 \times 50\% = \$5,000$).
[[S]MC 3.36.1020(A)(5)(d)(i); 3.36.1020(A)(6)(d)(i)]]

Please note: For those with a Separate Account Domestic Relation Orders (SADRO), please refer to the Chapter 22 – Dissolution of Marriage or Domestic Partnership for potential benefit reductions. [3.36.3660]

2. If you're eligible for a Service Retirement:

An allowance equal to 2.4% for each of the first 20 full years of city service, plus 3% between 21 and 25 years of city service, plus 3.4% excess of twenty-five years of city service (maximum 80%) reduced by a factor of seven percent for each year under age 57, prorated to the closest month x final compensation.

For example, if you have 25 years of service and your final compensation is \$10,000 per month, then your monthly disability retirement allowance would be:

2.4% x first 20 years of service x Final Compensation; and Next 21 – 25 years of service:
3% per year x Final Compensation (80% max)

$$20 \text{ years} \times 2.4\% = 48\%$$

$$5 \text{ years} \times 3.0\% = 15\%$$

$$\text{Total \% of final compensation} = 63\%$$

$$\$10,000 \times 63\% = \$6,300$$

[S]MC 3.36.1020(A)(5)(d)(ii); 3.36.1020(A)(6)(d)(ii)]

3. If you're not eligible for a Service Retirement:

An allowance calculated in the same manner as #2 above, however, the allowance is

actuarially reduced by the plan's actuary for each quarter year that the member's service age is less than age fifty multiplied by the number of years of safety service subject to the applicable retirement formula.

[S]MC 3.36.1020(A)(5)(d)(iii); 3.36.1020(A)(6)(d)(iii)

The Internal Revenue Service (IRS) allows you to exclude the income you receive from a service-connected disability which is not based on your years of service. This means that the minimum service-connected disability retirement benefit amount, typically 50% of your final compensation, can be excluded from your taxable income. Any additional benefit you receive which is based on years of service is not excluded from your taxable income. [IRS Publication 525]

Non-Service-Connected Disability Retirement Allowance

If the Board approves your application for non-service-connected disability retirement, the monthly retirement allowance will be the greater of the following:

Under age 50: Allowance equal to one and four-fifths percent (1.8%) of final compensation times years of service.

Age 50 and over: Allowance equal to Service Retirement formula, first 20 years of service 2.4%, 21-25 years of service 3%, 26 and more years of service 3.4% (maximum 80%) reduced by a factor of seven percent for each year under age 57, prorated to the closest month x final compensation.

Members with less than 5 years of service credit are not eligible for a non-service-connected disability.

Example1 for Under age 50: if you are under age 50 and had seven years of service and your monthly final compensation was \$10,000, then your monthly non-service-connected disability retirement allowance would be:

$$\begin{aligned} 7 \text{ years} \times 1.8\% &= 12.6\% \\ \$10,000 \times 12.6\% &= \$1,260 \text{ Monthly} \end{aligned}$$

Example2 for Under age 50: if you are under age 50 and had 25 years of service and your monthly final compensation was \$10,000, then your monthly non-service-connected disability retirement allowance would be:

$$\begin{aligned} 25 \text{ years} \times 1.8\% &= 45\% \\ \$10,000 \times 45\% &= \$4,500 \end{aligned}$$

Example1 if over age 50: if you are over age 50 and had seven years of service and your monthly final compensation was \$10,000, then your monthly non-service-connected disability retirement allowance would be:

$$\begin{aligned} 7 \text{ years} \times 2.4\% &= 16.8\% \\ \$10,000 \times 16.8\% &= \$1,680 \text{ Monthly} \end{aligned}$$

Example 2 if over age 50: if you are over age 50 and had 25 years of service and your monthly final compensation was \$10,000, then your monthly non-service-connected disability retirement allowance would be:

2.4% x first 20 years of service x Final Compensation; and
Next 21 – 25 years of service: 3% per year x Final Compensation (80% max)

20 years x 2.4% = 48%

5 years x 3.0% = 15%

Total % of final compensation = 63%

\$10,000 x 63% = \$6,300

If under age 57, the pension will be reduced by a factor of seven percent for each year under age 57, prorated to the closest month x final compensation.

Examples showing reduction if under age 57:

- If retiring 1 year early (age 56) your benefit will be multiplied by 0.93 (1.0-7% = 0.93)
\$6,300 x 0.93 = \$5,859.00
- If retiring 2 years early (age 55) your benefit will be multiplied by 0.86 (1.0-14% = 0.86)
\$6,300 x 0.86 = \$5,418.00
- If retiring 3 years early (age 54) your benefit will be multiplied by 0.79 (1.0-21% = 0.79)
\$6,300 x 0.79 = \$4,977.00
- If retiring 4 years early (age 53) your benefit will be multiplied by 0.72 (1.0-28% = 0.72)
\$6,300 x 0.72 = \$4,536.00

[S]MC 3.36.995(F)]

Workers' Compensation Offset

The intent of the Workers' Compensation Offset is to ensure that the combined benefits from workers' compensation and service-connected disability retirement are not excessive.

If you receive both a service-connected disability retirement allowance and a workers' compensation benefit for the same period and same disability, then your service-connected disability retirement allowance may be reduced. Workers' Compensation benefits that result in a reduction of your retirement allowance are benefits paid for temporary disability, permanent disability, or vocational rehabilitation. Compensation for attorney and medical fees are not subject to the offset.

The maximum offset for Tier 2 members is \$10,000.

[S]MC 3.36.1030 (A)(B)]

Exceptions to Workers' Compensation Offsets

Workers' Compensation Offsets are not applied in the following circumstances:

- The offset will be in effect only during such times as concurrent retirement allowances and workers' compensation benefits are paid. In the case of the payment of a lump sum workers' compensation benefit (excluding payments for medical treatment), the offset will apply only for such period as concurrent payments would have been made had the workers' compensation benefit been paid in installments.
- No offset will be made for retirees who receive a permanent disability rating of 100%.
- No offset will be made for workers' compensation benefits paid for any injury or illness which did not cause or contribute to the disability for which the service-connected disability retirement was granted (as approved by the Board).

[S]MC 3.36.1030 (B)]

Workers' Compensation Offset Calculations

Your service-connected disability benefit is offset by a portion of your workers' compensation benefit. To calculate the offset amount, your workers' compensation benefit (excluding attorney and medical fees) is converted to a monthly equivalent and then multiplied by the offset ratio. The offset ratio is the ratio of City's contributions to total contributions made to the plan. The offset calculation is described in further detail below.

To determine the offset amount, first the offset ratio is calculated by dividing the City's contributions by the total contributions (City's contributions plus member's contributions).

$$\text{Offset Ratio} = \frac{\text{City's contributions made during member's employment}}{\text{City's plus member's contributions made during the member's employment}}$$

For example, if the City's contributions are \$70.00 and the member's contributions are \$30.00, the ratio would be \$70.00 (City's contributions) divided by \$100.00 (City's contributions [\$70.00] plus member's contributions [\$30.00]) or 70.00%.

Next, your workers' compensation benefit is converted to a monthly rate. To make the conversion, the worker's compensation benefit is first converted to an annual rate and then divided by 12.

For example, if you receive \$150 per week for workers' compensation benefits over the course of a year, the annual amount is \$7,800 (\$150 x 52 weeks) and the monthly amount is \$650 (\$7,800 divided by 12 months).

To calculate the offset amount, the offset ratio is then applied to the workers' compensation benefit. In our example, the offset amount would be \$455.00, the monthly workers' compensation amount (\$650) multiplied by the offset ratio (70.00%).

$$\$650 \times 70.00\% = \$455.00 \text{ offset per month}$$

The offset amount is then subtracted from your monthly service-connected disability benefit. Following our example, if your monthly service-connected disability benefit is \$3,000, it would be reduced by \$455.00 (the offset amount) for a net monthly benefit of \$2,545.00 (\$3,000 monthly benefit minus \$455.00 offset amount).

Retirement allowance:	\$3,000.00
Workers Compensation offset amount:	<u>\$ (455.00)</u>
Adjusted retirement allowance	\$ 2,545.00

Lump Sum Workers' Compensation Benefits

If you receive a lump sum benefit from Workers' Compensation rather than weekly payments, the lump sum amount will be converted into a monthly amount that would have been allowed if the lump sum had been monthly payments. The offset ratio described in the "Workers' Compensation Offset Calculations" above will be applied to the lump sum amount (excluding payments for attorney's fees and medical treatment) when calculating the offset amount. Once the monthly offset amount is calculated, it's applied to months where you would have received both a workers' compensation benefit and concurrent service-connected disability retirement payment. This calculation is described in further detail below.

To determine the offset amount for lump sum workers' compensation benefits, first the offset ratio is applied to the lump sum workers' compensation benefit. For example, if you receive a lump sum benefit of \$20,000 and the offset ratio is 70.00%, the offset amount would be \$14,000 (\$20,000 x 70.00%).

Then, the offset is converted to monthly payments for the period that workers' compensation payments would have been made if paid in installments. Continuing our example, if the lump sum benefit covers a period of 3 years (36 months), then the monthly offset amount is \$388.89 (\$14,000 divided by 36 months).

The offset amount is then subtracted from your monthly service-connected disability benefit for the applicable months. Following our example, if your monthly service-connected disability benefit is \$3,000, it would be reduced by \$ 388.89, the offset amount, for a net monthly benefit of \$2,611.11 (\$3,000 minus \$388.89).

In addition, if you receive a lump sum workers' compensation benefit, your service-connected disability retirement benefit will only be reduced for months in which you would have received a workers' compensation benefit. If the lump sum benefit includes months in which you were an active employee and were not receiving service-connected disability payments, your service-connected disability benefit will not be offset for those months.

Maximum Offset

The offset will be applied to your service-connected disability benefit until you stop receiving concurrent workers' compensation benefits or you reach a maximum offset amount of \$10,000, whichever happens first. For example, if your offset amount is \$455.00 per month, you will reach the maximum offset of \$10,000 in about 22 months (\$10,000 divided by \$455.00). If you stop receiving concurrent workers' compensation benefits after month 12

of the maximum 22 months, your offset will stop after month 12 and will not continue.

Lastly, your monthly service-connected disability benefit will not be reduced to an amount less than the sum of the maximum retired member contributions for medical, dental, life, and accidental death insurance premiums, plus one dollar. This limitation is applied regardless of whether you enroll and contribute to these benefits. For example, if your monthly service-connected disability retirement benefit is \$3,000 and the maximum member contributions for the applicable insurance premiums is \$300, your monthly service-connected disability benefit will not be reduced to less than \$301 per month (\$300 total applicable insurance premiums plus \$1).

[S]MC 3.36.1030 (B)]

Outside Earnings

Reporting Requirement

If you receive a disability retirement with fewer than 20 years of service credit in this retirement plan and you subsequently engage in a gainful occupation, your combined total income from your pension from City of San José and your current occupation cannot be in excess of the maximum compensation earnable in the position from which you retired. [S]MC 3.36.1040]

For the purpose of Outside Earnings, income and earnings shall not include interest, dividends, and rent. [3.36.1035(C); 3.36.1040(C)]

As a condition of receiving a monthly disability retirement allowance, you must submit written statements of your total income and earnings from employment outside City service during your disability retirement. These reports are required until your years of retirement service credit in this retirement plan plus the time you have been retired equals 20 years.

NOTE: Reporting is required even if you do not have any outside earnings.

You have two choices of how to report your outside earnings:

1. Monthly statements with an annual summary, or
2. Annual reporting with a copy of your full federal and state income tax returns, W-2's and 1099 forms. If you file jointly, you must also submit your spouse's W-2's and 1099's.

Monthly Statements

You must submit three types of statements annually:

1. A Projection of Earnings form at the beginning of each new reporting year
2. **12 Monthly Statement of Outside Earnings forms**, by the 10th day of the following month

3. A notarized annual Declaration of Earnings statement, under penalty of perjury, on or before May 1st of each year. This statement indicates your total income and earnings received during the preceding calendar year and the sources of such income and earnings.

NOTE: If you have Schedule C income to report, you may not be able to provide accurate information monthly due to expenses that will need to be calculated at year end.

[S]MC 3.36.1035(B)(1)]

Annual Reporting with Income Tax Returns

1. On or before May 1st following the tax reporting period, you must submit the following:
 - a. Copy of your federal income tax return, personal and/or business
 - b. Copy of your state income tax return, personal and/or business
 - c. Any W-2s, including those of your spouse, if filing jointly
 - d. Any 1099s, including those of your spouse, if filing jointly
 - e. Any other back up required for your tax filing
2. You will also need to submit a written statement of your reporting election and projected income and earnings for the coming year by January 10th of each year. You may file an amended statement if there is a change in your projected income.

[S]MC 3.36.1035(B)(2)]

Termination of Benefits for Failure to File Reports

If you fail to report your income as described above, your disability retirement allowance will be suspended until you submit the required information. When you submit the information, your allowance will be reinstated including any allowances that have been withheld, less any applicable deductions. [S]MC 3.36.1035(D)]

Deductions for Earnings Outside of City Employment

If your disability retirement allowance plus your outside earnings exceeds the maximum compensation earnable in the position from which you retired, then your retirement allowance will be reduced until your total income equals that salary or the allowance received is \$0.00.

For example:

Current Monthly Salary of Former Position:	\$10,000
Monthly Retirement Allowance:	<u>-\$5,000</u>
Monthly Maximum Outside Earnings	\$5,000

In this example, if your outside earnings (as reported monthly or the monthly average from your annual projection if reported annually) are less than \$5,000, then the full retirement

allowance will be paid. However, if outside earnings are more than \$5,000, then the retirement allowance will be reduced. If, for example, you earn \$5,500 in a given month, your allowance will be reduced as follows:

Monthly Outside Earnings:	\$5,500
Monthly Maximum Outside Earnings:	<u>\$5,000</u>
Monthly Offset:	\$ 500

In this example, the monthly retirement allowance will be reduced from \$5,000 to \$4,500 for a total reduction of \$500.00.

If your outside earnings itself exceeds the current base salary of the position from which you retired, then you will still receive a check for \$0. You will maintain benefits such as medical, dental, and life insurance.

If for any reason your allowance should have been offset and it was not, you are responsible for making up the overpayment. Any excess amount and applicable interest may be deducted from future allowance payments or collected from you directly.

Once your years of service in this plan plus the time you have been retired for your disability totals 20 years, this offset is no longer applicable. After any overpayments are recovered, you may receive your full disability retirement allowance without deductions for outside employment. [SJMC 3.36.1040]

Reinstatement to Duty After Disability Retirement Approval

Medical Exam during Disability Retirement

Once you have received a disability retirement, the Retirement Board may require you to undergo a medical examination to determine the status of your disability. If, based on the results of this exam, the Retirement Board determines that you have become capable of performing the duties of your position, and you are under age 55, you will be subject to reinstatement to duty. [SJMC 3.36.1080]

Failure or Refusal to Submit to Medical Examination

If you fail or refuse to undergo any medical exam that is required by the Retirement Board while you are receiving a disability retirement allowance, the Board may terminate your allowance. If your allowance is terminated, you will no longer have any right to restoration to duty, nor will you or any of your survivors be entitled to any allowances or benefits of this plan.

However, if you apply for reinstatement of your disability retirement within one year of the termination of your allowance and can prove at that the time of application for reinstatement that you are still disabled, the Board may reinstate your disability retirement and your allowance as of the date decided by the Board.

If you die before having your disability retirement and your allowance reinstated, your surviving spouse/domestic partner or surviving child(ren) may apply to the Retirement Board for survivorship benefits or death benefits. If they can prove that your disability continued until your death, the Board may grant them survivorship or death benefits to which they would have been entitled if your disability retirement had not been terminated. They must apply for these benefits within one year from the date the Board terminated your disability retirement.

No survivorship allowances or death benefits will be granted to anyone unless application is made within this one-year period. [SJMC 3.36.1120]

Permanent Disability After Age 57

If a recipient of a disability allowance granted pursuant to the provisions of this chapter should, upon attaining the age of fifty-seven years (57), still be incapacitated to perform the duties of the position held by him or her at the time of retirement, and of any other position in the same classification of positions as the one held by him or her at the time of retirement pursuant to the provisions of this chapter, the recipient shall no longer be subject to recall to duty. [SJMC 3.36.1090]

Disability Retirement Allowance if Retiree is Determined to be no Longer Disabled

If the Retirement Board determines you are no longer disabled, you will continue to receive your disability retirement allowance until the City reinstates you, or until:

- You reject an offer of reinstatement into your previous position or a position in the same classification;
- You refuse or fail to report to work in your previous position or a position in the same classification when requested to do so; or
- The Board determines that you have become unable to accept reinstatement or have become unable to perform the duties of your previous position or a position in the same class of positions.

[SJMC 3.36.1140]

Reinstatement to Duty

If the Board determines that you are no longer incapacitated for the performance of duty, and you are not yet 57 years old, you may be reinstated as a member in the former position or a position in the same classification of positions, subject to Civil Service Rules. After reinstatement, you will again be a member of this retirement plan and will be credited for your past service as if you had never been retired. [SJMC 3.36.1090]

Refusal to Accept Reinstatement

If the Board finds that you are no longer incapacitated for duty, but you fail to report for duty or reject an offer of reinstatement, your disability retirement allowance may be terminated including all rights that you or your survivors may have under the retirement plan. [SJMC 3.36.1100]

Chapter 10: Applying for a Disability Retirement

This chapter provides information on how to apply for a disability retirement and describes the disability retirement process.

Application

An application for a disability retirement may be made by any of the following persons:

- Plan member;
- Someone authorized to apply on the Plan member's behalf;
- The head of the Plan member's department;
- The City Manager; or
- The Retirement Board.

[S]MC 3.36.950 & 3.36.940]

Disability Retirement Application Time Limit

If you separate from City service on or after March 31, 2017, you have one month from the date of separation to file an application for disability retirement, except in the case where the person demonstrates the evidence that the disability is due to diseases and/or conditions caused by exposure to workplace factors and/or conditions that at the time of separation from city service had no previous medical basis to be considered harmful. [S]MC 3.36.920 (A)(5)]

Depending on how many disability applications are in the queue, it takes at least 9 months to process a disability retirement application. Applicants with financial hardships or terminal illness are given priority in the queue. If you are an active employee on 4850 time or any other paid leave it is important that you communicate with staff when that leave is expected to exhaust. If you are applying for a Non-Service-Connected Disability, you are required to submit all of your medical records pertaining to your disability.

Chapter 11: Optional Payment Options

This chapter provides information on the optional survivorship allowances that retirees may elect within the time periods prescribed below. These “Payment Options” provide a higher survivorship allowance to the spouse/domestic partner at the time of the retiree’s death. The higher survivorship allowance will reduce the member’s base benefit.

At the time of your retirement, your standard retirement allowance is calculated. If you are married or in a domestic partnership, your spouse or domestic partner’s unmodified survivorship allowance is also calculated, and you will be given the opportunity to select an optional settlement. The optional settlements give you less money each month in return for a higher allowance to your surviving spouse or domestic partner.

Within these options, there is an option called “Pop-up”. These are also actuarially calculated, however if your spouse pre-deceases you, your benefit will go back to your unmodified amount. Your benefit will not return to the unmodified amount in the event of a divorce or if your spouse dies after a divorce.

If an optional settlement is not selected within 30 days of your retirement date, you will automatically default to the unmodified survivorship benefit.

[S]MC 3.36.1460; 3.36.1461]

How Options Are Calculated

The options are “actuarial equivalents” of your standard retirement allowance. An actuarial equivalent means a benefit of equal value when computed upon the basis of the interest rate, inflation rate and annuity tables and other relevant assumptions on the most recent actuarial valuation and adopted by the board upon the advice of the board’s actuary provided that such interest rate, inflation rate, and annuity tables and other relevant assumptions comport with reasonable standards applicable to governmental retirement plans. For purposes of this section, the most recent actuarial valuation shall be the valuation performed as of June 30th in the calendar year prior to the effective date of the actuarial equivalence calculation. [S]MC 3.36.1466]

You and your spouse or domestic partner’s ages are very important in determining the options. If your spouse or domestic partner is significantly younger than you, your benefit would be reduced more than if you were the same age. This is because the benefit to your spouse or domestic partner will most likely be paid for a longer period of time.

If you previously retired for a Service Retirement and elected an option and subsequently changed to a Disability Retirement, retroactive to your retirement date, you may owe the Plan money back. This is due to the difference in mortality tables used when calculating an option for a Service Retirement and a Disability Retirement.

Time Limits to Choose Options

An election for an optional settlement must be made in writing on a form provided by Retirement Services (Annuity Designation Form) no earlier than the time of application and no later than 30 days after the effective date of retirement. You may amend or revoke any election in writing on or before the thirtieth (30th) day after the effective date of your retirement. Any election that is not amended or revoked on or before 30 days from the effective date of your retirement shall be irrevocable. [SJMC 3.36.1461]

If an optional settlement is not selected within 30 days of your retirement date, you will automatically default to the unmodified survivorship benefit. [SJMC 3.36.1460]

The optional settlements shall be paid only to the person to whom you are married or to the person who is your domestic partner both at the time of your retirement and at the time of your death. Unless you have elected a Post Retirement Marriage or Domestic Partnership reduction. Please see below for details. [SJMC 3.36.1463(E)]

Post-Retirement Marriage or Domestic Partnership

A person who is receiving a monthly retirement allowance and who marries or establishes a domestic partnership after beginning to receive such monthly allowance may elect an optional settlement by filing a written election with Retirement Services. The Post-Retirement Optional Settlement allows for payment of a survivorship benefit that would otherwise not be payable. To do this, the member must take a reduced allowance to provide the spouse or domestic partner a survivorship payment.

The election of the Post-Retirement Optional Settlement must be **filed within 90 days** after the date of the marriage or establishment of the domestic partnership. The election becomes effective one year from the date of marriage or the establishment of the domestic partnership. [SJMC 3.36.1468]

Note: If a Post-Retirement Optional Settlement is elected the surviving spouse or surviving domestic partner will only receive the survivorship allowance and no health benefits when the member dies. [3.36.1910(A); Part 8 - 3.36.1230 & 3.36.1240]

Documents required to begin the election of a Post Retirement Marriage or Domestic Partnership:

- Written request for the Post Retirement Marriage or Domestic Partnership Optional Settlement within 90 days of event;
- Certified Copy of your spouse's birth certificate; and
- Certified Copy of your Marriage Certificate or Domestic Partnership Certificate & Declaration of Domestic Partnership (notarized).

Once the documents above are received Retirement Services will submit your information to the Plan's actuary to calculate the Post-Retirement Optional Settlement. Retirement Staff

will notify you of your reduced benefit and survivor benefits as soon as it is received from the Retirement Plan's actuary and provide you with the necessary documents to elect or decline the Post-Retirement Optional Settlement.

Chapter 12: Death Before Retirement (Active Employees)

This chapter describes the benefits available to your survivors if you die while an active City employee and a member of the retirement plan, but before you retire. The benefits available are dependent upon your years of service and whether or not your death was service-connected. This chapter does not apply to persons who left City service prior to their death. Survivorship benefits for those participants who separated from the City and who were not retired prior to their death are described in Chapter 16 (Deferred Vested) or in Chapter 18 (Reciprocity).

The following persons may be eligible to receive a survivor benefit:

Surviving Spouse or Surviving Domestic Partner

The person to whom you were married or in a certified domestic partnership with at the time of your death and who survives your death. [SJMC 3.36.1200(B)(1) & 3.36.1200(B)(2)]

Surviving Children

Your natural or adopted children who meet all of the following requirements:

- The child survives your death;
- The child is unmarried and not in a domestic partnership at the time of your death;
- The child is under the age of 18 years at the time of your death;
- The child is in existence or conceived at the time of the deceased person's death; and
- If the child is adopted, the adoption was completed prior to your death.

[SJMC 3.36.1200(B)(3)]

Active Non- Service Connected Death With Less Than 2 Years of Service

This section applies if you meet the following conditions:

- You die while a member of the plan;
- You die prior to being retired;
- You die with less than 2 years of service; and
- Your death is not due to your employment with the City.

[SJMC 3.36.1205; 3.36.1250(A)(1)]

Return of Contributions to Surviving Spouse or Surviving Domestic Partner

Your surviving spouse or surviving domestic partner will receive your contributions to the retirement plan, plus interest earned by the fund not to exceed 2% per year, or \$1,000, whichever is greater. [SJMC 3.36.1250(C)&(H)]

Return of Contributions to Surviving Children When There is no Surviving Spouse or Surviving Domestic Partner

If you do not have a surviving spouse or surviving domestic partner at the time of your death, your surviving children will receive your contributions to the retirement plan, plus interest earned by the fund not to exceed 2% per year, or \$1,000, whichever is greater. [S]MC 3.36.1250(D)&(H)]

Return of Contributions When There is no Surviving Spouse or Surviving Domestic Partner nor Surviving Children

If you die without leaving an eligible surviving spouse or surviving domestic partner or eligible surviving children, your estate will be entitled to receive your accumulated contributions to the retirement fund, plus interest as earned by the fund not exceeding 2% per year, or \$1,000, whichever is greater. [S]MC 3.36.1250(F)&(H)]

Note: Surviving spouses, surviving domestic partners and/or surviving children of members who die before retirement with less than 2 years of service (and whose death was not Service-Connected) are not eligible to receive monthly survivorship allowances.

Active Non-Service Connected Death with More Than 2 Years of Service

This section applies if you die before retirement and all of the following conditions are met:

- You die while a member of this Plan;
- You die prior to being retired;
- You die before being eligible for a service retirement OR have been retired for a nonservice-connected disability but die before receiving any disability allowance or pay;
- Your death did not arise out of and in the course of your employment; and
- You have a minimum of two years of retirement service credit.

[S]MC 3.36.1205; 3.36.1210(A)(1); 3.36.1270(C)]

Benefit Options:

Your surviving spouse or surviving domestic partner OR surviving child(ren), if there is no surviving spouse or surviving domestic partner, may choose one of the following benefit options:

1. Return of Contributions and interest payable at 2% per annum in a lump sum or monthly amount. If there is no surviving spouse or domestic partner and there are no surviving children, the amount shall be paid to deceased person's estate.
2. Survivorship Allowance to eligible surviving spouse or surviving domestic partner, and eligible children (regardless of whether or not there is an eligible surviving spouse or surviving domestic partner) as described in the following sections:

- “Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner if the Deceased Person was *Entitled* to a Retirement Allowance up to Seventy Five Percent (75%) of the Deceased Persons Final Compensation”: OR
 - “Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner if the Deceased Person was Entitled to a Retirement Allowance of at Least Seventy Five Percent (75%) of the Deceased Persons Final Compensation”.
 - Survivorship allowance for eligible child(ren) is available regardless of whether or not there is a surviving spouse or surviving domestic partner. Please see below in section “Survivorship Allowance to Surviving Children if you die Before Retirement With at Least two Years of Service”.
3. Lump Sum Payment equal to contributions and interest payable and Survivorship Allowance – as calculated in #2 above. However, the monthly survivorship allowance shall not be owing or payable and shall not commence until such time as the time elapsed between the death of the deceased person a number of months equal to that number obtained by dividing the total amount of the lump sum payment by the monthly survivorship allowance.

[S]MC 3.36.1205; 3.36.1210; 3.36.1280(B)(C)(D)(E); 3.36.1300]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner if the Deceased Person was Entitled to a Retirement Allowance up to Seventy Five Percent (75%) of the Deceased Person’s Final Compensation

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies or remarries. Under the following situations the surviving spouse or surviving domestic partner can remarry and continue receiving benefits:

- If at the time of death the member was at least 57 years old with at least 5 years of service.

[S]MC 3.36.1205; 3.36.1240; 3.36.1290(A)]

The allowance will be calculated as follows:

Final Comp x 24% + 0.75% of Final Compensation for each year in excess of two years of service. (Max of 37.5% of Final Compensation).

For example, if you die before retirement (non-service connected death) and had 10 years of service and your final compensation was \$10,000 per month, the monthly survivorship allowance would be:

Base of 24% of final compensation=24%

8 years x 0.75% = 6% (total of 10 yrs. service; each yr. in excess of 2 yrs. service = 8 yrs.)
Total % of final compensation = 30%

$\$10,000 \times 30\% = \$3,000$ Monthly Survivorship Allowance

[S]MC 3.36.1210(F), 3.36.1280(C)(1), 3.36.1280(D)(1)]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner if the Deceased Person was Entitled to a Retirement Allowance of at Least Seventy Five Percent (75%) of the Deceased Person's Final Compensation

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies or remarries. However, under the following situations the surviving spouse or surviving domestic partner can remarry and continue receiving benefits:

- If at the time of death the member was at least 57 years old with at least 20 years of service; or
- The member was killed in the line of duty.

[S]MC 3.36.1290(A)]

The allowance will be calculated as follows: $50\% \times$ deceased person's retirement allowance

Example for Tier 2 Police and Fire - this is under the Active Death Section

If you die before retirement with 29 years of service and your final compensation was \$10,000 per month, your monthly benefit would have been:

$$\begin{array}{r} 20 \text{ years} \times 2.4\% = 48\% \\ \quad 5 \text{ years} \times 3\% = 15\% \\ \quad \underline{4 \text{ years} \times 3.4\% = 13.6\%} \\ \text{Total \% of final compensation} = 76.6\% \\ 76.6\% \times \$10,000 = \$7,660 \text{ Monthly Retirement Allowance} \end{array}$$

If member dies before retirement, your Surviving Spouse or Domestic Partner's survivorship allowance would be calculated by multiplying 50% by your Monthly Retirement Allowance:

$$50\% \times \$7,660 = \$3,830.00 \text{ Monthly Survivorship Allowance}$$

Note: Survivorship cannot exceed 40% of final compensation; $\$10,000 \times 40\% = \$4,000$ (max not exceeded in this example). [S]MC 3.36.1280(C)(2); 3.36.1280(D)(2)]

Survivorship Allowance to Surviving Children if you die Before Retirement With at Least Two Years of Service

If you have eligible children at the time of your death, they will receive a survivorship allowance until they reach the age of 18. They may continue to be eligible until age 22 if they are full-time students and meet the qualifications for a school allowance. The allowance will be calculated as follows:

One Child: $25\% \times$ Final Compensation

Two Children: 37.5% x Final Compensation

Three or More Children: 50% x Final Compensation

Example #1, if you die before retirement with at least two years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for one child would be:

$\$10,000 \times 25\% = \underline{\$2,500 \text{ Monthly Child Survivorship Allowance}}$

Example #2, if you die before retirement with at least two years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for two children would be:

$\$10,000 \times 37.5\% = \underline{\$3,750 \text{ Monthly Survivorship Allowance for two children}}$

Note: The survivorship amount is divided equally among each child; in this example each child would receive \$1,875/month ($\$3,750/2=\$1,875$).

Example #3, if you die before retirement with at least two years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for three (or more) children would be:

$\$10,000 \times 50\% = \underline{\$5,000 \text{ Monthly Survivorship Allowance for three (or more) children}}$

Note: The survivorship amount is divided equally among each child; in this example each child would receive \$1,666.66/month ($\$5,000/3=\$1,666.66$).

[SJMC 3.36.1210(G), 3.36.1300(B)(1), 3.36.1300(D)(1), & 3.36.1300(F)(1)]

Benefit Limitation

The maximum amount of all monthly allowances payable to your surviving spouse or surviving domestic partner and children cannot exceed 80% of your final compensation. If necessary, your children's survivorship allowance will be reduced so that the total benefit to your surviving spouse or surviving domestic partner and children does not exceed 80% of your final compensation. [SJMC 3.36.1205; 3.36.1310]

No Surviving Spouse or Surviving Domestic Partner nor Surviving Children

If you die without an eligible surviving spouse or surviving domestic partner or eligible surviving children, your estate will be entitled to receive your accumulated contributions from the retirement fund, plus interest as earned by the fund not exceeding 2% per year. Your estate will receive a minimum of \$1,000 even if your contributions total less than \$1,000. [SJMC 3.36.1205; 3.36.1210(E) & 3.36.1210(I)]

Active Non-Service Connected Death While Eligible for Service Retirement

The survivorship benefits in this section apply to the following situations:

- You die after age 57 with at least 5 years of service, but before retirement; or
- You die between the age of 50-57 with at least 5 years of service, but before retirement at a reduced benefit.

[SJMC 3.36.1200(A)(1-2); 3.36.750(C); 3.36.810(F)]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies, remarries, or establishes a new domestic partnership. However, under the following situations the surviving spouse or domestic partner can remarry or establish a new domestic partnership and continue receiving benefits:

- If at the time of death the member was at least 57 years old with at least 5 years of service; or
- A Police member who was killed in the line of duty on or after January 17, 2020 (Ordinance #30348); or
- A Fire member who was killed in the line of duty on or after July 20, 2020 (Ordinance #30423)

"Killed in the line of duty" means that a Police or Fire member dies while a member of this plan and before being retired for service or disability as a direct result of an incident while in the performance of duty in the member's employment with the City. To be covered, the death must not result from a condition unrelated to the specific incident. A Police member who dies after first being on disability retirement with the City is not considered to have been killed in the line of duty for purposes of this Section. [SJMC 3.36.1290(A); 3.36.1290(B)(4)(5)]

The monthly allowance will be calculated as follows:

To surviving spouse or surviving domestic partner: 37.5% to 40% of member's Final Compensation depending on the years of service. See Chart Below:

San Jose Years of Service	Retiree's Percentage of Final Compensation	Surviving Spouse or Surviving Domestic Partner Percentage of Final Compensation
Up to 20	48%	37.5%
21	51%	37.5%
22	54%	37.5%
23	57%	37.5%
24	60%	37.5%
25	63%	37.5%

San Jose Years of Service	Retiree's Percentage of Final Compensation	Surviving Spouse or Surviving Domestic Partner Percentage of Final Compensation
26	66.4%	37.5%
27	69.8%	37.5%
28	73.2%	37.5%
>28.53	75% - 80%	50% of Retiree's Percentage (Maximum of 40%)

Example for Tier 2 Police and Fire

If you died before retirement, while eligible to retire and had 29 years of service and your final compensation was \$10,000 per month, your monthly benefit would have been:

20 years x 2.4% = 48%

5 years x 3% = 15%

4 years x 3.4% = 13.6%

Total % of final compensation = 76.6%

76.6% x \$10,000 = \$7,660.00 Monthly Retirement Allowance

If member dies before retirement, your Surviving Spouse or Domestic Partner's survivorship allowance would be calculated by multiplying 50% by your Monthly Retirement Allowance:

50% x \$7,660 = \$3,830 Monthly Survivorship Allowance

Note: Survivorship cannot exceed 40% of final compensation; \$10,000 x 40% = \$4,000 (max not exceeded in this example). [SJMC 3.36.1200(A)(F)(K); 3.36.1205; & 3.36.1270(D)(E)(G)]

Survivorship Allowance to Surviving Children (Police & Fire)

If you have eligible children at the time of your death, they will receive a survivorship allowance until they marry or reach the age of 18, whichever is earlier. They may continue to be eligible until age 22 if they are full-time students and meet the qualifications for a school allowance. The survivorship allowance will be calculated as follows:

One Child: 25% x Final Compensation

Two Children: 37.5% x Final Compensation

Three or More Children: 50% x Final Compensation

Note: The maximum total combined benefit payable to a surviving spouse/domestic partner and surviving children is 80% of final compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of final compensation.

Example #1, if you die before retirement and you were eligible for Service Retirement and your final compensation was \$10,000 per month, the monthly child survivorship allowance for one child would be:

$\$10,000 \times 25\% = \underline{\$2,500 \text{ Monthly Child Survivorship Allowance}}$

Example #2, if you die before retirement and you were eligible for Service Retirement and your final compensation was \$10,000 per month, the monthly child survivorship allowance for two children would be:

$\$10,000 \times 37.5\% = \underline{\$3,750 \text{ Monthly Survivorship Allowance for two children}}$

Note: The survivorship amount is divided equally among each child; in this example each child would receive \$1,875/month (\$3,750/2=\$1,875).

Example #3, if you die before retirement and you were eligible for Service Retirement and your final compensation was \$10,000 per month, the monthly child survivorship allowance for three (or more) children would be:

$\$10,000 \times 50\% = \underline{\$5,000 \text{ Monthly Survivorship Allowance for three (or more) children}}$

Note: The survivorship amount is divided equally among each child; in this example each child would receive \$1,666.66/month (\$5,000/3=\$1,666.66).

[SJMC 3.36.1210(G), 3.36.1300(B)(1), 3.36.1300(D)(1), & 3.36.1300(F)(1)]

Lump Sum Return of Contributions Option

Your eligible survivors are entitled to begin receiving a monthly allowance upon your death. However, they have the option to receive a lump sum payment equal to your contributions, plus interest as earned by the fund up until the date of your death, not exceeding 2% per year. The total employee contributions and interest will be divided by the calculated survivor benefit to get a number of months to delay the start of the monthly survivor allowance. It is important to note that the employee contributions and interest are taxable at the time when they are distributed in cash.

For example, if you die before retirement with at least two years of service and your contributions with interest were \$200,000 and you had a monthly survivorship allowance of \$5,000; if your survivors choose the lump sum option, they would receive \$200,000 up front. However, they would not begin receiving the \$5,000 monthly Survivorship Allowance until 40 months after your death (\$200,000 contributions/ \$5,000 survivorship = 40 months).

[SJMC 3.36.1200 (C), 3.36.1200(D) & 3.36.1200(H)]

Since choosing to receive your contributions in a lump sum amount will delay the start of the monthly survivorship allowance, as well as delay enrollment into health coverage; and has tax consequences your survivors should discuss this option with the Office of Retirement Services and your tax advisor. [3.36.1910(B)(C)]

Active Service-Connected Death Regardless of Years of Service

The survivorship benefits in this section apply if you meet the following conditions:

- You die while a member of the plan;
- You die prior to being retired; and

- Your death arises out of and in the course of your employment with the City.

[S]MC 3.36.1200(A)(1) & 3.36.1200(A)(5)]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies, remarries, or establishes a new domestic partnership. Under the following situations the surviving spouse or surviving domestic partner can remarry or establish a new domestic partnership and continue receiving benefits:

- If at the time of death the member was at least 57 years old with at least 20 years of service; or
- A Police member who was killed in the line of duty on or after January 17, 2020; or
- A Fire member who was killed in the line of duty on or after July 20, 2020.

"Killed in the line of duty" means that a Police member dies while a member of this plan and before being retired for service or disability as a direct result of an incident while in the performance of duty in the member's employment with the City. To be covered, the death must not result from a condition unrelated to the specific incident. A Police member who dies after first being on disability retirement with the City is not considered to have been killed in the line of duty for purposes of this Section.
[S]MC 3.36.1290(A) & 3.36.1290(B)(5)]

The monthly survivorship allowance will be calculated as follows:

To surviving spouse or surviving domestic partner: 37.5% to 40% of member's Final Compensation depending on the years of service. See chart below:

San Jose Years of Service	Retiree's Percentage of Final Compensation	Surviving Spouse or Surviving Domestic Partner Percentage of Final Compensation
Up to 20	48%	37.5%
21	51%	37.5%
22	54%	37.5%
23	57%	37.5%
24	60%	37.5%
25	63%	37.5%
26	66.4%	37.5%
27	69.8%	37.5%
28	73.2%	37.5%
>28.53	75% - 80%	50% of Retiree's Percentage (Maximum of 40% of Final Comp.)

Example for Police or Fire

If your death was service-connected and you died with 27 years of service and your final compensation was \$10,000 per month, your monthly benefit would have been:

$$\begin{array}{r} 20 \text{ years} \times 2.4\% = 48\% \\ \underline{5 \text{ years} \times 3\% = 15\%} \\ \underline{2 \text{ years} \times 3.4\% = 6.8\%} \\ \text{Total \% of final compensation} = 69.8\% \\ 69.8\% \times \$10,000 = \$6,980 \text{ Monthly Retirement Allowance} \end{array}$$

Your Surviving Spouse or Domestic Partner's survivorship allowance minimum would be 37.5%, survivorship and is calculated by multiplying 37.5% by Final Compensation:

$$37.5\% \times \$10,000 = \$3,750 \text{ Monthly Survivorship Allowance}$$

Note: Minimum Survivorship is 37.5% of final compensation and cannot exceed 40% of final compensation.

[S]MC 3.36.1200(F) & 3.36.1270(D)]

Survivorship Allowance to Surviving Children

If you have eligible children at the time of your death, they will receive a survivorship allowance until they marry or reach the age of 18, whichever is earlier. They may continue to be eligible until age 22 if they are full-time students and meet the qualifications for a school allowance. The survivorship allowance will be calculated as follows:

One Child:	Final Compensation x 25%
Two Children:	Final Compensation x 37.5%
Three or More Children:	Final Compensation x 50%

Note: The maximum total combined benefit payable to a surviving spouse/domestic partner and surviving children is 80% of final compensation. If necessary, the children's survivorship allowance will be reduced so that the total benefit does not exceed 80% of final compensation.

Example #1, if you die before retirement and your death was service connected and your final compensation was \$10,000 per month, the monthly child survivorship allowance for one child would be: $\$10,000 \times 25\% = \$2,500$ Monthly Child Survivorship Allowance.

Example #2, if you die before retirement and your death was service connected and your final compensation was \$10,000 per month, the monthly child survivorship allowance for two children would be: $\$10,000 \times 37.5\% = \$3,750$ Monthly Survivorship Allowance for two children. **Note:** The survivorship amount is divided equally among each child; in this example each child would receive \$1,875/month ($\$3,750/2=\$1,875$).

Example #3, if you die before retirement and your death was service connected and your final compensation was \$10,000 per month, the monthly child survivorship allowance for three (or more) children would be: $\$10,000 \times 50\% = \$5,000$ Monthly Survivorship Allowance for three (or more) children. **Note:** The survivorship amount is divided equally among each child; in this example each child would receive \$1,666.66/month ($\$5,000/3=\$1,666.66$).

[S]MC 3.36.1300(B)(2), 3.36.1300(D)(2) & 3.36.1300(F)(2)]

Lump Sum Return of Contributions Option

Your eligible survivors are entitled to begin receiving a monthly allowance upon your death. However, they have the option to receive a lump sum payment equal to your contributions, plus interest as earned by the fund up until the date of your death, not exceeding 2% per year. The total employee contributions and interest will be divided by the calculated survivor benefit to get a number of months to delay the start of the monthly survivor allowance. It is important to note that the employee contributions and interest are taxable at the time when they are distributed in cash.

For example, if you die before retirement with at least two years of service and your contributions with interest were \$200,000 and you had a monthly survivorship allowance of \$5000; if your survivors choose the lump sum option, they would receive \$200,000 up front. However, they would not begin receiving the \$5,000 monthly Survivorship Allowance until 40 months after your death ($\$200,000 \text{ contributions} / \$5,000 \text{ survivorship} = 40 \text{ months}$). [S]MC 3.36.1200 (C), 3.36.1200(D), 3.36.1200(H) & (K)]

Since choosing to receive your contributions in a lump sum amount will delay the start of the monthly survivorship allowance and has tax consequences your survivors should discuss this option with the Office of Retirement Services and your tax advisor.

Benefit Limitation

The maximum amount of all monthly allowances payable to your surviving spouse or surviving domestic partner and children cannot exceed 80% of your final compensation. If necessary, your children's survivorship allowance will be reduced so that the total benefit to your surviving spouse or surviving domestic partner and children does not exceed 80% of your final compensation. [S]MC 3.36.1205; 3.36.1310]

No Surviving Spouse or Surviving Domestic Partner nor Surviving Children

If you die without an eligible surviving spouse or surviving domestic partner or eligible surviving children, your estate will be entitled to receive your accumulated contributions from the retirement fund, plus interest as earned by the fund not exceeding 2% per year. Your estate will receive a minimum of \$1,000 even if your contributions total less than \$1,000. [S]MC 3.36.1200(E) & (I)]

Chapter 13: Death After Retirement

This chapter describes Continuance (Survivorship) benefits for eligible spouses/domestic partners and children of Police and Fire service and disability retirees who decess after retirement. This chapter does not apply to persons who left City service prior to retirement (or their survivors). Continuance (Survivorship) benefits for those who separate from the City prior to retirement are described in Chapter 15 (Medical & Dental Benefit) or in Chapter 18 (Reciprocity).

Survivorship Benefits after Service Retirement

If you die while receiving a service retirement allowance, your eligible surviving spouse or surviving domestic partner will receive benefits from the retirement plan. [S]MC 3.36.1205; 3.36.1235, & 3.36.1300]

The following persons are eligible to receive benefits:

- **Surviving Spouse or Surviving Domestic Partner** - The person to whom you were married to or in a domestic partnership with both at the time of your death and at the time you retired for service or disability. [S]MC 3.36.1235(B)(1) & (2)]
- **Post Retirement Marriage** - If you are going to marry or enter a Domestic Partnership after retirement you may elect to reduce your benefit to provide a survivorship benefit to your spouse. There are specific rules to be eligible. Please see Chapter 11 for more information.

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies, remarries, or establishes a new domestic partnership.

[S]MC 3.36.1235(C)]

Monthly Survivorship Allowance Calculations

Survivorship allowance payable to surviving spouse or surviving domestic partner. Except where the deceased person had elected an applicable optional settlement option, the monthly allowance payable to the surviving spouse or surviving domestic partner shall be paid until the surviving spouse or surviving domestic partner marries, establishes domestic partnership or dies, whichever is the earlier date, and no longer; if the deceased person described in Subsection A. above leaves a surviving spouse or surviving domestic partner, the surviving spouse or surviving domestic partner, whichever is applicable, shall be entitled to receive and shall be paid from the retirement fund a monthly survivorship allowance equal to fifty percent joint and survivor annuity as determined by the plan's actuaries. [S]MC 3.36.1235(C)]

Note: For Early Retirement Retirees, survivorship and death benefits will be reduced by the same factor as the retiree's early retirement benefit. [SJMC 3.36.1340, 3.36.810 (C)]

Example

If you retired with 27 years of service and your final compensation was \$10,000 per month, your monthly benefit would have been:

$$\begin{array}{r} 20 \text{ years} \times 2.4\% = 48\% \\ 5 \text{ years} \times 3\% = 15\% \\ \hline 2 \text{ years} \times 3.4\% = 6.8\% \\ \hline \text{Total \% of final compensation} = 69.8\% \\ 69.8\% \times \$10,000 = \$6,980 \text{ Monthly Retirement Allowance} \end{array}$$

Your Surviving Spouse or Domestic Partner's survivorship allowance would be calculated by multiplying 34.9% by final compensation:

$$\$10,000 \times 34.9\% (69.8\% \times 50\%) = \$3,490 \text{ Monthly Survivorship Allowance}$$

Note: Survivorship is 50% of member's benefit and cannot exceed 40% of final compensation. [SJMC 3.36. 1235(C)]

No Eligible Surviving Spouse or Surviving Domestic Partner

No person other than those specified above shall be entitled to or receive any benefits or allowances whatsoever because of or as a result of the death of a Tier 2 retiree, and no money other than those specified above shall be paid or payable to the survivors or estate of the deceased person. 3.36.1235(D)

Survivorship Benefits on a Service-Connected Disability Retirement

If you die while receiving a service-connected disability retirement allowance, your eligible surviving spouse/domestic partner will receive benefits from the retirement plan. [SJMC 3.36.1205; 3.36.1235 & 3.36.1300]

Surviving Spouse or Surviving Domestic Partner

The person to whom you were married or in a certified domestic partnership with both at the time of your death and at the time you were granted a disability retirement. [SJMC 3.36.1235(B)(1) & (2)]

Survivorship Allowance to Surviving Spouse or Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until the surviving spouse or surviving domestic partner marries, establishes domestic partnership or dies, whichever is the earlier date, and no longer. [SJMC 3.36.1235]

The monthly service-connected survivorship allowance will be calculated as follows:

To surviving spouse or surviving domestic partner: 37.5% to 40% of member's Final Compensation depending on the years of service. See chart below:

Example

If you die while receiving a service-connected disability retirement allowance and had 27 years of service and your final compensation was \$10,000 per month, your monthly benefit would have been:

$$\begin{array}{r} 20 \text{ years} \times 2.4\% = 48\% \\ \underline{5 \text{ years} \times 3\% = 15\%} \\ \underline{2 \text{ years} \times 3.4\% = 6.8\%} \\ \text{Total \% of final compensation} = 69.8\% \\ 69.8\% \times \$10,000 = \$6,980 \text{ Monthly Retirement Allowance} \end{array}$$

Your Surviving Spouse or Domestic Partner's survivorship allowance would be 50% of your base benefit $\$6,980 \times 50\% = \$3,490$ (plus 50% of any past COLA received).

[S]MC 3.36.1235(C)]

No Eligible Surviving Spouse or Surviving Domestic Partner

No person other than those specified above shall be entitled to or receive any benefits or allowances whatsoever because of or as a result of the death of a Tier 2 retiree, and no money other than those specified above shall be paid or payable to the survivors or estate of the deceased person. [S]MC 3.36.1235(D)]

Survivorship Benefits on a Non-Service Connected Disability Retirement

If you die while receiving a non-service-connected disability retirement allowance, your surviving spouse or surviving domestic partner and surviving children, are eligible to receive survivorship benefits. [S]MC 3.36.1205; 3.36.1240 (A)(1)]

Surviving Spouse or Surviving Domestic Partner

The person to whom you were married to or in a domestic partnership with both at the time of your death and at the time you retired for service or disability. [S]MC 3.36.1205; 3.36.1240 (B)(1) & [S]MC 3.36.1240(B)(2)]

Note: If you have a non service-connected disability retirement due to a disability retirement from a reciprocal agency, please refer to Chapter 18 (Reciprocity) for survivorship benefit information. [S]MC 3.36.3020]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until the surviving spouse or surviving domestic partner marries, establishes a domestic partnership or dies, whichever is the earlier date, and no longer. [S]MC 3.36.1205; 3.36.1240(C)(3); 3.36.1290(A)]

The monthly Survivorship Allowance will be calculated as follows:

Final Comp x 24% + 0.75% of Final Compensation for each year in excess of two years of service (37.5% max).

For example, if you die while receiving a non-service connected disability retirement and had 15 years of service and your final compensation was \$10,000 per month, the monthly survivorship allowance would be:

Base of 24% of final compensation = 24.00%

13 years x 0.75% = 9.75% (total of 15 yrs. service; each yr. > 2 yrs. service = 13 yrs.)

Total % of final compensation = 33.75%

\$10,000 x 33.75% = \$3,375 Monthly Survivorship Allowance

[S]MC 3.36.1240(C), 3.36.1280(C)(D)& 3.36.1290]

No Eligible Surviving Spouse or Surviving Domestic Partner

No person other than those specified above shall be entitled to or receive any benefits or allowances whatsoever because of or as a result of the death of a Tier 2 retiree, and no money other than those specified above shall be paid or payable to the survivors or estate of the deceased person. [S]MC 3.36.1235(D)]

Chapter 14: Surviving Child's School Allowance

Under certain circumstances, upon your death, your eligible minor children may be entitled to or would have been entitled to receive a survivorship allowance until they reach the age of 18 as described in the applicable chapters of this handbook. After age 18, your surviving children may still be eligible to receive an allowance if they meet all of the following conditions:

- Must have reached the age of 18;
- Must not have reached the age of 22;
- Must be neither married nor a member of a domestic partnership; and
- Must be a full-time student at a qualifying educational institution.

[S]MC 3.36.1410(B)(E)]

Definition of a Full-Time Student

Full-time attendance means:

- Enrollment in a junior college, college or university in a day or evening non-correspondence course of at least thirteen school weeks' duration which is full-time under the school's standards and practices for day students; or
- Enrollment in any other educational institution in a day or evening non-correspondence course of at least thirteen school weeks' duration which is full-time under the school's standards and practices for day students with scheduled attendance at the rate of twenty hours per week or more.
- The thirteen-school-week duration requirement is met if the course lasts for thirteen weeks including the beginning and ending weeks.
- The thirteen-school-week duration requirement refers to the entire course of study (e.g., a four-year high school or college course, a two-year junior college course), and not a semester, trimester, summer school session, or other segment of the course. If a student attending a course of at least thirteen school weeks' duration drops out or is dropped before completing the thirteen school weeks, he or she may still qualify for the months of full-time attendance.
- A student whose full-time attendance begins or ends in a month is in full-time attendance for that month.

"Full-Time Student" means:

- A student who is in full-time attendance, as such term is defined above, as a student at a qualifying educational institution as such term is defined below.

- **Except** that no student shall be deemed to be a full-time student if he or she is paid by his or her employer for attending an educational institution at the employer's request or pursuant to a requirement of the employer.

[S]MC 3.36.1410(C) & 3.36.1410(D)]

Qualifying Educational Institutions

A qualifying educational institution is a junior college, college, university, or school (including a technical, trade, or vocational school) that meets one of the following requirements:

- An educational institution that is operated or directly supported by the United States, or by any state in the U.S., or by any local government or political subdivision of the U.S.; or
- An educational institution that is approved by a state or accredited by a state or nationally recognized accrediting agency or body; or
- An educational institution whose credits are accepted, on transfer, by not less than three institutions which have been accredited by a state recognized or nationally recognized accrediting agency.

[S]MC 3.36.1410(A)]

Periods of Non-Attendance

Definition of Non-Attendance:

- A period of nonattendance is any period in which a student is not a full-time student (i.e., he is not attending school, he is attending school less than full-time, or he is attending a school that is not an educational institution).
- A period of nonattendance begins on the first day of the month following the last month in which the student was in full-time attendance and ends on the last day of the month preceding the month in which the student resumes full-time attendance.
- A student or individual shall not be deemed a full-time student or in full-time attendance during any period of nonattendance if the nonattendance is due to expulsion or suspension from school, notwithstanding that such student or individual intends to resume or actually does resume full-time attendance within four calendar months after the beginning of such period of nonattendance or later.

[S]MC 3.36.1430(B)(C)(D)]

When a period of non-attendance is deemed full-time attendance:

A student who has been in full-time attendance at an educational institution is deemed to be in full-time attendance during a period of nonattendance at an educational institution

if the period of nonattendance is four consecutive calendar months or less (such as summer break), and the student:

- Establishes that he intends to be in full-time attendance at an educational institution in the month immediately following such period of nonattendance; or
- Is in full-time attendance at an educational institution in the month immediately following the period of nonattendance.

[S]MC 3.36.1430(A)]

Duration of School Allowance

As long as an eligible surviving child continues to meet the conditions described above, the school allowance continues until the month before the month in which any of the following events first occurs:

- The child dies;
- The child marries or becomes a member of a domestic partnership;
- The child turns 22 years of age; or
- The child is no longer a full-time student.

[S]MC 3.36.1440]

Amount of School Allowance

The amount of the monthly school allowance is calculated in the same manner as the applicable surviving child's allowance described in this handbook in Chapter 12 (Death before Retirement) and Chapter 16 (Deferred Vested). [S]MC 3.36.1450]

Reporting Requirements

To continue receiving a monthly survivorship allowance, as well as medical and dental coverage, students must verify their eligibility. Each semester (or quarter), students must submit a copy of the school registration or a letter from the school that states that the student is attending on a full-time basis. Students must also send in a monthly statement of school attendance. Failure to provide the monthly statements and copies of school registration will result in termination of the monthly school allowance. [S]MC 3.36.1400]

Chapter 15: Medical and Dental Benefits

Tier 2 members participate in the City's Voluntary Employees' Beneficiary Association ("VEBA"). VEBA is a defined contribution health reimbursement arrangement (HRA) plan for retiree healthcare expenses. At the time of publication, the City's VEBA plans are administered by Voya Health Account Solutions.

Upon retirement, Tier 2 retirees have the option to enroll in VEBA medical and dental plans offered through Retirement Services. These benefits are not subsidized by the retirement plan and retirees pay the full costs of premiums through deductions to their monthly pension payments. Retirees are responsible for seeking reimbursement for eligible health expenses directly from the HRA.

Tier 2 members are not eligible for Plan-subsidized Medical and Dental Benefits unless they qualify for the Catastrophic Disability Healthcare Program.

Please see the Human Resources page on City of San José website (www.sanjoseca.gov) for more information on the VEBA Plan.

Medical and Dental Coverage for VEBA Members

In some cases, VEBA members will be allowed to purchase retiree healthcare and dental coverage. The requirements are as follows:

- Must have an account in the City of San Jose's VEBA Plan; and
- Must have at least five (5) years of service with the City of San Jose; and
- Must pay 100% of the healthcare premium; and
- If age 65 or older, must be enrolled in Medicare Parts A and B.

The premiums of plans available to VEBA members are based on retirees only and will not be blended with active employees. As such, the premiums may be higher than premiums paid by the Retirement Plan and/or member for those eligible to participate in retiree medical pursuant to 3.36.1900 and 3.36.2000.

Rate sheets for VEBA members are available on the Retirement Services website www.sjretirement.com.

[S]MC 3.57.020.03; 3.36.1920(N)]

Medicare

If you enroll in a VEBA Medical Plan through Retirement Services, you and your spouse/DP dependent are required to enroll in Medicare Part A and B during the individual's "initial Medicare enrollment period" under the applicable federal rules.

The City offers Medicare Advantage Plans which include Part A (Hospital Insurance), Part B (Medical Insurance), and Part D (drug coverage) benefits. Employees hired after March 1986 pay Medicare taxes through payroll deductions and are eligible for premium-free Part A coverage. All retirees must pay a premium directly to Medicare for Part B coverage. The cost of your Part B premium is set by Medicare and depends on your income.

If you're enrolled in a VEBA Medical Plan, the Office of Retirement Services will send you a Medicare Advantage enrollment packet about 3 months before you or your spouse/DP turn 65. You will need to contact the Social Security Administration (SSA) to enroll in Medicare and then submit the necessary forms to enroll in a Medicare Advantage Plan to the Office of Retirement Services along with a copy of your Medicare card. It is recommended that you contact the Social Security Administration as soon as possible to avoid delays in your Medicare enrollments.

If you are age 65 or older when you retire, you must enroll in Medicare and assign your Medicare coverage to a City Medicare Advantage Plan in order to enroll in a VEBA Medical Plan. You will need to contact the Social Security Administration to enroll in Medicare and then submit the necessary forms to enroll in a Medicare Advantage Plan to the Office of Retirement Services along with a copy of your Medicare card.

If you fail to enroll in Medicare and/or fail to submit the necessary forms to the Office of Retirement Services by the due dates, your health enrollment through the City will be terminated. In addition, if you enroll in Medicare but stop paying your Medicare premiums, your health enrollment through the City will be terminated. To reinstate your medical coverage, you will have an opportunity to enroll or re-enroll in Medicare during Medicare's annual "general enrollment period." Once you are enrolled in Medicare, you will be eligible to enroll in a City Medicare Advantage Plan. Please be aware that Medicare charges penalties and late fees for late enrollments and lapses in payments.

For more information, visit the Medicare website www.medicare.gov.

[S]MC 3.36.1920(M)]

Medicare Income-Related Monthly Adjustment Amount (IRMAA)

If your income is above a certain level, you may have to pay the Medicare Income-Related Monthly Adjustment Amount (IRMAA) in addition to your Medicare Part B premium.

You may also get an IRMAA bill directly from the Social Security Administration for prescription coverage, even though your prescription coverage is included in your medical coverage with the Retirement Plan.

For more information, please visit the Medicare website www.medicare.gov.

Catastrophic Disability Healthcare Program

If you are approved for a service-connected disability by the Board, you are eligible for plan-subsidized medical and dental coverage when certain conditions are met.

Eligibility for catastrophic disability healthcare benefits

A member who is covered by the VEBA shall be entitled to receive a plan-subsidized benefit as described under Section 3.57.310 if the following requirements are satisfied:

- The member is receiving a service-connected disability retirement benefit; and
- The member is not eligible for an unreduced service retirement; and
- The member does not have other employment which provides medical and/or dental coverage; and
- The member has exhausted all funds credited to his or her VEBA account; and
- The member is not eligible for Medicare.

[S]MC 3.57.300]

Catastrophic disability healthcare benefits

A member who meets eligibility requirements is entitled to receive a plan-subsidized benefit similar to those established under Parts 14 (Medical Benefits) and 15 (Dental Benefits) of Chapter 3.36. These provisions entitle a member to a benefit equal to the amount of the premium for single coverage under the lowest cost medical insurance coverage available under the City's retiree medical program. Plan-subsidized medical and dental benefits shall cease at the time that such member is eligible for coverage under Medicare. [S]MC 3.57.310]

Limitations on payment of catastrophic healthcare benefit from defined benefit plan

A member who is receiving a catastrophic healthcare benefit from the plan under Section 3.57.310, shall be subject to the following limitations with respect to eligibility to receive such benefit:

- The member must submit, on an annual basis, an affidavit in the form prescribed by the administrator of the VEBA verifying that the member has no other employment which provides healthcare coverage; and
- If it is determined that the member has other employment which provides healthcare coverage, the member's eligibility for benefits under this program shall automatically cease, subject to the ability for the member to again qualify, if the member subsequently loses such employment-provided healthcare coverage.

[S]MC 3.57.320]

Catastrophic Healthcare for Dependents & Survivors

Catastrophic Healthcare for dependents and survivors is currently under review. Please contact Retirement Services for more information. [S]MC 3.57.310]

Open Enrollment

Every November 1st through November 30th, the Office of Retirement Services has its Annual Open Enrollment Period, which allows retirees and eligible survivors to make changes to their health insurances.

Every November Open Enrollment information is available on the Office of Retirement Services website www.sjretirement.com. On the website, you can electronically submit your Open Enrollment changes through Member Direct.

Qualifying Life Events

A Qualifying Life Event (QLE) is a specific life event that allows City of San José retirees and eligible survivors to request their benefit elections be changed outside of the annual Open Enrollment period. An INS100 form and proof of the QLE are required within 30 days from the date of the event.

Qualifying events include, but are not limited to, the events below:

- Gain of Coverage Elsewhere
- Loss of Coverage
- Post-Retirement Marriage
- Post-Retirement Domestic Partnership
- Dissolution of Domestic Partnership
- Divorce or Legal Separation
- Birth of a Child
- Adoption of a Child
- Change in Place of Residence

Chapter 16: Separation from City Service Prior to Retirement

This chapter describes various options for members who separate from City service prior to retirement. If you separate from City service before retirement your options and benefits depend, in part, on the number of years of retirement service credit you have earned.

Upon receiving notice of your separation from City service, Retirement Services will notify you of your rights regarding your retirement contributions. Upon receiving this notification, you must submit your election form to Retirement Services no later than 90 days after the date of the notice. Failure to submit the form within 90 days shall be deemed an irrevocable election to withdraw your contributions. However, if your contributions total more than \$1,000.00, you must submit a distribution election form to Retirement Services to receive the funds. [SJMC 3.36.1640(A) & (B)]

Options at the Time of Separation From the City

Less Than 5 Years of Service

If you have earned less than 5 years of service credit and separate from City service without reciprocity, your only option is to withdraw all your contributions to the plan ("Return of Contributions"), plus interest on your contributions, not to exceed two percent per year. Upon withdrawal of your contributions, your membership in the plan will be terminated and you, your survivors or your estate will not be entitled to any other benefit under the retirement plan. [SJMC 3.36.1620 & 3.36.1640(A)]

Less Than 5 Years of Service (With Reciprocity)

If you have earned less than 5 years of service credit in the Plan and meet reciprocity requirements, you may be eligible to leave your contributions on deposit with the Plan. Reciprocity requirements that are explained in Chapter 18 (Reciprocity).

5 or More Years of Service

If you leave City employment after earning 5 or more years of service credit you have the following options:

1. Request a return of your contributions, including applicable interest; or
2. Elect to leave your contributions in the retirement fund and apply to receive a lifetime retirement allowance when you turn age 57 with at least 5 years of service or receive a reduced lifetime retirement allowance at age 50.

[3.36.1620(A); 3.36.1640(I)]

Return of Contributions

If you elect a return of your contributions, you will receive your contributions plus interest earned by the fund, not to exceed 2% per year. You will not receive any of the contributions the City has made on your behalf. Your membership in the Plan will be terminated and you will lose any rights to an allowance or benefits that you, a surviving spouse, a surviving

domestic partner, or child(ren) may have been entitled to under the retirement plan. You will also forfeit any rights to a disability retirement. [SJMC 3.36.1640(A)]

If you elect to receive a return of contributions, you have a choice to rollover your contributions and interest to an Individual Retirement Account (IRA) or to a qualified retirement plan. If you choose to receive a cash disbursement, we must withhold 20% for Federal taxes. You also may be subject to a 10% penalty for early withdrawal if you are under age 59.5. At your request, we will withhold 2% for State taxes.

Note: In order to receive a return of your contributions once you have been separated you will need to complete the Distribution Election Form that the Retirement Services Department will send you when you have separated. Contact Retirement Services if you do not receive this form at time of separation.

Leaving Contributions in the Retirement Fund

Right to Request Return of Contributions

If you're eligible to leave your contributions in the retirement fund at the time of separation and have not elected reciprocity, you may request a return of your contributions at any time by submitting a new Distribution Election Form. If you request a return of contributions, you will receive your accumulated contributions, plus interest earned by the fund, not to exceed 2% per year. Thereafter, your membership in the plan will be terminated and you will lose any rights to an allowance or benefits that you, a surviving spouse, a surviving domestic partner and/or surviving child(ren) may have been entitled to under the retirement plan. [SJMC 3.36.1640(H)]

NOTE: If you elected reciprocity you may not withdraw your contributions as long as you are employed by a reciprocal agency. Please refer to Chapter 18 (Reciprocity) for additional information on reciprocity.

Deferred Vested Benefits Eligibility Requirements

If you're eligible to leave your contributions in the retirement fund at the time of separation and are have not elected reciprocity, you may apply to receive a monthly retirement allowance when you reach the age of 57, or age 50 with a reduced benefit, and have at least 5 years of benefit service in the Police and Fire Retirement Plan. [SJMC 3.36.1640(I)]

The calculation of the monthly Retirement Allowance if you separate from City service before retirement and qualify for a benefit will be calculated as follows:

The formula used to determine your monthly deferred vested retirement allowance is:

First 20 years of Service: 2.4% per year X final compensation

Next 21-25 years of service: 3% per year of service X final compensation

Next 26-30 years of service: 3.4% per year of service X final compensation

(Maximum 80%)

Your benefit shall be reduced by a factor of seven percent for each year you retire before age fifty-seven, prorated to the closest month. The reduced benefit shall be determined by the actuary for the police and fire retirement plan. The early retirement reduction factors used are shown below:

Retirement Age	Early Retirement Factor
57	1.00
56	0.93
55	0.86
54	0.79
53	0.72
52	0.65
51	0.58
50	0.51

[3.36.1640(I)]

DV Example: if you left City service with 28 years of service and your final compensation was \$10,000 per month, your benefit would be:

20 years x 2.4% = 48%
5 years x 3% = 15%
3 years x 3.4% = 10.2%
Total % of final compensation = 73.2%

\$10,000 x 73.2% = \$7,320 Full Unmodified Monthly Retirement Allowance at age 57.

Early Examples showing reduction:

- If retiring 1 year early (age 56) your benefit will be multiplied by 0.93 (100%-7% = 0.93) \$7,320 x 0.93 = \$6,887.60
- If retiring 2 years early (age 55) your benefit will be multiplied by 0.86 (100%-14% = 0.86) \$7,320 x 0.86 = \$6,295.20
- If retiring 3 years early (age 54) your benefit will be multiplied by 0.79 (100%-21% = 0.79) \$7,320 x 0.79 = \$5,782.80
- If retiring 4 years early (age 53) your benefit will be multiplied by 0.72 (100%-28% = 0.72) \$7,320 x 0.72 = \$5,270.40

Note: All survivorship and death benefits will also be reduced.

Deferred Vested Survivorship Benefits if You Die Before Eligible to Receive Benefits

If you separate from City service and choose to leave your contributions in the retirement fund, but die before you reach 50 years of age (in other words, if you were not eligible to retire on the date of your death), your eligible survivor or your estate will receive a return of your contributions, plus interest as earned by the plan not exceeding 2% per year. Your survivor will receive a minimum of \$1,000, but the amount shall be reduced to the extent it exceeds eighty percent of the Tier 2 member's final compensation. [S]MC 3.36.1640 (I), 3.36.1680]

The following persons are eligible for the return of contributions:

Surviving Spouse or Surviving Domestic Partner

This is the person to whom you were married or in a domestic partnership with at the time of your death and who survives your death. [S]MC 3.36.1680 & 3.36.1250(B)(1),(2)]

Surviving Children

If there is no surviving spouse or surviving domestic partner at the time of your death, your natural or adopted children who meet all of the following requirements will receive the benefit:

- The child survives your death;
- The child is neither married nor a member of a domestic partnership at the time of your death;
- The child is under the age of 18 years at the time of your death; and
- If the child is adopted, the adoption was completed prior to your death.

[S]MC 3.36.1680 & 3.36.1250(B)(3)]

Your estate will receive the return of your contributions if you die without a surviving spouse or surviving domestic partner or eligible surviving child(ren) as defined above.

[S]MC 3.36.1680 & 3.36.1250(F)]

Deferred Vested Survivorship Benefits if you Die While Eligible to Receive Benefits, but Before Starting to Receive a Retirement Allowance

If you die after becoming eligible to receive a monthly benefit, but before you begin to receive a retirement allowance, the following persons will be eligible to receive a survivorship allowance:

Surviving Spouse or Surviving Domestic Partner

The person to whom you were married or in a domestic partnership with at the time of your death and who survives your death. [SJMC 3.36.1200(B)(1),(2); 3.36.1200(K)]

Surviving Children

Your natural or adopted children who meet all of the following requirements:

- The child survives your death;
- The child is neither married nor a member of a domestic partnership at the time of your death;
- The child is under the age of 18 years at the time of your death;
- The child is in existence or conceived at the time of the deceased person's death; and
- If the child is adopted, the adoption was completed prior to your death.

[SJMC 3.36.1200(B)(3); 3.36.1200(K)]

If you have children who are over 18, but under the age of 22, at the time of your death, they may qualify for a surviving child's school allowance. [SJMC 3.36.1660(C)]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will receive a monthly allowance until he or she dies, remarries, or establishes a domestic partnership. [3.36.1200(F)(K)]

The surviving spouse or surviving domestic partner's monthly allowance will be calculated as follows:

$\text{Years of Service} \times 1.875\% \times \text{Final Compensation (max of 37.5\%)}$

For example, if you left City service with 15 years of service and your final compensation was \$10,000 per month, the survivorship allowance would be:

$15 \text{ years of service} \times 1.875\% = 28.125\%$

$28.125\% \times \$10,000 = \underline{\$2,812.50 \text{ Monthly Survivorship Allowance}}$

[SJMC 3.36.1660(B) (1)]

Survivorship Allowance to Surviving Children if you Die While Eligible for Benefits, but Before Starting to Receive Them

If you have eligible children at the time of your death, they will receive a survivorship allowance until they reach the age of 18. They may continue to be eligible until age 22 if they are full-time students and meet the qualifications for a school allowance. The survivorship allowance will be as follows:

One Child:	$\text{Years of Service} \times 1.25\% \times \text{Final Compensation}$ (the monthly allowance cannot exceed 25% of your final compensation).
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Two Children: Years of Service x 1.875% x Final Compensation
(the combined monthly allowance to both
children cannot exceed 50% of your final
compensation).

Three or More Children: Years of Service x 2.5% x Final Compensation
(the combined monthly allowance to all surviving
children cannot exceed 75% of your final
compensation).

Example #1, if you separate from the City and then die while eligible for retirement benefits, but prior to collecting the retirement benefits and you had 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for one child would be:

$$\begin{aligned} 15 \text{ years} \times 1.25\% &= 18.75\% \\ \text{Total \% of final compensation} &= 18.75\% \end{aligned}$$

\$10,000 x 18.75% = \$1,875 Monthly Child Survivorship Allowance

Example #2, if you separate from the City and then die while eligible for retirement benefits, but prior to collecting the retirement benefits and you had 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for two children would be:

$$\begin{aligned} 15 \text{ years} \times 1.875\% &= 28.125\% \\ \text{Total \% of final compensation} &= 28.125\% \end{aligned}$$

\$10,000 x 28.125% = \$2,812.50 Monthly Child Survivorship Allowance

NOTE: The survivorship amount is divided equally among each child; in this example each child would receive \$1,406.25/month (\$2,812.50/2=\$1,406.25).

Example #3, if you separate from the City and then die while eligible for retirement benefits, but prior to collecting the retirement benefits and you had 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for three (or more) children would be:

$$\begin{aligned} 15 \text{ years} \times 2.5\% &= 37.50\% \\ \text{Total \% of final compensation} &= 37.50\% \end{aligned}$$

\$10,000 x 37.50% = \$3,750 Monthly Child Survivorship Allowance

NOTE: The survivorship amount is divided equally among each child; in this example each child would receive \$1,250/month (\$3,750/3=\$1,250).

[SJMC 3.36.1660(B)(2)(a), 3.36.1660(B)(3)(a) & 3.36.1660(B)(4)(a)]

Benefit Limitation

The maximum amount of all monthly allowances payable to your surviving spouse or surviving domestic partner and surviving children cannot exceed 80% of your final compensation. If necessary, your children's survivorship allowance will be reduced so that the total benefit to your surviving spouse or surviving domestic partner and children does not exceed 80% of your final compensation.

Family Example:

- You have a surviving spouse and three eligible surviving children
- Your retirement benefit was 70% of your Final Average Salary
- Your Final Average Salary was \$10,000 making your benefit \$7,000
- Your maximum combined survivorship benefit is limited to 80% of your Final Average Salary

The calculation for your eligible survivors would be as follows:

Surviving Spouse: 35% of your FAS (70% x 50%)

3 Children share: 45% of your FAS (instead of 75% due to 80% limit)

Survivor Spouse Share: $35\% \times \$10,000 = \$3,500$ monthly

Each of the three children Share: $\$10,000 \times 45\% = \$4,500/3 = \$1,500$ Monthly Survivorship per child

[S]MC 3.36.1660(B)(2), 3.36.1660(B)(3)(b) & 3.36.1660(B)(4)(b); 3.36.1660(D)]

No Surviving Spouse, Surviving Domestic Partner, and No Surviving Children

If you die without leaving an eligible surviving spouse or surviving domestic partner or eligible surviving children, your estate will be entitled to receive your accumulated contributions to the retirement fund, plus interest as earned by the fund not exceeding 2% per year. [S]MC 3.36.1660(A)(2)]

Deferred Vested Survivorship Benefits if You Die After Receiving Monthly Benefits

Your survivors may be entitled to benefits if you die after beginning to receive a monthly retirement allowance. The following persons will be eligible to receive benefits:

Surviving Spouse or Surviving Domestic Partner:

The person to whom you were married or in a domestic partnership with at the time of your death and at the time you began to receive your retirement allowance. [S]MC 3.36.1230(B)(1), (2) & 3.36.1670(A); 3.36.1670(E)]

Surviving Children:

Your natural or adopted child and/or children who meet all the following requirements:

- The child survives your death; and

- The child is neither married nor a member of a domestic partnership at the time of your death; and
- The child is under the age of 18 years at the time of your death; and
- The child is in existence or conceived at the time of the deceased person's death; and
- If the child is adopted, the adoption was completed prior to the date of the deceased person's death.

[S]MC 3.36.1230(B)(3) & 3.36.1670(A) & (E)]

If you have children who are over 18, but under the age of 22 at the time of your death, they may qualify for a surviving child's school allowance. Please see the chapter on Surviving Child's School Allowance for more details on the Surviving Child's benefits.

[S]MC 3.36.1670(C)&(E)]

Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner:

If you have a surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will be eligible for a monthly allowance until he or she dies. The monthly allowance will be calculated as follows:

$\text{Years of Service} \times 1.875\% \times \text{Final Compensation (max of 37.5\%)}$

For example, if you left City service with 15 years of service and your final compensation was \$10,000 per month, the survivorship allowance would be:

$15 \text{ years of service} \times 1.875\% = 28.125\%$
 $28.125\% \times \$10,000 = \underline{\$2,812.50 \text{ Monthly Survivorship Allowance}}$

The monthly allowance cannot exceed 37.5% of your final compensation.

[S]MC 3.36.1670 (B)(1) 3.36.1670(E);]

Survivorship Allowance to Surviving Children:

One Child: $\text{Years of Service} \times 1.25\% \times \text{Final Compensation} = \text{Allowance}$
 The monthly allowance cannot exceed 25% of your final compensation.

Two Children: $\text{Years of Service} \times 1.875\% \times \text{Final Compensation} = \text{Allowance}$
 The combined monthly allowance to children cannot exceed 50% of your final compensation.

Three or More Children: $\text{Years of Service} \times 2.5\% \times \text{Final Compensation}$
 The combined monthly allowance to all surviving children cannot exceed 75% of your final compensation

Example #1, if you left City service with 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for one child would be:

$$15 \text{ years} \times 1.25\% = 18.75\%$$

$$\text{Total \% of final compensation} = 18.75\%$$

$\$10,000 \times 18.75\% = \underline{\$1,875 \text{ Monthly Child Survivorship Allowance}}$
(Monthly allowance cannot exceed 25% of your final compensation)

Example #2, if you left City service with 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for two children would be:

$$15 \text{ years} \times 1.875\% = 28.125\%$$

$$\text{Total \% of final compensation} = 28.125\%$$

$\$10,000 \times 28.125\% = \underline{\$2,812.50 \text{ Monthly Child Survivorship Allowance}}$
(Monthly allowance cannot exceed 50% of your final compensation)

NOTE: The survivorship amount is divided equally among each child; in this example each child would receive \$1,406.25/month (\$2,812.50/2=\$1,406.25)

Example #3, if you left City service with 15 years of service and your final compensation was \$10,000 per month, the monthly child survivorship allowance for three (or more) children would be:

$$15 \text{ years} \times 2.5\% = 37.50\%$$

$$\text{Total \% of final compensation} = 37.50\%$$

$\$10,000 \times 37.50\% = \underline{\$3,750 \text{ Monthly Child Survivorship Allowance}}$
(Monthly allowance cannot exceed 75% of your final compensation)

NOTE: The survivorship amount is divided equally among each child; in this example each child would receive \$1,250/month (\$3,750/3=\$1,250)

[S]MC 3.36.1670(B)(2), 3.36.1670(B)(3)(a) & 3.36.1670(B)(4)(a); 3.36.1670(E)]

Benefit Limitation for Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner

The maximum amount of all monthly allowances payable to your surviving spouse or surviving domestic partner and surviving child or children cannot exceed 80% of your final compensation. If necessary, your children's survivorship allowance will be reduced so that the total benefit to your surviving spouse or surviving domestic partner and surviving child or children does not exceed 80% of your final compensation.

Family Example:

- You have a surviving spouse and three eligible surviving children
- Your retirement benefit was 70% of your Final Average Salary
- Your Final Average Salary was \$10,000 making your benefit \$7,000
- You chose the Unmodified Survivorship Option

- Your maximum combined survivorship benefit is limited to 80% of your Final Average Salary

The calculation for your eligible survivors would be as follows:

Surviving Spouse: 35% of your FAS (70% x 50%)

3 Children share: 45% of your FAS (instead of 75% due to 80% limit)

Survivor Spouse Share: $35\% \times \$10,000 = \$3,500$ monthly

Each of the three children Share: $\$10,000 \times 45\% = \$4,500/3 =$
\$1,500 Monthly Survivorship per child

[S]MC 3.36.1670(B)(3)(b) & 3.36.1670(B)(4)(b); 3.36.1670(E)]

No Surviving Spouse or Surviving Domestic Partner and no Surviving Children:

If you die after starting to receive monthly benefits, but you do not have an eligible surviving spouse or surviving domestic partner or eligible surviving child or children, your named beneficiary or your estate will receive a total death benefit of \$1,000.

[S]MC 3.36.1670(A) & (E); 3.36.1230(E)]

Cost of Living Adjustment

All monthly allowances described in this chapter qualify for annual cost of living adjustments. Please refer to Chapter 19 (Additional Annual Payments) for more information.
[S]MC 3.36.1690]

Retiree Healthcare for Deferred Vested Members

Please refer to Chapter 15 (Medical and Dental Benefits) for information on retiree medical and dental benefits. [S]MC 3.36.1690]

Chapter 17: Service Purchases

This chapter summarizes the various types of Service Purchase options available. The Police and Fire Retirement Plan offers several Service Purchase options which are defined in the San Jose Municipal Code. Service Purchases can assist you in meeting eligibility requirements for retirement and, depending on the type of service purchases elected, may increase your retirement allowance. It is important to note that there are limitations on your eligibility to make service purchases, so please read this chapter carefully to determine if you are eligible for a service purchase.

It is important to begin the Service Purchase process well before you have applied for retirement. All service purchases must be paid in full before the Retirement Plan member retires, except for the Military Service Purchase. Each type of service purchase may have different payment options, which will be explained at the time your estimate is provided to you. Depending on the type of service purchase selected, the following payment options may be available: rollover payment from your deferred compensation account, personal check, and bi-weekly post-tax payroll deductions or a combination of two or more- lump sum and installments.

Summary of Service Purchases

"REGULAR" REHIRE REDEPOSIT (§3.36.710.B-D.)	Newly rehired P&F members can redeposit prior withdrawn contributions. Cost is the total of withdrawn contributions (including interest) plus 2% per year of interest while the money was out of the plan.
"PRIOR" REHIRE REDEPOSIT (§3.36.710.I.1-3)	A Police member, and on or after March 31, 2017, a Fire member, who, has not redeposited prior withdrawn contributions from when they were originally re-hired can request a new calculation. Cost is the total of withdrawn contributions plus actual earned interest rate per year, plus assumed rate until all moneys are paid.
SERVICE PURCHASE OF LEAVE OF ABSENCES (LOA) (§3.36.717)	Police and Fire members may purchase eligible unpaid LOA service time. A Police or Fire member must be a member on or after March 31, 2017. Cost is actuarially calculated, and no cost to the Plan.
DOMESTIC RELATIONS ORDER (DRO) REDEPOSIT (§3.36.3620)	A P&F member can redeposit DRO contributions withdrawn by an alternate payee (ex-spouse). Cost is the total of withdrawn contributions (including interest) plus actual earned interest rate per year, plus assumed rate in effect until all moneys are paid. Must elect within 5 years of notification.

"REGULAR" TRANSFER BETWEEN P/F AND FED (§3.36.610.D.1.2 & §3.36.615)	A P&F member "newly" transfers from the Federated plan to the Police and Fire plan, and has terminated Federated membership, may elect within 90 days to transfer their Federated service credit into the Police and Fire plan. Cost is the Federated contributions plus additional contributions to make the P&F Plan whole, plus interest on accumulated contributions at 2% per year.
"PRIOR" TRANSFER BETWEEN P/F AND FED (3.36.610.D.3 & §3.36.615)	A Police member, and on or after March 31, 2017, a Fire member, who has not transferred their prior Federated service credit, as described in §3.36.610.D.1.a-c, can transfer their prior Federated service credit into the Police and Fire plan. Cost is the Federated contributions plus additional contributions to make the P&F Plan whole, plus interest on accumulated contributions at the actual rate earned per year.
MILITARY SERVICE PURCHASE (SJMC 3.36.3700 & 3.36.3710)	A P&F member who retires on or after August 21, 2001, may purchase service credit in the Plan for eligible prior service with the Armed Forces or the Merchant Marine of the United States. Please see below for additional details regarding "eligible" military service.
RECIPROCITY REDEPOSIT (§3.36.3030)	A reciprocity eligible former P&F member can redeposit prior withdrawn contributions if their reciprocal transfer between agencies took place after 09/30/1994. Cost is the total of withdrawn contributions plus interest that would have been earned at the actual earned rate from the date of withdrawn contributions until the redeposit is complete. Note: If you were previously a Tier 1 member of the Police and Fire Retirement Plan, your PERS membership began prior to January 1, 2013, and you are eligible for reciprocity, your membership will be eligible for the Tier 1 Classic Plan.

"Regular" Rehire Redeposit Contributions

A newly rehired P&F Retirement Plan member can redeposit their prior withdrawn contributions. Police members rehired after 8/14/2013 and Fire members rehired after 1/2/2015 may redeposit into Tier 2 (See the P&F Tier 2 Handbook). If you elect this option, you must pay the total amount of previous contributions you withdrew. The cost of the redeposit will include:

- All of the accumulated contributions previously withdrawn by or returned to the member; plus

- Interest on the accumulated contributions at the rate of two percent per year from the date said contributions were withdrawn by or paid to the member to the date the member repays such contributions to the retirement fund.

If you are eligible, Retirement Services will notify you with a letter mailed to your residence. It is important to note that you will have 90 days from the initial notification from Retirement Services to make the “Regular” Rehire Redeposit. If you do not elect this purchase within such time, it will be deemed that you have declined the “Regular” Rehire Redeposit.

NOTE: Tier 2 members will receive Tier 2 credit, even if the redeposit is for former Tier 1 contributions.

[S]MC 3.36.020.15; 3.36.710.B-D]

"Prior" Rehire Redeposit Contributions

A Police member, and on or after March 31, 2017, a Fire member, who wishes to have such prior service credited to him or her, and the member has not yet redeposited prior withdrawn contributions and does not otherwise qualify under this Section 3.36.710, the member shall file a written notice of election to redeposit with the secretary to the retirement board and, prior to his or her retirement, shall redeposit and pay into the retirement fund:

- All of the accumulated contributions previously withdrawn by or returned to said member; plus
- An amount equal to the interest that would have been earned on the accumulated contributions, at the actual rate earned by the retirement plan, as of the date the member files the election to redeposit if the contributions had not been withdrawn by or returned to the member; plus
- Interest on the unpaid balance of all such moneys, at the actuarially assumed interest rate in effect on the date the member files the election, from the date the member files the election to redeposit to the date all such moneys are fully paid into the retirement fund.

If you are eligible, please contact Retirement Services for your Prior Rehire Redeposit Service Purchase Estimate.

NOTE: Tier 2 members will receive Tier 2 credit, even if the redeposit is for former Tier 1 contributions.

[S]MC 3.36.710.I.1-3; 3.36.020.15]

Service Purchase of Leave of Absences

Police and Fire members may purchase eligible unpaid Leave of Absence (LOA) service time. A Police or Fire member must be a member on or after March 31, 2017. The cost of this purchase is actuarially calculated. The member must pay for the actuarial calculation. If you are eligible, please contact Retirement Services to request your LOA Service Purchase Estimate. [SJMC 3.36.717(A)(B)]

Domestic Relations Order Redeposit

If an active Police or Fire member's retirement account is divided via a Domestic Relations Order (DRO) due to a divorce or dissolution of domestic partnership, the Police and Fire member can redeposit DRO contributions if withdrawn by their ex-spouse.

The cost of the redeposit will include:

- All contributions and interest distributed to the alternate payee; plus
- All additional interest which would have been earned on the distributed contributions and interest at the actual rate earned by the retirement fund, as of the date the participant elects to redeposit, if the contributions and interest had not been distributed to the alternate payee; plus
- Interest on the unpaid balance of all such moneys, at the interest rate in effect on the date the participant files the election, from the date the participant elects the redeposit to the date all such moneys and interest are fully redeposited into the retirement fund.

If election for this redeposit is made, it must be paid in full before retirement. If it is not paid in full before retirement the member will not receive the years of service credit earned through the redeposit; they will only receive the redeposited contributions. If you are eligible, Retirement Services will notify you with a letter mailed to your residence. It is important to note that you will have five years from the initial notification from Retirement Services to elect the DRO Redeposit. If you do not elect to redeposit within such time, it will be deemed that you have declined the DRO Redeposit.

NOTE: This purchase is not eligible for a pre-tax rollover payment.

[SJMC 3.36.3620]

"Regular" Transfer of Contributions to Police & Fire Plan From Federated System

A Police and Fire Retirement Plan member who has "newly" transferred from the Federated plan to the Police and Fire plan, and has ceased Federated membership, may elect within 90

days to transfer their Federated service into the Police and Fire Plan. This transfer includes the transfer of Federated employee contributions.

If you elect this option, you must pay into the Police and Fire Plan the amount of money equal to what your Police and Fire contributions would have been if you had been a member of the Police and Fire Plan during all your service in the Federated City Employees Retirement System, plus interest at 2% per year. If you are eligible, Retirement Services will notify you with a letter mailed to your residence. It is important to note that you will have 90 days from the initial notification from Retirement Services to make the Transfer Service Purchase. If you do not elect this purchase within such time, it will be deemed that you have declined the Transfer Service Purchase.

NOTE: Federated Tier 2 members will transfer into Police and Fire Plan Tier 2.

[S]MC 3.36.610 (D)1and 3 & 3.36.615; ; 3.36.020.15(C)(3-5)]

“Prior” Transfer of Contributions to Police & Fire Plan From Federated System

A Police member, and on or after March 31, 2017, a Fire member, who have not transferred their prior Federated service, as described above in the Regular Transfer of Contributions to the Police and Fire Plan from the Federated System can still transfer their service into the Police and Fire plan. This transfer includes the transfer of employee contributions from the Federated System. If you elect this option, you must pay into the Police and Fire Plan the amount of money equal to what your Police and Fire Plan account would have been had you been a member of the Police and Fire Plan during all of your service in the Federated City Employees Retirement System, plus actual earned interest amounts. If you are eligible, please contact the Retirement Services for your Prior Transfer Service Purchase Estimate.

Note: Federated Tier 2 members will transfer into Police and Fire Plan Tier 2.

[S]MC 3.36.610(D)1-4);3.36.615; 3.36.020.15(C)(3-5)]

Military Service Purchase

If a Police and Fire member retires on or after August 21, 2001, they may purchase service credit in the Plan for eligible prior service with the Armed Forces or the Merchant Marine of the United States. The election of this purchase must be made within 30 days after filing for retirement. The cost of this purchase is actuarially calculated and will include all additional benefits that accrue to the member or the member’s survivors who purchase military service. The Police and Fire Retirement Plan shall pay for one actuarial calculation for purchasing military service. The actuarial determination is good for 30 days. If the member does not retire within the 30 days of the actuarial study, the member shall pay for any additional calculations. [3.36.3710 & 3.36.3720]

In addition, “eligible” military service must satisfy the following conditions:

- The military service was performed prior to the member's first employment by the City of San Jose;
- The member does not receive any service credit toward a military pension for the same period of time;
- The member does not receive any service credit in a reciprocal system for the same period;
- The military service is continuous; and
- The military service for which the member elects to purchase service credit does not exceed four years.

If you are eligible for a Military Service Purchase, please contact Retirement Services.

[S]MC 3.36.3700]

Reciprocity Redeposit Contributions

A former member of the Police and Fire Plan who is eligible for reciprocity can redeposit previously withdrawn contributions if their transfer between reciprocal agencies took place after 09/30/1994. The cost of the redeposit will include:

- All contributions and accrued interest previously withdrawn plus the interest that would have been earned by such contributions and interest, at the retirement fund's actual earnings rate, had they remained on deposit in the retirement fund.
- Such redeposit is made within the time and in the manner prescribed by the board, such time not to extend beyond the date of such former member's retirement from this retirement plan or from a reciprocal system, whichever first occurs.

If election for redeposit is made, it must be paid in full before retirement. If you are eligible please Contact Retirement Services for your Reciprocity Redeposit Estimate.

NOTE: If you are not a current member of the Police and Fire Retirement Plan and your membership in a reciprocal agency began prior to January 1, 2013, and you will be eligible for reciprocity with the redeposit, your membership will be in the Police or Fire Tier 1 Classic Plan.

If you are not a current member of the Police and Fire Retirement Plan and your membership in a reciprocal agency began on or after January 1, 2013, and you will be eligible for reciprocity following your redeposit, you will be placed in the Police or Fire Tier 2 Plan, even if you are redepositing Tier 1 contributions.

[S]MC 3.36.30303.36.020.15(C)(3)]

Chapter 18: Reciprocity

This chapter covers various topics related to reciprocity, including general eligibility requirements, benefits, redeposit provisions, and election process.

Summary

Effective September 30, 1994, the City of San José entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal benefits to members of the Police and Fire Department Retirement Plan. Reciprocity is an agreement between the City and PERS that in certain situations results in improved retirement benefits for persons who move from one eligible retirement system to another. It may apply, for example, if you leave San José employment and begin working for a City, County or State agency where you become a member of PERS (or the new employer has a reciprocal agreement with PERS). Reciprocity also may apply if you formerly worked for a reciprocal agency and joined the San José Police & Fire Department Retirement Plan upon leaving the reciprocal system.

Reciprocity does not mean that your contributions or retirement credit will be transferred from one system to another. You are still subject to the rights and obligations of each system. At retirement, you may be eligible to receive retirement benefits from more than one system, and you will receive separate checks from each system.

This chapter describes the reciprocity provisions that are part of the San José Police and Fire Department Retirement Plan. These provisions will apply when you are eligible for reciprocal benefits from San José. Although San José adopted the uniform reciprocal provisions requested by PERS, other reciprocal systems (including PERS) may have different provisions. You should contact the reciprocal system to determine the reciprocal benefits of that system to which you may be entitled.

General Eligibility Requirements

1. You must join the San José Police & Fire Department Retirement Plan within six months of terminating employment with a reciprocal system or you must join a reciprocal system within six months of terminating City of San José employment.
2. There cannot be any concurrent (overlapping) service in two retirement systems. An employee cannot receive retirement credit from two systems for the same time. This includes time that is credited (i.e. paid for) even though an employee is not physically working (vacation, for example).

[S]MC 3.36.3010(A)&(B); 3.36.160(F)]

The full benefits of reciprocity apply only if your transfer between this Retirement Plan and a reciprocal system, or from a reciprocal system to this Retirement Plan, took place after

September 30, 1994. If your transfer took place before September 30, 1994, you may only receive the benefit of the use of average monthly salary. This is referred to as “partial reciprocity.” [S]MC 3.36.3010(B) & (C)]

Benefits of Reciprocity

Right to Leave Contributions on Deposit Regardless of Length of Service

Normally, when leaving City service you must have 5 years of service to be eligible to leave your contributions on deposit. However, if you qualify for reciprocity, you may leave your contributions on deposit with the Police & Fire Department Retirement Plan no matter how many years of service you have credited with the Plan. If you leave your contributions on deposit, you may not withdraw your contributions as long as you are still a member of a reciprocal system. [S]MC 3.36.3020(A)]

Combining Service in Reciprocal Systems to Meet Minimum Service Requirements

If your transfer happened after September 30, 1994 and solely for the purpose of meeting minimum service requirements for qualification to receive benefits, you may be eligible to combine service in this Retirement Plan with service in a reciprocal system.

For example, let’s assume that you have three years of service in this Retirement Plan. If you leave San José employment and join a reciprocal system within six months, you have the right to leave your contributions on deposit with San José. Typically you must have at least 5 years of service in San José in order to be eligible to receive a benefit.

This provision will allow you to count your service with a reciprocal system to meet the 5-year requirement. In this example, you will need to work at least two years in a reciprocal system to meet the minimum requirements to receive a benefit from this Retirement Plan. You will then be eligible to receive a pension benefit from San José if you retire concurrently from both systems. **You will only be eligible to receive a pension benefit from San José based on your actual years of service in San José. The combination of service is only used to meet minimum qualifications to receive a monthly benefit.** It cannot be used qualify for an unreduced retirement benefit under the police and fire retirement plan. [3.36.3020(D)(G)]

To be eligible for reciprocity, you must meet all of the following conditions:

- You must satisfy each reciprocal agencies retirement eligibility rules;
- You must still meet minimum age requirements of this Plan and the reciprocal system;
- You must retire concurrently from this Retirement Plan and the reciprocal system; and
- You must be credited with the service in the reciprocal system.

[S]MC 3.36.3020(C)(D)(G)]

Use of Final Compensation from Reciprocal System

Your final compensation is an important factor in determining the amount of your retirement benefit. If you qualify for reciprocity, the highest final salary in either system will be used by both systems to calculate your benefit.

For example, let's say you have 5 years of service in the San José Police and Fire Department Retirement Plan. You resigned from your position with the City of San Jose and left your retirement contributions on deposit with the Police and Fire Retirement Plan.

When you left, your final compensation was \$10,000 per month. Within 6 months you started working for an agency whose retirement system is administered by PERS. Let's assume that you continued working there for 20 years. Now you are 57 years old and ready to retire. Your final compensation at the PERS agency is \$15,000 per month. What happens?

Without reciprocity, an example of your possible benefits is:

San José: $2.4\% \times 5 \text{ Years} \times \$10,000 = \$1,200$ per month

Reciprocal System: $2\% \times 20 \text{ Years} \times \$15,000 = \$6,000$ per month

(Note: 2% is used as an example. The reciprocal system would use whatever percentage applies under its benefit formula).

Total Combined Benefit: $\$1,200 + \$6,000 = \$7,200$ per month

If you qualify for reciprocity, your benefits could be:

San José: $2.4\% \times 5 \text{ Years} \times \$15,000 = \$1,800$ per month

Reciprocal System: $2\% \times 20 \text{ Years} \times \$15,000 = \$6,000$ per month

(Note: 2% is used as an example. The reciprocal system would use whatever percentage applies under its benefit formula).

Total Combined Benefit: $\$1,800 + \$6,000 = \$7,800$ per month

As you can see in this example, if you meet the qualifications for reciprocity, your benefit from the City of San José could go from \$1,200 per month to \$1,800 per month. This is because both systems will use your highest final compensation from either employer. Since the final compensation was much higher in the PERS system than the final compensation in San José, both San José and the reciprocal system would use your PERS salary in their formula.

NOTE: You must still be qualified for Reciprocity at the time of Retirement, see eligibility conditions above. For example, you must have the same retirement date. [3.36.3020(C)(G)]

Reciprocal Benefit When Member Receives Disability Allowance From Reciprocal System

If you receive a disability allowance from a reciprocal system, San José will pay a retirement allowance with two limitations:

1. The San Jose Non-Service Connected Disability allowance, when added to the amount of the allowance paid by the reciprocal system, cannot be more than what the reciprocal system would have paid for a Non-Service Connected Disability had all of the service been at the reciprocal system; and
2. The San Jose pension cannot be less than an annuity, which is the actuarial equivalent of your San Jose contributions plus interest. In this situation, the actuary may calculate that there is NO survivorship benefit.

[S]MC 3.36.3020(E)(G)]

Survivorship or Death Benefits When Member Dies as a Member of a Reciprocal System

The survivorship benefits or death benefits payable if you die from non-service connected causes as a member of a reciprocal system shall not exceed an amount which, when added to the survivorship and death benefits paid to you under the reciprocal system equals the maximum death benefit payable under that system. This is subject to the following limitations:

1. The survivorship and death benefits shall be at least the amount of your accumulated contributions plus the interest accrued at the rate of 2% per year as of the date of death; and
2. If your death is caused by service-connected injury or disease in the reciprocal system, the survivorship and death benefits shall be the amount of your accumulated contributions plus interest accrued at the rate of 2% per year calculated as of the date of death.

[S]MC 3.36.3020(F)(G)]

Special Reciprocity Redeposit Provisions

If you are a former member of this Retirement Plan who terminated City employment after September 30, 1994, and withdrew your accumulated contributions and interest, you may be allowed to redeposit those contributions and accrued interest. You may then be eligible for the benefits of reciprocity. To be eligible, you must meet the following requirements:

- You must meet the “General Eligibility Requirements” as detailed in this chapter; and

- You must redeposit the amount of the previously withdrawn contributions including interest that would have been earned by the withdrawn contributions at the Retirement Fund's actual earnings rate; and

You must redeposit the above amount before retiring from this Plan or from the reciprocal system.

[S]MC 3.36.3030 & 3.36.3010]

Electing Reciprocity

If you leave City service to join a reciprocal retirement system, you must provide the following to Retirement Services:

1. Within 90 days after separation from City service, you must submit a Distribution Election Form to Retirement Services that indicates you are electing to leave your money in the retirement fund due to employment with a reciprocal agency. Refer to Chapter 16 (Separation from City Service Prior to Retirement) for more information.
2. Prior to retiring, you must submit a Reciprocity Election form to Retirement Services. It is advised that you submit this form as soon as possible to avoid delays in confirming your eligibility and processing your retirement benefit at time of retirement. The Reciprocity Election Form is available on Retirement Services website www.sjretirement.com.

Additional information, including FAQs, are available on the Retirement Services website www.sjretirement.com.

Chapter 19: Annual Cost of Living (COLA) Adjustments

This chapter provides information on additional annual payment to retirees or survivors through an annual cost-of-living adjustment.

Determination of Cost-of-Living Adjustment

Each retirement allowance and each survivorship allowance which is payable to a Tier 2 member (or survivor of such Tier 2 member) shall be increased by the **lower of**:

1. The percentage of such increase in the CPI-U, or
2. Two percent (2%).

A Tier 2 member's first COLA after retirement shall be prorated based on the number of months retired (proration begins the month after your retirement month).

Each increase (if any) shall become effective beginning with the allowance payable for the month of February in each subject year. Cost-of-living increases are compounded.

[S]MC 3.44.150(A); 3.44.030(D)]

COLA Calculation Examples

If you retired on June 1, 2022, with an assumed retirement allowance of \$5,000.00 per month, your cost-of-living adjustment would be calculated as follows.

Example #1:

From June 1, 2022 through January 31, 2023, your retirement allowance will remain \$5,000.00 per month.

On February 1, 2023, you would receive your first cost-of-living adjustment to be calculated as follows:

CPI-U from December 2022 = 1.7% (lower than 2%). Proration from July – January = 7 months: $1.7\%/12 \times 7 = 0.00992 \times \$5,000.00 = \$49.58$ (cost-of -living increase, effective February 1, 2023).

Effective February 1, 2023, your retirement allowance will become \$5,049.58 per month ($\$5,000.00 + \$49.58 = \$5,049.58$ per month).

On February 1, 2024, you would receive your second cost-of-living adjustment to be calculated based on the December 2023 CPI-U without a proration.

Example #2:

From June 1, 2022 through January 31, 2023, your retirement allowance will remain \$5,000.00 per month.

On February 1, 2023, you would receive your first cost-of-living adjustment to be calculated as follows:

CPI-U from December 2022 = 4.9% (maximum of 2% COLA); Proration from July – January = 7 months: $2\%/12 \times 7 = 0.011667 \times \$5,000.00 = \$58.33$ (cost-of-living increase, effective February 1, 2023).

Effective February 1, 2023, your retirement allowance will become \$5,058.33 per month ($\$5,000.00 + \$58.33 = \$5,058.33$ per month).

From February 1, 2023 through January 31, 2024, your retirement allowance would remain \$5058.33 per month. On February 1, 2024, you would receive your second cost-of-living adjustment to be calculated based on the December 2023 CPI-U without a proration.

Chapter 20: Termination of Benefits

This chapter describes the grounds for suspension, cancellation or termination of retirement allowances.

Termination of Retirement Benefits for Treason or Conviction of a Felony

Any and all service or disability retirement allowances may be cancelled and terminated by the Retirement Board, in its sole discretion, if the recipient should commit treason or be convicted of a felony. Such cancellation may not affect survivor's benefits.

If a retirement allowance is terminated, the Board may, in its sole discretion, pay to the spouse and/or minor children under the age of eighteen of the convicted person all or any portion of the retirement allowance which would have been payable to the convicted person, for such period and subject to such conditions as the board in its sole discretion determines or imposes, and subject to the further right and power of the board to cancel such payments to the spouse and/or minor children at any time, in its sole discretion, with or without notice. Such payment to the spouse or minor children shall not be made until and unless application therefor shall have been made and the board shall have determined that the allowance or a portion thereof is required to provide the spouse or minor children with necessities of life. [S]MC 3.36.830 & 3.36.1150]

Termination of Survivorship Benefits for Treason or Conviction of a Felony

Any and all benefits payable to any survivor may be cancelled and terminated by the Retirement Board, in its sole discretion, if the recipient should commit treason or be convicted of a felony. [S]MC 3.36.1370]

Other Grounds for Termination of Allowances or Benefits

The Board may, in its discretion, permanently terminate or temporarily suspend all or a portion of any allowance or benefit. The Board may do so if the recipient of any allowance or benefit should willfully disobey any lawful order of the Board or willfully violate any provisions of the retirement plan. [S]MC 3.36.070]

Chapter 21: IRS Limits

This chapter discusses limitations the Internal Revenue Service (IRS) has imposed on pension plan allowances and benefits that employers can pay to their employees under qualified plans such as the Police and Fire Department Retirement Plan. These limitations may reduce the allowance and benefits that you would otherwise receive from the City after you retire.

Internal Revenue Code (IRC) Section 401(a)(17)

Generally, IRC Section 401(a)(17) limits the amount of compensation that may be used to calculate a retirement benefit. The limit may be adjusted annually; the maximum compensation that can be used to calculate your retirement benefit for the current calendar year can be found on the Retirement Services website www.sjretirement.com under Members > Active > Know Your Benefits > Benefit Limits. If you earned more than the annual amount in your compensation, Retirement Services will not be able to include the excess in calculating your benefit.

This “compensation cap” applies to your benefits if you became a member of the plan on or after January 1, 1996.

[SJMC 3.36.735]

Internal Revenue Code Section 415

The Internal Revenue Service (IRS) has imposed limits on pension plan allowances that a retirement plan can pay to their beneficiaries under qualified plans such as the Police and Fire Department Retirement Plan. These limitations may reduce the allowance and benefits that you would otherwise receive from the City after you retire. Those retirement plans that are not in compliance with Section 415 of the Internal Revenue Code are subject to severe financial penalties, including the loss of tax-exempt status for the retirement plan and immediate annual taxability of each employee’s pretax contributions to the retirement benefits.

If you became a member of this retirement plan on or after January 1, 1990, your benefits are subject to all the limitations of Section 415 of the Internal Revenue Code (IRC). You can find the current year IRC 415(b) maximum on Retirement Services’ website www.sjretirement.com. [SJMC 3.36.730]

IRC Section 415 Benefit Limits for Persons Who Became Members after January 1, 1990

If you were hired on or after January 1, 1990, your retirement allowance will be one of the following:

- Your benefit under the formula in effect as of the day you retire if less than your 415 limit; or
- Your dollar limit set by Section 415 if your benefit is higher.

The maximum benefit payable under Section 415 can be adjusted annually based on national cost-of-living changes.

Note: If you choose a survivorship “Pop-up” option your 415(b) limit will be reduced.

Additional IRC Section 415 Limitations

The list below summarizes additional adjustments put into effect by Section 415. These adjustments include that:

- Survivorship benefits may be reduced; and
- Fewer than 15 years of full-time service in the City of San Jose Police or Fire Department (Military time may count, but reciprocity will not count) will subject your 415 limit to a reduction based on your age at retirement, if under age 62 at the time of retirement. This reduction shall not apply if you retired with a disability retirement; and
- Fewer than 10 years of membership in the retirement plan may reduce your 415 limit further. This reduction shall not apply if you retired with a disability retirement; and
- If you choose a survivorship “Pop-up” option your 415(b) limit will be reduced.

[S]MC 3.36.730(E), 3.36.730(G), 3.36.730(H)]

Chapter 22: Dissolution of Marriage or Domestic Partnership

This chapter explains several ways the community property interest in your pension can be addressed in the event of the dissolution or legal separation of a marriage or registered domestic partnership. You may reach an agreement which awards your pension to you as your sole and separate property, or you may divide your pension by means of a Plan Approved Domestic Relations Order (PADRO). In either case, you must provide Retirement Services with copies of the legal documents which set forth you and your ex-spouse's community property interest in your pension. Retirement Services will need a filed Judgment of Dissolution with all attachments which may include a Marital Settlement Agreement. A filed PADRO will be needed if the pension is to be divided.

NOTE: Under California's community property laws, retirement benefits earned during a marriage or State registered domestic partnership are community property assets. Any questions regarding the rights of your spouse or domestic partner to a community property interest in your retirement benefits must be resolved before your retirement benefits can be issued to you. The Police and Fire Department Retirement Plan is a governmental plan under federal law. It is not subject to the Employee Retirement Income Security Act (ERISA).

Plan Approved Domestic Relations Order (PADRO)

Chapter 3.36 Part 17, of the San Jose Municipal Code which sets forth the requirements for a Plan Approved Domestic Relations Order (PADRO). A PADRO is a court order that establishes the terms and conditions for the division of retirement benefits. These requirements can be found in our *Guidelines for Plan Approved Domestic Relations Orders* we will provide to you and/or your attorney upon request. You can access the PADRO Guidelines on the Retirement Services website www.sjretirement.com.

Dividing your pension can be a lengthy process, as there are several legal steps and processes that must be followed. Below is a general description of the necessary steps:

1. You or your attorney must join the Retirement Plan to the Divorce matter.
2. You or your attorney will create a draft Domestic Relations Order and submit it to Retirement Services for review.
3. If there are no questions or requests for clarification from the Retirement Services' Legal Counsel regarding the draft Domestic Relations Order, your attorney will receive a letter from Retirement Services' Legal Counsel requesting a copy of the filed Domestic Relations Order and a copy of the filed Judgment of Dissolution for final review.
4. You or your attorney will need to submit the filed Domestic Relations Order and a copy of the filed Judgment of Dissolution to Retirement Services for final review.
5. If there are no corrections or clarifications from Retirement Services' Legal Counsel regarding the filed Domestic Relations Order and the filed Judgment of Dissolution,

your attorney will receive a letter from Retirement Services' Legal Counsel advising that the Domestic Relations Order and Judgment of Dissolution are acceptable, and Retirement Services Staff will be authorized to implement the order (e.g. divide the retirement account according to the order).

There are two types of divisions of a retirement account: a Separate Account and a Combined Account. Each type of account has its own set of rules and requirements. Below is a general description of each type of division. For more detailed information on the rules and requirements, and calculations of each type of division, a copy of the *Guidelines for Plan Approved Domestic Relations Orders* can be found on the Retirement Services website www.sjretirement.com.

Combined Account Domestic Relations Order (CADRO)

In the Combined Account Domestic Relations Order (CADRO), the Retirement Plan maintains one account. When the member retires, the Plan pays a portion of the monthly benefit to each person. Typically, each person's share of the community property interest in the retirement benefit is calculated as a percentage. The calculation is done at the time of the participant's retirement, and the percentage is then applied to each monthly retirement benefit when the benefit is paid. If you are already retired or separated from City service, the only option available is the Combined Account Option. If you are married at the time of your Retirement and elect a "Pop-Up" survivorship option, you are not eligible for the "Pop-Up" if you divorce and your ex-spouse passes away.

[S]MC 3.36.3580]

Separate Account Domestic Relations Order (SADRO)

In the Separate Account Domestic Relations Order (SADRO), the member's retirement account is divided at the time of the marital dissolution and a separate account is established in the name of the ex-spouse. The member's earned service credit and the associated employee contributions (plus interest) accrued during the marriage or domestic partnership is divided between the member and the ex-spouse. The member's share of the earned service credit and contributions (plus interest) remain in the member's account. The ex-spouse's share of the earned service credit and contributions (plus interest) are removed from the member's account and placed in a separate account for the ex-spouse. The division is determined using the method specified in the SADRO. The Separate Account division is available only if the member is an active City employee; members who have retired or separated from City service are not eligible.

[S]MC 3.36.3600]

Distribution of Contributions in Separate Account

If the member is entitled to less than ten (10) years of service credit in this plan, the alternate payee (ex-spouse) will receive a pay-out of the accumulated contributions and credited interest placed in the alternate payee's account.

If, as of the date of entry of the DRO with the court, the member is entitled to ten (10) or more years of service credit in this plan, the alternate payee may elect to receive a pay-out of the accumulated contributions and credited interest or the alternate payee may leave the money on deposit with the Plan and receive a monthly benefit later when the alternate payee meets the eligibility requirements.

- The alternate payee may elect to receive a pay-out of contributions and interest at any time after the establishment of the alternate payee's separate account.
- The alternate payee shall make such election by filing an application with Retirement Services.
- Once a pay-out distribution has been made (if check is mailed, "distribution" is at the point of deposit in the mail), the alternate payee may not cancel the pay-out or revoke the election for distribution; and
- The alternate payee may not cancel the refund or revoke the election for distribution; and
- The alternate payee shall be deemed to have permanently waived all rights in this Plan and all rights to the payment of any other benefits; and
- The alternate payee shall have no right to redeposit the distributed accumulated contributions.

Note: If the alternate payee receives a distribution, the member may redeposit distributed contributions to regain years of service. Please see Chapter 17 (Service Purchases) under "Domestic Relations Order Redeposit" for more details.

[S]MC 3.36.3610; 3.36.3620]

Disability Retirement with a Separate Account

Generally, if you have less than 20 years of service at the time of your disability retirement, Retirement Services will recalculate your benefit at the time you become service retirement eligible and/or your ex-spouse begins receipt of their alternate payee benefit. At this time, Retirement Services will reduce your base benefit by the base amount due to the alternate payee, your ex-spouse, with a Separate Account.

The alternate payee with a separate account does not receive payment until such time as the member would have been eligible for a service retirement had the participant continued working. Disability benefits shall be allocated between the participant and the alternate payee as follows:

1. Until the alternate payee applies to receive a monthly allowance, disability retirement benefits shall be paid to the participant without regard to the service credit awarded to the alternate payee.
2. Once the alternate payee applies to receive a monthly allowance from the retirement fund, the amount of your monthly allowance will be reduced by the base amount due to alternate payee.

Disability Retirement Example:

- Member has 17.0 total years of service, is age 43 and final compensation is \$10,000.
- Alternate Payee (ex-spouse) was awarded 6 years of the members total service credit leaving the member with 11 years of service.
- Member is approved for Service-Connected Disability Retirement. Since he has less than 20 years of service, member's benefit is calculated at 50% of Final Compensation.

The monthly disability retirement allowance would be Final Compensation x 50%:

$$\$10,000 \times 50\% = \$5,000 \text{ Monthly Disability Retirement Allowance}$$

When the alternate payee applies to receive a monthly allowance, the disability retiree's benefit will be reduced by the amount due to the alternate payee so that the combined amount does not exceed 100% of the total disability benefit allowance.

Member's Disability Benefit:

Members YOS prior to SADRO = 17 YOS
Final Compensation = \$10,000

Member's Disability Benefit Prior to Alternate Payee's Application:
 $\$10,000 \times 50\% = \$5,000$ (Service-Connected Disability Minimum)

Alternate Payee's Calculation:

Alternate Payee is eligible for 6 YOS x 2.4% = 14.4%
Total % of Final Compensation – 14.4%

$$\$10,000 \times 14.4\% = \$1,440.00$$

Member's New Base Benefit after Alternate Payee's Application:

Member's Original Disability Benefit:	\$5,000
Less Alternate Payee's Base Benefit:	<u>-\$1,440</u>
Member's New Base Benefit	\$3,560

[3.36.3660]

Chapter 23: Other Retirement Benefits Not Administered by Retirement Services

This chapter contains information on other retirement benefits not administered by Retirement Services, including deferred compensation, sick leave payout, continuation of certain insurance policies through San Jose Police Officers' Association or International Association of Firefighters, and the opportunity for membership in the Association of Retired San Jose Police Officers and Firefighters.

Deferred Compensation Program

The City of San Jose's Deferred Compensation Plan is a governmental deferred compensation plan defined by Section 457(b) of the Internal Revenue Code, commonly called a 457 deferred compensation plan. Deferred compensation plans allow employees to supplement any existing retirement or pension benefits by saving and investing before-tax dollars (Traditional 457(b)) or after-tax dollars (Roth 457 (b)) through voluntary salary deferral. For a Traditional 457(b) account, contributions and any earnings are tax-deferred until money is withdrawn, usually during retirement when the retiree is typically in a lower tax bracket than while working. Both options are a voluntary benefit and provide a convenient way for City employees to save money for retirement.

At the time of publication, the City's Deferred Compensation Plan is administered by VOYA. For more information about your Deferred Compensation Account please visit <https://sanjose.beready2retire.com/> or contact VOYA at (800)584-6001. VOYA requests that you contact them regarding your Deferred Compensation Account at least 30 days prior to your retirement date.

\$3,000 Tax Exclusion for Qualified Health Insurance Premiums

The Pension Protection Act of 2006 allows Public Safety Officers who retired either after attaining "normal retirement age" or for disability to exclude annually up to \$3,000 of an otherwise taxable pension distribution from federal income taxation, if the money is used to pay for "qualified health insurance premiums" and is paid directly from the plan to the health insurer. "Qualified health insurance premiums" mean premiums for coverage for the retired Public Safety Officer, his/her spouse, and his/her dependents by an accident or health plan or qualified long-term care insurance contract.

The amount shown in box 2a of Form 1099-R from the Office of Retirement Services will not reflect this deduction. However, retirees may provide their tax consultant with copies of their pay stubs, which include the year-to-date amount paid by members for healthcare premiums. Consult with a tax professional for guidance on this topic and how to claim the deduction. You will need to report your total eligible distribution on Form 1040, Form 1040A, or Form 1040NR, as applicable. Refer to Section 402(l) of the Internal Revenue Code and IRS Publication 575 for more information.

Pay stubs and 1099-R Forms can be printed by members from their MemberDirect account.

San Jose Police Officers' Association (SJPOA)

If you are a member of the SJPOA you may be eligible to continue certain insurance policies (life insurance, accidental death insurance, etc.) that you had through the SJPOA. Please contact the SJPOA at (408) 298-1133 to find out more about continuing such benefits in retirement.

International Association of Fire Fighters (IAFF)

If you are a member of the IAFF you may be eligible to continue certain insurance policies (life insurance, accidental death insurance, etc.) that you had through the IAFF. Please contact the IAFF at (408) 286-8718 to find out more about continuing such benefits in retirement.

Association of Retired San Jose Police Officers and Firefighters

Retired members are eligible to join the Association of Retired San Jose Police and Firefighters. For more information contact the Association at www.retiredsjpolicefire.org or board@retiredsjpoff.org.

If you would like your dues automatically deducted from your retirement check, you must submit an Automatic Deduction Election form to Retirement Services. This form authorizes the deduction from your check, authorizes automatic dues increases, and authorizes Retirement Services to provide your address to the Retiree Association.

Chapter 24: Social Security

City employees do not contribute to the Social Security system and do not receive Social Security credit for their City service. You may still be eligible for Social Security benefits if you were previously employed by some other institution or company that did contribute to Social Security.

The Social Security Fairness Act, HR 82, concerning the Windfall Elimination Provision and Government Pension Offset, was signed into law on January 5, 2025. Upon implementation, the Social Security Fairness Act eliminates the reduction of Social Security benefits while entitled to public pensions from work not covered by Social Security. This means that Federated retirees who have earned enough Social Security credits to be eligible for a Social Security benefit (through employment outside of the City of San José) will receive full Social Security benefits.

The Social Security Fairness Act does not impact City of San José pension benefits.

For more information on social security benefits, visit the Social Security Administration website at www.ssa.gov.

Chapter 25: Glossary

Following is an explanation of the terms used in this handbook.

ACCUMULATED CONTRIBUTIONS

"Accumulated Contributions" means the sum of all contributions made by a member and standing to the credit of a member's individual account. Accumulated contributions do not include contributions or interest the City makes to the plan on your behalf. [S]MC 3.36.020.1]

ACTIVE EMPLOYEE

"Active Employee" means any person currently in the employ of the city, or who holds a city office, whose compensation is paid out of funds directly controlled by the city. [S]MC 3.36.020.]

ACTUARIAL EQUIVALENT

A benefit of equal value when computed based on Board approved actuarial assumptions. For example, if you choose a survivorship option that pays you a lower retirement allowance in return for your spouse or domestic partner receiving a higher survivorship allowance, the total benefit is an actuarial equivalent. In other words, the total payments to you and your spouse are calculated to be equal under any option that you may choose. [3.36.1466]

ACTUARY

The Retirement Board's actuary is a statistician who compares economic and demographic assumptions with the actual experience of the Retirement Plan. The actuary then determines the projected liabilities and makes recommendations for the City and Member contribution rates. The actuary is also responsible for analysis and cost estimates of any proposed plan changes.

COMPENSATION

As used in the Police and Fire Department Retirement Plan, compensation is remuneration paid by the City to a member in payment for his or her services to the City, used as a factor in any computation to be made under this Chapter. Compensation is generally your pensionable pay. It does not include overtime, lump sum compensatory time payoffs, higher class pay, uniform allowances, travel allowances, or any other special pays.

Compensation may include the following:

- Base Salary,
- Paid Leaves used (sick leave, paid holidays, paid vacation leave, and paid compensatory time),
- Federal Labor Standards Act (FLSA) premium pay,
- Emergency Medical Technician (EMT) pay,
- Anti-Terrorist pay, and
- Police Officer Standards and Training (POST) pay.

[S]MC 3.36.020.3]

DEFERRED VESTED EMPLOYEE (Tier 2)

A former member of the Police and Fire Plan who resigned or was discharged from a position covered in the Plan with at least 5 years of service upon resignation or discharge and allows his or her contributions to remain in the fund. This does not include those that have continued their membership through Reciprocity. [3.36.1610(C); 3.36.1640(A) & (I)]

FINAL COMPENSATION

Final Compensation is your highest average monthly compensation during any 36 consecutive months of City service for which you are receiving credit in this retirement plan. If the member has less than thirty-six months of city service, then the amount of service the member actually has shall be used in the calculation of the member's final compensation. Your final compensation is used for the purpose of determining the amount of your monthly retirement allowance. [SJMC 3.36.020.5(D)]

HEARINGS

The Retirement Board has the discretion to hold a hearing to determine any question involving any right, benefit or obligation of the Retirement Plan. If the Board has not held a hearing with regard to such determination, anyone affected by the determination may petition the Board in writing for a hearing. The request for a hearing must be filed within 30 days of the Board's determination. After the hearing, the Board may affirm, reverse, or modify its prior determination. [SJMC 3.36.450]

MEMBER – TIER 2

Any person who is hired, rehired, or reinstated by the City as an employee of the Police Department in a position covered by this Plan on or after August 4, 2013; or

Any person who is hired, rehired, or reinstated by the City as an employee of the Fire Department in a position covered by this Plan on or after to January 2, 2015.

Any person included in the membership of this Retirement Plan. Appointment to a full-time, sworn position in the Police or Fire Department of the who has not terminated their membership due to resignation, discharge, retirement or death or any other permanent discontinuance of service.

City of San José confers membership in this plan as of the date of appointment, Recruits are not members of this plan until they have finished the academy and have begun paying contributions. [SJMC 3.36.020.6; 3.36.020.15; 3.36.150 – 3.36.280; 3.36.1610]

MORTALITY TABLE

A mortality table typically shows the general probability of a person's death before their next birthday, based on their current age. It is considered one of the “assumptions” referenced in the Municipal Code under section 3.36.1466.

RECIPROCITY

An agreement effective on September 30, 1994, between the City of San José and the California Public Employees’ Retirement System (CalPERS) that extends to the members of other participating public agency retirement systems rights in this retirement plan and vice

versa. In certain situations, reciprocity results in improved retirement benefits for persons who move from one retirement system to the other. [SJMC 3.36.3000-3.36.3070]

REGISTERED DOMESTIC PARTNERSHIP

A legal recognition of the committed, marriage like partnership of a couple. The Domestic Partnership must be registered with the California Secretary of State (documentation must include a Domestic Partnership Certificate & a Notarized Declaration of Domestic Partnership) and the Domestic Partnership must meet all Domestic Partnership eligibility requirements under California State law. [SJMC 3.36.020.14]

RETIREMENT ALLOWANCE

The monthly service retirement allowance or disability allowance you receive after you retire. An allowance may also be called a pension. [SJMC 3.36.020.10]

RETIREMENT BOARD

The Retirement Board is composed of nine trustees responsible for managing the Retirement Fund. The Retirement Board consists of:

1. One employee in the police department who is also a member of the police and fire department retirement plan;
2. One employee in the fire department who is also a member of the police and fire department retirement plan;
3. One of the members shall be a person who was employed in the fire department and has retired under the provisions of the police and fire department retirement plan;
4. One of the members shall be a person who was employed in the police department and has retired under the provisions of the police and fire department retirement plan;
5. Four public members, who are not connected with the City; and
6. Another public member, who is selected by the eight Board members and approved by the City Council.

The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San Jose Municipal Code.

RETIREMENT SERVICE CREDIT

The period of time for which retirement plan members work as full-time, sworn employees of the City's Police or Fire Department and were enrolled in the Retirement Plan. It includes regular full-time service, eligible active military service, and absence from work with full compensation (paid administrative leave, paid compensatory time, paid disability leave, paid holidays, paid sick leave, paid vacation, etc.). [SJMC 3.36.610]

You do not receive service credit for any period of time during which you are absent from City service without pay. [SJMC 3.36.670]

Service credit does not include any service for which you receive any credit under any other retirement system or plan supported wholly or in part by any funds of the City of San Jose. [SJMC 3.36.690]

You accrue retirement service credit for each hour worked, up to a maximum of 2,080 hours of credit per payroll calendar year (2,080 hours equals one year of full-time employment). Fire members on a 56 hour work week earn a full year of service at 2,912 hours per payroll calendar year. The Payroll system allows for members to change from 56 hour work week to 40 hour work week or from 40 hour work week to 56 hour work week and account for the time to give a full year of service credit.

There is a maximum of 1.0 years of service credit per Payroll Calendar Year. [S]MC 3.36.700]

SAN JOSÉ MUNICIPAL CODE

The body of laws governing the City of San José and the Police and Fire Retirement Plan.

SURVIVING CHILD/CHILDREN

Your natural or adopted children who meet all of the following requirements:

- The child survives your death;
- The child is neither married nor a member of a registered domestic partnership at the time of your death (and has never been married or a member of a registered domestic partnership);
- The child is under the age of 18 years at the time of your death; and
- The child is in existence or conceived prior to your death; and
- If the child is adopted, the adoption was completed prior to your death.

[S]MC 3.36.1230(B)(3)]

SURVIVING SPOUSE OR SURVIVING DOMESTIC PARTNER

The person to whom you were married to or in a domestic partnership with both at the time of your death and at the time you were granted a retirement. [S]MC 3.36.1235(B)(1) & (2)]