



# TABLE OF CONTENTS

## Chapter

<b>1</b>	<b><u>Introduction</u></b>	<b>1</b>
<b>2</b>	<b><u>System Management</u></b>	<b>3</b>
	<u>Board of Administration</u>	3
	<u>Actuarial Investigations</u>	4
	<u>Board Meetings and Hearings</u>	4
<b>3</b>	<b><u>Membership</u></b>	<b>5</b>
	<u>Eligible and Ineligible Employees</u>	5
	<u>Special Membership Qualifications</u>	6
	<u>Termination of Membership</u>	7
	<u>Members' Responsibilities</u>	7
<b>4</b>	<b><u>Contributions</u></b>	<b>9</b>
	<u>Record of Contributions</u>	9
	<u>Social Security and Medicare</u>	10
	<u>Tax Treatment of Contributions</u>	10
	<u>Contributions During Military Service</u>	10
	<u>Contributions During Absence Due to</u>	
	<u>Service-Connected Injury</u>	11
	<u>Transfer of Contributions to Police &amp; Fire Department</u>	
	<u>Retirement Plan</u>	11
	<u>Withdrawal of Contributions</u>	12
<b>5</b>	<b><u>Benefit Eligibility Requirements</u></b>	<b>13</b>
<b>6</b>	<b><u>Separation From City Service Prior to Retirement</u></b>	<b>15</b>
	<u>Options at Time of Separation</u>	15
	<u>Return of Contributions</u>	17
	<u>Provision for Service Purchases</u>	17



	<u>Right to Redeposit Withdrawn Contributions</u>	
	<u>Upon Return to City Employment</u>	18
	<u>Special Purchase of Prior Service Credit</u>	19
	<u>Right to Request Return of Contributions</u>	20
	<u>Transfer of Police and Fire Department Plan</u>	
	<u>Contributions to Federated Retirement System</u>	20
<b>7</b>	<b><u>Service Retirement</u></b>	<b>23</b>
	<u>Eligibility Requirements</u>	23
	<u>Computation of Service Retirement Allowance</u>	24
	<u>Returning to City Employment After Service Retirement</u>	25
<b>8</b>	<b><u>Disability Retirement</u></b>	<b>27</b>
	<u>Disability Benefit Chart</u>	28
	<u>Summary of Disability Retirement Process</u>	30
	<u>Medical Examination</u>	31
	<u>Service-Connected Disability Retirement Allowance</u>	31
	<u>Workers' Compensation Offset</u>	32
	<u>Nonservice-Connected Disability Retirement Allowance</u>	35
	<u>Outside Earnings</u>	36
	<u>Reemployment of Disability Retirees</u>	
	<u>(Alternate Employment)</u>	38
	<u>Reemployment into Non-Federated Position</u>	41
	<u>Reinstatement to Duty After Disability Retirement</u>	41
<b>9</b>	<b><u>Death After Retirement</u></b>	<b>43</b>
	<u>Death After Retirement with Less than 5 Years</u>	
	<u>of Service Credit</u>	43
	<u>Death After Retirement with More than 5 years</u>	
	<u>of Service Credit</u>	44
	<u>Special Death Benefit</u>	46
	<u>Optional Survivorship Allowances</u>	46
<b>10</b>	<b><u>Death Before Retirement</u></b>	<b>49</b>
	<u>Nonservice-Connected Death with Less than 5 Years of</u>	
	<u>Service Credit</u>	49
	<u>Nonservice-Connected Death with More than 5 Years of</u>	
	<u>Service or Service-Connected Death</u>	50



<b>11</b>	<b><u>Medical and Dental Benefits</u></b>	<b>55</b>
	<u>Medical Insurance for Retirees</u>	55
	<u>Medical Insurance for Survivors</u>	56
	<u>Dental Insurance for Retirees</u>	57
	<u>Dental Insurance for Survivors</u>	57
<b>12</b>	<b><u>Surviving Child’s School Allowance</u></b>	<b>59</b>
<b>13</b>	<b><u>Cost-of-Living Adjustments</u></b>	<b>63</b>
<b>14</b>	<b><u>Reciprocity</u></b>	<b>67</b>
	<u>Summary</u>	67
	<u>General Eligibility Requirements</u>	67
	<u>Right to Leave Contributions on Deposit</u>	
	<u>Regardless of Length of Service</u>	68
	<u>Use of Final Average Salary from Reciprocal System</u>	68
	<u>Eligibility Requirements for Use of Average Salary</u>	
	<u>From Reciprocal System</u>	69
	<u>Combining Service in Reciprocal System to Meet</u>	
	<u>Minimum Service Requirements</u>	70
	<u>Reciprocal Benefit when Member Receives Disability</u>	
	<u>Allowance from a Reciprocal System</u>	71
	<u>Survivorship or Death Benefits when Member Dies as a</u>	
	<u>Member of a Reciprocal System</u>	71
	<u>Special Redeposit Provisions</u>	72
	<u>Electing Reciprocity</u>	72
<b>15</b>	<b><u>IRS Limits</u></b>	<b>73</b>
<b>16</b>	<b><u>Glossary</u></b>	<b>75</b>





# INTRODUCTION

This handbook has been prepared to inform you of the benefits available under the Federated City Employees' Retirement System. The current plan became effective on July 1, 1975, and it covers all full-time and some qualified part-time employees. (There is a separate retirement plan for public safety officers.) It provides employees of the City of San José with benefits upon retirement and may provide benefits to survivors after death.

You may be entitled to some or all of the following retirement benefits:

- Monthly payments for the rest of your life
- Monthly payments for your surviving spouse
- Monthly payments to your surviving children until age 18, or 22 if they are full-time students
- Monthly payments for life if you become totally disabled
- Lump sum payment to your survivors or to your estate
- Medical benefits
- Dental benefits
- Return of your contributions if you leave City employment without retiring

Complete details of the retirement system can be found in Chapters 3.28, 3.43, and 3.44 of the San José Municipal Code. This handbook is a summary of those chapters of the Code. Code references are made at the end of appropriate passages.

**IF THERE IS ANY DISCREPANCY OR CONFUSION BETWEEN THE INFORMATION IN THIS HANDBOOK AND THE INFORMATION IN THE CODE, THE CODE WILL PREVAIL.**



Your retirement benefits are subject to the meet and confer process under the Meyers-Milias-Brown Act, which requires employers to meet with employees 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 contact the Retirement Staff if you have any questions regarding your retirement benefits. We are here to help! The Retirement Staff is located at:

**RETIREMENT SERVICES DEPARTMENT**

**1737 North First Street, Suite 580**

**San José, California 95112**

**(408) 392-6700**

**(800) 732-6477**





## SYSTEM MANAGEMENT

### BOARD OF ADMINISTRATION

This retirement system is managed by the Board of Administration for the Federated City Employee's Retirement System (referred to in this handbook as the Retirement Board or the Board). The Retirement Board consists of two City employees, one City Council member, one Civil Service Commission member, and one member of the public who is not connected with City government, but has significant relevant experience in investment matters.

The Retirement Board has exclusive control of the administration and investment of the retirement fund, subject to the provisions of the San José Municipal Code and the Charter of the City of San José. It may make and enforce reasonable rules and regulations for the administration, management, and control of the retirement system and its funds. In addition, professional investment advisors may be retained, as needed, to assist the Board in setting investment policies for the retirement fund.

[SJMC 3.28.140, 3.28.310, and 3.28.370]

No member of the Retirement Board may:

- Have any interest in any investment the Board makes, or in the gain or profit resulting from those investments
  - Borrow funds from the system, or use the system's funds for anything other than making current and necessary payments authorized by the Board
  - Become an endorser, surety, or obligor on investments made by the Board
- [SJMC 3.28.130]

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

- The members' total contributions
- The City's accumulated contributions
- All the money in the system
- The investment and distribution of the money in the system.

[SJMC 3.28.120]



## **ACTUARIAL INVESTIGATIONS**

The Retirement Board must keep data for actuarial valuations of this system. These are statistical calculations analyzing the soundness of this system. An actuarial investigation of this system must be conducted at least once every five (5) years. In practice, the Board has called for an actuarial valuation every two years. This investigation will result in a report that includes the mortality, service and compensation experience of members and survivors receiving benefits. Also, the report will include an actuarial valuation of the plan's assets and liabilities.

[SJMC 3.28.160]

## **BOARD MEETINGS**

The Retirement Board holds regular monthly meetings the second Thursday of each month at 8:30 a.m. Please contact the Retirement Staff to verify the time and location of the Board meetings.

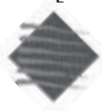
## **HEARINGS**

The Retirement Board has the discretion to hold a hearing to determine any question involving any right, benefit or obligation of the retirement system. Any applicant for any benefits may file an application for rehearing of his application for benefits within thirty days after written notice of the determination of the Board has been sent by mail to the applicant or to the applicant's attorney. The request for rehearing must be based on any of the following grounds:

- That the Retirement Board acted without and in excess of its powers
- That the order, decision or award was procured by fraud
- That the evidence does not justify the determination of the Board
- That the applicant has discovered new evidence material to him or her that he or she could not with reasonable diligence have discovered or procured at the hearing

The determination of the Board on an application for rehearing shall be made within sixty days from the date of filing of the application.

[SJMC 3.28.240]





## MEMBERSHIP

### ELIGIBLE EMPLOYEES

As soon as you become a full-time City employee, you are automatically a member of the retirement system. New members must fill out a beneficiary designation form.

### INELIGIBLE EMPLOYEES

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

- Mayor
- City Council members
- Elected or appointed members of any City board or commission
- Actively employed, current members of any other retirement or pension system supported by any federal, state or local government or government agency
- Persons employed to perform services required because of an emergency
- Persons employed in relief or anti-poverty programs
- Police and Firefighter recruits
- Temporary employees
- Contract employees
- Volunteer workers
- Emergency appointees in time of war or national emergency
- Persons hired as part-time employees on or after July 1, 1975
- Persons covered by the Police & Fire Department Retirement Plan [SJMC 3.28.460 - 560, 3.28.620]



## SPECIAL MEMBERSHIP QUALIFICATIONS

### Former Chapter 3.24 Members

The retirement system before July 1, 1975, is called the Chapter 3.24 system. If you were a member of the Chapter 3.24 system, you could have become a member of this, the Chapter 3.28 system, in a number of ways:

- If you were a City employee and a member of the old Chapter 3.24 retirement system on June 30, 1975, and were still employed in your same position on July 1, 1975, you automatically became a member of this Chapter 3.28 system on July 1, 1975. [SJMC 3.28.1150]
- If you retired under Chapter 3.24 and were reinstated into City service after July 1, 1975, your Chapter 3.24 retirement allowance and benefits were canceled, and you became a member of this system. [SJMC 3.28.410, 420]
- If you left City service, retained membership in the Chapter 3.24 system after June 30, 1975, and then reentered City service, you became a member of the Chapter 3.28 system, and your membership in the Chapter 3.24 system was automatically terminated. [SJMC 3.28.430]

Once you became a member of this system, all of your rights under the Chapter 3.24 system were terminated, and you were provided with the rights and benefits of this Chapter 3.28 system. [SJMC 3.28.400]

### Former Employees of City Health Department or Communications Division

If you are employed in the communications division or were an employee of the City Health Department as of July 1, 1968, special provisions may apply. Please contact the Retirement Department for more information.

### Part-time Employees

Part-time employees are eligible to join the retirement system **only under the following conditions:**

- If you were originally hired as a full-time employee and became a member of the system, and later become a part-time employee without a break in service. [SJMC 3.28.560]
- If you were a member of the Chapter 3.24 (pre-1975) retirement system, you automatically became a member of this system on the day it took effect, July 1, 1975. [SJMC 3.28.400]



- If you were not a member of the Chapter 3.24 retirement system, but you took advantage of the one-time option of becoming a member of this retirement system by filing a written statement with the Retirement Board by August 31, 1975 electing to do so.

## **TERMINATION OF MEMBERSHIP**

Membership in the retirement system lasts until:

- Death before retirement
- Retirement
- Resignation, discharge or layoff from City service
- A leave of absence found by the Retirement Board to have resulted in permanent discontinuance of service

[SJMC 3.28.570]

Persons leaving City service with at least 5 years of service credit, or persons who qualify for reciprocity described in Chapter 14, may elect to remain members of the retirement system.

## **MEMBERS' RESPONSIBILITIES**

### **Change of Name/Address**

Active members must fill out a "Request for Change of Name and/or Address" form whenever you or your dependents change names or addresses, and submit the form to the Employee Services Department (City Hall, Room 207). Retirees and former employees who have retirement contributions on deposit should notify the Retirement Services Department in writing of such changes.

### **Change of Status/Beneficiaries**

If any change takes place in your personal life (such as marriage, divorce, adoption, birth or death in the family), be sure to provide copies of the appropriate documents. If necessary, you should also update your beneficiary designations at this time. In case of divorce, you will need to provide a copy of the divorce stipulation.

Active employees should submit information regarding changes of status and beneficiaries to the Employee Services Department. Retirees and former members who left their contributions on deposit should notify the Retirement Services Department of any changes. Notification should be given within 30 days of the event.







## CONTRIBUTIONS

Both you and the City make contributions to the retirement system. The **contribution rates** are the percentages of your salary that you and the City each pay into the retirement system. Your contributions are made through payroll deductions. The Retirement Board sets, and from time to time, changes the rates of contribution necessary to make the retirement system actuarially sound. This ensures that the retirement system will have sufficient funds to provide for your retirement benefits. The Board's determination is based on actuarial studies of the retirement fund's projected benefit costs and expected fund earnings. Contribution rates are changed after periodic actuarial reviews. The Board makes a recommendation to the City Council regarding contribution rates.

The **contribution** ratio is the ratio between the portion of total contributions the City pays and the portion of contributions you pay. The contribution ratio for the normal costs of the plan is eight to three: for every \$8.00 paid by the City, you pay \$3.00. Other contributions, such as contributions attributable to cost-of-living adjustments, prior service, and health insurance, have their own contribution ratios.  
[SJMC 3.28.700-720 & 3.28.860]

### RECORD OF CONTRIBUTIONS

Although all contributions to the retirement system 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**" represents the total of all your contributions to the retirement system.  
[SJMC 3.28.770]

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. However, if you receive a government pension such as one from the City of San José, your Social Security benefit may be reduced. Contact your local Social Security office to find out whether or not you are eligible for benefits.

## **MEDICARE**

The Medicare portion of Social Security (FICA) tax is withheld from payroll checks of employees hired after March 31, 1986. Please call your local Social Security office if you have any questions concerning Medicare benefits.

## **TAX TREATMENT OF CONTRIBUTIONS**

Starting in April 1987, your contributions to the retirement plan are paid with pre-tax dollars, reducing your taxable income. Prior to April 1987, your contributions were paid into the plan with after-tax dollars. Because they were made with after-tax dollars, contributions made to the retirement plan before April 1987 will not be subject to additional taxation when they are withdrawn. If you receive a retirement allowance, the after-tax contributions you made prior to April 1987 are prorated over your life expectancy as a tax-free portion of your pension.

[SJMC 3.28.765]

## **CONTRIBUTIONS DURING MILITARY SERVICE**

If you take a leave of absence without pay, in order to serve in the military during a time of war or national emergency, or if you are drafted in peacetime, the City will make its contributions, plus the contributions you would have been making if you were not on leave, into the retirement system on your behalf when you return to City service. The contributions made by the City will be for the time period that you are on leave. You must return to City employment within six (6) months of the end of your military service to receive this benefit.



If you are absent on military service, you may request a return of your contributions. However, this would terminate your membership in the retirement system, and neither you nor your spouse or children would have any rights under the retirement system. [SJMC 3.28.630]

## **CONTRIBUTIONS DURING ABSENCE DUE TO SERVICE-CONNECTED INJURY**

If you are absent from City service due to an injury or illness that is determined to have arisen out of and in the course of your employment, and you are not receiving pay during your absence, you have the option of contributing the same amount of contributions that you would have contributed if you were working during that period. You will then be given retirement service credit for that time. If you do not make the retirement contributions during an absence, that time will still count towards meeting any minimum service requirements for benefits. That time, however, will not count towards the calculation of your benefits. This benefit does not apply to part-time employees. [SJMC 3.28.640]

## **TRANSFER OF CONTRIBUTIONS TO THE POLICE & FIRE DEPARTMENT RETIREMENT PLAN**

If you terminate your position that qualifies you for membership in this retirement system and immediately take a position that qualifies you for membership in the Police & Fire Department Retirement Plan, you may elect to transfer your service credit from this retirement plan to the Police & Fire Department Retirement Plan. You must elect this option within 90 days of becoming a member of the Police & Fire Plan.

If you elect this option, you must pay into the Police & Fire Plan an amount of money equal to what your Police & Fire account would have been had you been a member of the Police & Fire Plan during all of your service in the Federated System. You may transfer your accumulated contributions from this system to the Police & Fire Plan to make this payment. Contact the Retirement Staff for more information. [SJMC 3.36.610(D)]



## **WITHDRAWAL OF CONTRIBUTIONS**

You may not withdraw your contributions from the retirement system unless your membership in the system is terminated. Termination of your membership may be as a result of voluntary resignation, termination, or death.





## BENEFIT ELIGIBILITY REQUIREMENTS

You become eligible to apply for benefits according to the following schedule:

<u>Benefit</u>	<u>Minimum Age</u>	<u>Minimum Service</u>
Service Retirement (Please refer to Chapter 7.)	None	30 years
Service Retirement (Please refer to Chapter 7.)	55	5 years
If you separate from City service, you may leave your contributions on deposit and apply for a retirement allowance at age 55. (Please refer to Chapter 6.)	None	5 years
If you separate from City service and meet qualifications for reciprocity, you can leave your contributions on deposit and apply for a retirement allowance when eligible. (Please refer to Chapter 14.)	None	None
Service-connected Disability (Please refer to Chapter 8.)	None	None
Nonservice-connected Disability. (Please refer to Chapter 8.)	None	5 years







## **SEPARATION FROM CITY SERVICE PRIOR TO RETIREMENT**

### **OPTIONS AT TIME OF SEPARATION**

If you separate from City service before retirement, your options and possible benefits depend, in part, on your years of retirement service credit.

#### **Fewer than Five (5) Years of Service**

If you have fewer than five (5) years of service, all of your contributions to the plan, plus interest on your contributions will be returned to you. You do not have the option of leaving your contributions in the retirement system. You, your survivor, or your estate will not be entitled to any other benefit under the retirement plan.

[SJMC 3.28.590]

#### **Fewer than Five (5) Years of Service - Reciprocity**

You may be eligible to leave your contributions on deposit, even if you have fewer than five (5) years of service if you leave City employment, but continue in public service in California. You must meet several requirements explained in Chapter 14.

[3.28.2420(A)]

#### **Five (5) or More Years of Service**

If you leave City employment after five or more years of service:

- You may request a return of your contributions; or,
- You may elect to continue membership in this system by leaving your contributions in the retirement fund. You can then apply for a service retirement allowance when you turn 55.

You must elect your option by notifying the Retirement Board in writing on a form furnished by the Retirement Department. This form must be returned no later than 90 days after the date notice is mailed to you. If you have less than 20 years of service credit and fail to submit the election form within 90 days, it shall be deemed an irrevo-



able election to terminate your membership in the system. You will receive a return of your contributions. If you have more than 20 years of service credit and fail to submit the form, it shall be deemed an election to continue membership in the system.

[SJMC 3.28.590]

### **Termination of Membership**

If your membership in the system is terminated either by your election or by failure to submit the election form:

- You cease to be a member
- You lose all service credit in the retirement system
- You lose all other rights and privileges under this system, except the right to a return of your contributions

[SJMC 3.28.590(E)]

### **Continuing Membership After Leaving City Service**

If, after leaving City service, you elect to continue your membership in the system by leaving your contributions in the retirement fund:

- You continue to be a member of the system
- You continue to be entitled to your retirement service credit
- You have rights and benefits to which you or your survivor's may be entitled under the retirement system

[SJMC 3.28.590(F)]

### **Benefits for Members Who Elect to Continue Membership**

If you qualify to continue membership in the system and elect to do so, you will be considered a "deferred vested" member. Unless otherwise noted in this handbook, the benefits for "deferred vested" members are the same as for members who retire directly from active City service. One exception is that you cannot apply for a disability retirement for an injury or disease that occurred after you leave City service. Also, members who do not retire directly from active service are not eligible for dental benefits upon retirement. Please refer to the chapters on service retirements, medical and dental benefits, and death after retirement for a description of benefits.

[SJMC 3.28.1210], [SJMC 3.28.2020(A)(1)]



## RETURN OF CONTRIBUTIONS

Under **no** circumstances can you withdraw your contributions from the retirement system while you are still a City employee and a member of the system. If you terminate City employment, you may receive a return of your contributions. You will not, however, receive any of the contributions made by the City on your behalf.

City contributions are not allocated to individual accounts prior to retirement. They cannot be withdrawn by a member upon leaving City employment or terminating membership in the retirement system.

Once you have withdrawn your contributions, all of your rights in the system are terminated and:

- You will not receive any retirement system benefits
  - You will not receive a retirement allowance
  - Your beneficiaries will receive no benefits
- [3.28.780]

### **Tax Treatment of Withdrawn Contributions**

If you receive a return of contributions, you have a choice to roll over your contributions and interest to an IRA or a qualified retirement plan, or receive a cash disbursement. If you choose a cash disbursement, we must withhold 20% for Federal taxes. According to Internal Revenue Codes, you also may be subject to a 10% penalty for early withdrawal if you are under age 59 1/2. At your request, we will withhold 2% for State taxes.

## PROVISION FOR SERVICE PURCHASES

The Federated Retirement Plan provides the following forms of service purchases:

- Redeposit of withdrawn contributions
- Special purchase of prior service, including part-time service
- Transfer from San Jose Police and Fire Department Plan into the Federated Plan without a break in service.



If you decide to redeposit these funds, you may pay them using any of the following methods:

- In one lump sum within sixty (60) days of filing your request with the Secretary of the Retirement board to redeposit your funds.
- In 78 bi-weekly equal installments, which will be deducted from your paycheck.
- In a partial lump sum payment within thirty (30) days of filing your request with the Secretary of the Retirement board, with the balance being paid in 78 bi-weekly installments that are deducted from your paycheck.

[SJMC 3.28.790]

If you elect to purchase service through a lump sum deposit, the plan will accept a direct trustee to trustee transfer of funds from an eligible deferred compensation plan as defined in Section 457 of the Internal Revenue Code if such transfer is either :

- For purchase of service credit as defined in section 415 (N)(3)(A) of the Internal Revenue Code; or
- A redeposit of withdrawn contributions pursuant to SJMC 3.28.790

[SJMC 3.28.280]

*Note: The amount that you can redeposit can be limited by Internal Revenue Code requirements for qualified plans because the IRC limits the total amount of contributions in a given year.*

## **RIGHT TO REDEPOSIT WITHDRAWN CONTRIBUTIONS UPON RETURN TO CITY EMPLOYMENT**

If you leave City employment, withdrawing your contributions when you leave, and subsequently return to City employment in a Federated position, you may redeposit your withdrawn contributions into the Retirement System. When you return to work for the City, if you have noted on your employment application that you are a “rehire”, you will receive written notification of this benefit during orientation. If you do not receive this notification, be sure to notify the Department of Retirement Services of your return to City employment. You must file a written notice of your decision to redeposit these funds with the Secretary of the Retirement Board within 30 days of the date that the Retirement Board’s written notice is mailed or personally delivered to you.



If you do not file the written notice within the 30-day limit:

- You will **not** be able to redeposit these funds into the system
- You will **not** receive service credit for your prior employment with the City

To receive service credit for your prior employment, you must redeposit all of the following amounts into the retirement system when you return to City service:

- All of the accumulated contributions and interest that you withdrew
- All of the interest your contributions and interest would have earned if they had not been withdrawn, from the day you withdrew your contributions to the day you re-enroll as a retirement system member, the interest amount being based on the actual rate earned by the retirement fund while your contributions were withdrawn
- Interest on the total of the previous two items from the date you again become a member of the retirement system, until the date that total is redeposited into the retirement fund.

## **SPECIAL PURCHASE OF PRIOR SERVICE CREDIT**

If you are a current active employee and member of the plan who has prior service credit that was not covered by the plan, you may be eligible to purchase retirement coverage for that service credit.

[SJMC 3.28.2500]

This includes prior service:

- Performed in a part-time position for which the member would have received service credit had the employment been on a full-time basis
- Performed pursuant to the Emergency Employment Act (EEA)
- Performed pursuant to the Comprehensive Employment and Training Act (CETA)



- Performed on or after January 1, 1986, pursuant to an employment contract with the City

Eligible prior service does not include service performed as an independent contractor.

### **Eligibility Requirements**

- A member must satisfy all of the following conditions:
- The member must have had membership in the Plan on November 24, 1998, and continue membership during any payments for the purchase of the service credit.
- The member must file a written election to purchase credit for eligible prior service with the Secretary of the Retirement Board
- The member must pay the total contribution rate (both City plus member portions)

[SJMC 3.28.2500]

## **RIGHT TO REQUEST RETURN OF CONTRIBUTIONS**

Even if you choose to leave your contributions in the retirement fund after leaving City employment, at any time you may submit a written request for a return of your contributions. You will receive your accumulated contributions plus interest earned. Thereafter, you will lose any rights that you, a surviving spouse, or child may have been entitled to under the retirement plan.

[SJMC 3.28.780]

However, if you have elected reciprocity, **you may not withdraw your contributions as long as you are employed by a reciprocal agency.** Please refer to Chapter 14.



## **TRANSFER OF POLICE AND FIRE DEPARTMENT PLAN CONTRIBUTIONS TO FEDERATED RETIREMENT SYSTEM**

If you terminate your position in the Police or Fire Department and immediately take a position that qualifies you for membership in the City of San Jose Federated City Employees' Retirement System, you may elect to transfer your service credit from this retirement plan to the Federated System. You must elect this option within 30 days from when a notice of your right to transfer your service is mailed to you, whichever is the later date.

If you elect this option, you must pay into the Federated System an amount of money equal to what your Federated account would have been had you been a member of the Federated System during all of your service in the Police & Fire Plan. You may transfer your accumulated contributions from this plan to the Federated System to make this payment. Contact the Department of Retirement Services for more information.  
[SJMC 3.28.660]







## SERVICE RETIREMENT

### ELIGIBILITY REQUIREMENTS

<b>Minimum Service</b>	<b>Minimum Age</b>	<b>Benefit</b>
5 years	55	Service Retirement SJMC 3.28.1110(A)(1)
30 years	None	Service Retirement SJMC 3.28.1110(A)(2)
2 years	55	Service Retirement for members who transferred, without break in service, from Santa Clara County Communications to a City Communications classification before April 15, 1991 SJMC 3.28.1110(A)(3)

#### **Application**

We suggest that you apply for your service retirement benefits two (2) months before you plan to retire. You can choose to retire on any day, but most members choose to retire at the end of a pay period to receive the full amount of their last active payroll check. Contact the Retirement Services Department to request that an application be mailed to you, or pickup an application up at the Retirement Services office. We will require copies of the following:

- Certified copies of your marriage certificate, birth certificate for you and your spouse, and spouse's social security number, if you are married



- Names, birth dates, and social security numbers of your natural or adopted children 21 years of age and younger
- Verification of full-time student status for children over 18 years of age
- Divorce decree(s) from prior marriage(s), and community property settlements covering your retirement benefits, if your marriage and/or divorce occurred during your tenure at the City

Once your application is received, your request is placed on the agenda for the Retirement Board meeting and your department is notified of your application. A staff member will be assigned to assist you through the retirement process and calculate your retirement benefits. The staff member will schedule an appointment to review all your benefits, fill out required paperwork, and answer any questions you may have. We strongly encourage you to bring your spouse or significant other with you to the “retirement counseling” appointment.

## **COMPUTATION OF SERVICE RETIREMENT ALLOWANCE**

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

$$\text{Years of Service} \times 2.5\% \times \text{Final Compensation}$$

For example, if you leave City service with 25 years of retirement service credit and your final compensation is \$3,000 per month, your monthly benefit would be:

$$25 \times 2.5\% \times \$3,000 = \$1,875$$

To compute your own retirement allowance, you need to determine the service credit and final compensation portions of the formula. Please refer to the glossary for detailed explanations of service credit and final compensation.

[SJMC 3.28.1110(B)]

### **Retirement Allowance Limitation**

In no case will any retiree receive a retirement allowance in excess of 75% of final compensation. Your benefit reaches 75% of final compensation at 30 years of service.

[SJMC 3.28.1110(B)]



## **RETURNING TO CITY EMPLOYMENT AFTER SERVICE RETIREMENT**

### **Reinstatement from Retirement to Reenter Federated City Service**

Once you have received a service retirement, you cannot be reemployed by the City to render Federated city service unless you are reinstated from your service retirement. Federated city service means City service for which you are entitled to credit under the Federated Employee's Retirement System.

[SJMC 3.28.610]

You may apply in writing to the Retirement Board for reinstatement. In order to be reinstated, the Board must find that:

- Based on medical and physical examination, you are not incapacitated to perform the duties of the position to which you propose to be appointed

Once reinstated:

- You may be reemployed by the City in the same manner as it employs persons who have not been retired
- Your service retirement allowance will be cancelled
- You will again be a member of the retirement system
- You will have credit in the retirement system for service you had prior to your retirement

[SJMC 3.28.1160 and 3.28.1170]

### **Reemployment of Service Retirees for Service Other than Federated City Service**

If you are reemployed by the City to a position that does not qualify you for credit in the Federated City Employee's Retirement System, other than as an independent contractor, your service retirement allowance will be suspended during your reemployment. This does not apply if you are elected or appointed to the City Council or any board or commission of the City.

[SJMC 3.28.1180]







## DISABILITY RETIREMENT

If you are disabled, a disability retirement may be granted if:

- Your disability is of permanent or extended and uncertain duration
- Your disability occurred while you were an employee of the City and a member of the Federated Retirement System,
- Your disability, due to injury or disease, renders you physically or mentally incapable of continuing to satisfactorily assume the responsibilities and perform 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 determination of disability is made by the Retirement Board on the basis of competent medical opinion.

[SJMC 3.28.1210(A)]

### Situations Where Member Is Not Eligible for Disability Retirement Benefits

You do **not** qualify for any type of disability retirement if:

- You became disabled before you were a member of this retirement system
- You become disabled after your membership in this retirement system 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 leave with full compensation or pay
- You became disabled due to a nonservice-connected injury or illness and you have less than five (5) years of service credit in the retirement system

[SJMC 3.28.1420 & 3.28.1290(A)]



There are two types of disability retirements:

**Service-Connected Disability**

Your disability is considered service-connected if it results from injury or disease arising out of and in the course of City employment while a member of the Retirement System. [SJMC 3.28.1210(C)]

**Nonservice-Connected Disability**

Your disability is nonservice-connected if it is **not** job related. [SJMC 3.28.1210(B)]

**DISABILITY RETIREMENT BENEFIT CHART**

<b>Retirement Type</b>	<b>Minimum Service</b>	<b>Benefit</b>
Service-connected Disability [SJMC 3.28.1280]	None	2.5% of final compensation for Disability each year of service, but not less than 40%, nor more than 75% of final compensation.
Nonservice-connected Disability [SJMC 3.28.1290 & 1300]	5 Years	<p><u>Hired prior to September 1, 1998:</u></p> <ul style="list-style-type: none"> <li>• Same formula as above.</li> <li>• If under age 55, subtract 0.5% for each year between age at retirement and age 55.</li> </ul> <p><u>Hired on/after September 1, 1998:</u></p> <p>Formula is:</p> <ul style="list-style-type: none"> <li>• 20% of final compensation;</li> <li>• <u>Plus</u> 2% for each year of service in excess of 6, but less than 16;</li> <li>• <u>Plus</u> 2.5% for years of service in excess of 16.</li> </ul>



Members Are Not Eligible to Receive Both Service and Disability Retirement Benefits  
In no case may you receive both service retirement and disability retirement benefits.  
[SJMC 3.28.1360]

### **Disability Allowance Versus Contributions**

Your disability benefits are not restricted to the amount of your contributions. However, the amount that you have received as a disability allowance will be deducted from your accumulated contributions. This provision may be important if you or your estate at some point becomes eligible for a return of your contributions.  
[SJMC 3.28.1430]

### **Application**

An application for a disability retirement may be made by:

- You
- Someone authorized to apply for you on your behalf
- The head of your department
- The City Manager
- The Retirement Board

If you are eligible for disability retirement, the Retirement Board may in some cases grant you a disability retirement without any request or application being made.  
[SJMC 3.28.1220 & 1230]

*It takes approximately six (6) months to process a disability retirement application.* If you are disabled, the sooner you submit an application, the sooner the Retirement Board will be able to make a decision. Medical reports from your personal physician should be submitted with the application.

### **Time Limits for Disability Retirements**

The Retirement Board may only grant a disability retirement during one of the following time frames:

- While you are still employed by the City and a member of the Retirement System
  - Within four (4) months of discontinuing City service
  - If your disability continues after you have stopped working
- [SJMC 3.28.1240]



## Summary of the Disability Retirement Process

- Step 1: A retirement application is submitted to the Retirement Services Department. You should include copies of your own doctor's medical reports, if any.
- Step 2: The Retirement Services Department sends a letter to you and your Department Head advising you of the approximate Board hearing date and the name of your assigned Retirement Analyst.
- Step 3: The Retirement Services Department sends a letter to Risk Management requesting copies of medical records relating to the injuries of your service-connected disability retirement application.
- If your application is for a nonservice-connected disability, a request for medical records is sent to Employee Health Services for any records that you may have on file there. However, usually medical reports on a nonservice-connected disability need to be submitted by the applicant.
- Step 4: The Retirement Services Department sends a copy of your application and medical records to the Retirement Board's Medical Director.
- Step 5: Medical Examinations are scheduled at the discretion of the Retirement Board's Medical Director.
- Step 6: When the report from the Retirement Medical Director is received, the Retirement Services Department sends the list of any work restrictions to your department requesting a determination if modified duty is available.
- Step 7: If you qualify for Reemployment (Alternate Employment), the Retirement Services Department sends the Medical Director's list of work restrictions to Employee Services Department to determine if there are suitable positions available.
- Step 8: When all reports and memos are received, the Retirement Services Department schedules your case to be heard by the Disability Hearing Committee, which will provide a recommendation to the Board for approval or denial of your application.
- Step 9: After the Disability Hearing Committee identifies a recommendation, the Retirement Services Department places your application on the Retirement Board's agenda.
- Step 10: The applicant meets with his/her Retirement Analyst to answer questions and to fill out necessary forms. (We encourage you to bring spouses and significant others to this meeting.)
- Step 11: The Retirement Board hears the application at the Board meeting. If the Board approves your disability application, your retirement is normally effective on that day.

### **Medical Examination**

After you complete your disability retirement application, a copy of the application and any medical reports (received from you, Risk Management, or Employee Health Services) will be sent to the Retirement Board's Medical Director. The Board's Medical Director may schedule an exam with an independent physician for an outside evaluation of your condition. This review will be conducted to determine what work restrictions, if any, are merited by your condition.

After this exam, the Medical Director will review your application and your own doctor's report(s), together with the independent doctors' medical reports. The Medical Director will then submit a report to the Retirement Board to assist them in determining if you are disabled.

The Board has the sole authority to determine whether or not it needs a review panel to assist it in its decision. The Retirement Board will make the final decision at the Board meeting as to whether or not you are disabled and whether or not your disability is work related. If the Board is satisfied that you meet the eligibility requirements, they may grant your retirement and you may receive a disability retirement allowance. Your retirement is usually effective as of the day of the Board approval.

[3.28.1250 - 1260]

## **SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE**

Your monthly allowance for a service-connected disability retirement will be at least forty percent (40%) of your final compensation plus two and one-half percent (2.5%) of your final compensation for each year of service credit in excess of 16 years. However, your allowance cannot exceed seventy-five percent (75%) of your final compensation.

[SJMC 3.28.1280]

$$40\% + \text{Years of Service in Excess of 16 Years} \times 2.5\% \times \text{Final Compensation}$$

*Your benefit may be reduced if you receive Workers' Compensation benefits as detailed below. Additionally, it may be reduced if you have earnings outside City employment. Please refer to the Outside Earnings section later in this chapter for further details.*



## WORKERS' COMPENSATION OFFSET

If you receive a service-connected disability retirement and also receive Workers' Compensation payments due to the same disability, your disability retirement allowance will be reduced. The 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.

There is a limitation on the amount of your pension that can be reduced. Under California Labor Code 3751(a), an employer can only deduct a partial credit of the Workers' Compensation benefit paid from the retirement allowance. The credit bears the same ratio to the Workers' Compensation liability as the City's contributions to the plan bears to the total contributions. To determine the amount of the credit, the offset ratio is calculated for the employee as follows:

$$\text{Offset Ratio} = \frac{\text{Employer contributions made during member's employment}}{\text{Employer and employee contributions made during the member's employment}}$$

The offset ratio is multiplied by the Workers' Compensation monthly benefit to determine the amount of the deduction applied to your retirement allowance.

For example:

If your retirement allowance = \$1,000

And Your offset ratio = 69.70%

Estimated Workers' Compensation award = \$606.67 monthly  
(\$140 week x 52 weeks/12 months)

The offset on your retirement allowance would be:

$\$606.67 \times 69.70\% = \$422.84$  offset per month

Retirement allowance:	\$1,000.00
Workers Compensation offset amount:	<u>\$ (422.84)</u>
Adjusted retirement allowance	\$ 577.16



Amount retiree would receive from Retirement:	\$ 577.16
Amount retiree is receiving from Workers Compensation	<u>\$ 606.67</u>
Total amount to retiree:	\$1,183.83

**Workers' Compensation Offset - Lump Sum Payment**

If you receive a lump sum payment from Workers' Compensation rather than weekly payments, the offset ratio will be applied to the lump sum (excluding payments for attorneys fees and medical treatment) to determine the lump sum offset. This lump sum figure will be decreased monthly at the rate that would have been allowed if the lump sum had been monthly payments as described above.

For example:

If your retirement allowance = \$1,000

Offset ratio = 69.70%

Workers' Compensation Lump Sum award = \$20,000

Total Lump Sum offset = \$13,940.00  
 (\$20,000 x 69.70%)

Monthly offset on your retirement allowance = \$422.84  
 (\$606.67 x 69.70% = \$422.84 )

Number of months this offset will be applied is 33 months.  
 (\$13,940.00/ \$422.84 = 32.96)

Retirement allowance:	\$1,000.00
Workers Compensation offset amount:	<u>\$ (422.84)</u>
Adjusted retirement allowance	\$ 577.16

If you receive a Workers' Compensation lump sum settlement before you retire, and if you are able to continue working after you receive it, no offset will be made during the time that you were able to work prior to retirement. Deductions will only be made from your disability retirement allowance, not from your regular salary.

If you continue to work for a period of time, but subsequently must retire because of your disability, the deductions will begin with your first disability retirement allowance payment. In the example above, the number of offsets taken from your disability retirement allowance would be reduced by the number of months you worked prior to your retirement.

For example:



- June: You receive a \$20,000.00 Workers' Comp Lum Sum Award
- July - December: You continue to work for six (6) months
- January: You receive a service connected disability retirement based on the same injury that you received the lump sum award for.

Using the prior example of a \$20,000.00 lump sum award, we'll assume an offset amount of \$422.86 for 33 months. However, due to the fact that you worked for some time after receiving the award and before your retired, the number of offsets will be reduced.

33 months  
- 6 months of active employment  
 27 months of off sets of \$422.86 from disability retirement allowance.

If the Workers' Compensation lump sum award is issued **after** after your service-connected disability retirement is in effect, then the entire offset amount will be applied to your retirement allowance.  
 [SJMC 3.28.1040]

**Maximum Offset**

In the event that you are receiving both a monthly Workers Compensation payment and a lump sum settlement, the offset cannot exceed the amount that is equivalent to the member's retirement benefit multiplied by the applicable ratio.

months. However, due to the fact that you worked for some time after receiving the award and before your retired, the number of offsets will be reduced.  
 applicable ratio.

**Exceptions to Workers' Compensation Offset**

No offset is made for permanent disability payments if you receive a workers' compensation permanent disability rating of 100%.  
 [SJMC 3.28.1040(B)(5)]

The offset shall not apply if you receive workers' compensation benefits paid for any injury or illness which did not cause or contribute to the disability for which you received a service-connected disability.  
 [3.28.1040(B)(6)]



## **NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE**

To qualify for nonservice-connected disability retirement, you must have five (5) years or more of retirement service credit.

[SJMC 3.28.1290]

### **HIRED PRIOR TO SEPTEMBER 1, 1998.**

If you were hired to the City prior to September 1, 1998, your monthly allowance will be calculated using the following formula:

**Years of Service x 2.5% x Final Compensation - Offset if under age 55**

Before any offset for age, your base retirement allowance will be at least forty percent (40%), but not more than seventy-five percent (75%), of your final compensation.

#### **Under Age 55 Offset**

If you are under 55 years of age, the percentage of your final compensation (at least 40%) will be offset by one-half percent (0.5%) per year for each year (and/or fraction of years) that you are under age 55.

For example, if you were 50 years of age with 40% of your final compensation, you would receive 37.5% of your final compensation with the offset.

[SJMC 3.28.1300]

$55 - 50 = 5 \text{ years}$                        $0.5\% \times 5 \text{ years} = 2.5\%$                        $40\% - 2.5\% = 37.5\%$

*Your benefit may be reduced if you receive earnings outside City employment. Please refer to Outside Earnings section later in this chapter for further details.*



### **HIRED ON OR AFTER SEPTEMBER 1, 1998:**

If you were hired to the City on or after September 1, 1998, your monthly allowance will be calculated using the following formula:

20% x Final Compensation,  
plus 2% for each year of service in excess of 6, but less than 16,  
plus 2.5% for years of service in excess of 16

[SJMC 3.28.1300]

*Your benefit may be reduced if you receive earnings outside City employment. Please refer to Outside Earnings section beginning on the next page for further details.*

## **OUTSIDE EARNINGS**

### **Reporting Requirement**

If you receive a disability retirement *prior to reaching age 55*, and you subsequently take another job, you may not receive a total income in excess of the current base salary of the position from which you retired.

*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 you reach age 55.*

You have two choices of how to report your outside earnings: monthly statements with an annual summary or annual reporting with a copy of your income tax returns.

### **Monthly Statements and Annual Summary**

Within 10 days after the end of each month, you must file a monthly statement of your total earnings. In addition to the monthly reports, on or before May 1 of each year, you must file a **notarized** declaration, under penalty of perjury, of your total income and earnings received during the preceding year.

[SJMC 3.28.1325(B)(1)]

### **Annual Reporting with Income Tax Returns**

Instead of the monthly statements described above, you may choose to submit a single report of your annual income including copies of your federal and state income tax



returns and your W-2 and/or 1099 forms showing your total income. The tax returns and forms must be submitted to the Retirement Services Department by May 1 for income earned in the previous year.

If you elect this option, you will also need to submit a written statement of your projected annual income and earnings no later than January 10th of the reporting year. You may file an amended statement if there is a change in your projected income.

For example, if you choose this method and are providing an estimate for the year 2004, you must provide an estimate of your income from January 1 through December 31, 2004. The estimate must be received by January 10, 2004.

[SJMC 3.28.1325(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 discontinued until you submit the required reports. When you submit the reports, you will receive any allowances that have been withheld, less any applicable deductions.

[SJMC 3.28.1325(D)]

#### **Deductions for Earnings Outside of City Employment**

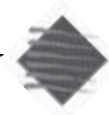
If your disability retirement allowance plus your outside earnings exceed the current base salary of the position from which you retired, then your allowance will be reduced to the point where your total income equals that salary.

For example:

Current Monthly Salary of Former Position:	\$2,000
Retirement Allowance:	<u>-\$ 800</u>
Maximum Outside Earnings:	\$1,200

If your outside earnings (as reported monthly or the monthly average from your annual projection if reported annually) are less than \$1,200, then the full retirement allowance will be paid. However, if outside earnings are more than \$1,200, then the retirement allowance will be reduced. If, for example, you earn \$1,500 in a given month, your allowance will be reduced as follows:

Outside Earnings:	\$1,500
Maximum Outside Earnings:	<u>\$1,200</u>
Offset:	\$ 300



In this example, the retirement allowance will be reduced by \$300, from \$800 to \$500.

If your outside income exceeds the current base salary of the position from which you retired, then you will still 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 may be deducted from future allowance payments or may be collected from you directly.

Once you reach age 55, this offset is no longer applicable. At such time, you may receive your full disability retirement allowance without deductions for outside earnings. [SJMC 3.28.1330]

*Note: If you are subject to a workers' compensation offset, the retirement allowance used in the above calculation will be the amount of your retirement allowance **before** the offset.*

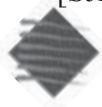
## **REEMPLOYMENT OF DISABILITY RETIREES (ALTERNATE EMPLOYMENT)**

Alternate Employment (Reemployment) is a **voluntary** program designed to provide disabled City retirees with an opportunity to continue to work for the City in positions other than those for which they are incapacitated. You may participate in this program if:

- You have been granted a disability retirement
- You elect in writing the opportunity for reemployment
- You and the City agree, subject to civil service rules, regulations and requirements of the City, that you be reemployed in any position other than the position you held at retirement
- Based on medical and physical examination, you are not incapacitated for performance of the duties of the position to which you may be appointed

If you are reemployed, you will continue in disability retirement, but you will be reinstated to membership in the system and regain credit for those years of service you had prior to your disability retirement.

[SJMC 3.28.1441, 3.28.1442 & 3.28.1444]



### Reemployment Disability Allowance

The reemployment program offers you the opportunity to earn the same compensation as the position you were in prior to your disability. Assume the salary of your position prior to disability retirement was \$3,000 per month, that the disability retirement allowance you currently receive is \$1,400 per month, and that your new position will pay \$2,000 per month. Your pay would be:

Reemployment Salary:	\$2,000
Disability Retirement Subsidy:	<u>1,000</u>
Monthly Income:	\$3,000
(Same as before disability)	

You continue to make contributions to the retirement system from your reemployment salary while in the program.

In no event will the retirement system subsidy exceed the total retirement allowance, including cost-of-living increases, to which you are entitled due to your disability retirement. If the pay in your new position is equal to or more than the base pay of your old position, then you will not receive any retirement allowance or disability retirement allowance.

[SJMC 3.28.1443]

### Disability During Reemployment (Alternate Employment)

If you again become disabled and can no longer perform the duties of your reemployment position, you have two options:

- You may resign and keep your **original** disability retirement allowance.
- You may apply for a new disability retirement within 30 days of ceasing work in your reemployment position.

If the Board finds that you are disabled from your new position, your new allowance will be based on the following and will supersede your original retirement allowance:

- Your total years of service
- Your final compensation in your reemployment position at the time you become disabled in that position
- Whether or not the disability is service-connected

[SJMC 3.28. 1449.3]



### **Death Before Retirement from Reemployment (Alternate Employment)**

If you die after being reemployed under the reemployment program, but before retiring from reemployment, your survivors will be eligible for the benefits they would receive as survivors of an active City employee.

[SJMC 3.28.1449.13]

### **Retirement from Reemployment (Alternate Employment)**

You may resign from your Alternate Employment position at any time and keep your original disability retirement allowance, or you may continue in your Alternate Employment position until:

- You become permanently disabled and can no longer perform the duties of your Alternate Employment position
- You reach age 55 and are eligible for a service retirement

After age 55 your options are:

- You may resign and keep your original disability retirement allowance
- You may apply to the Retirement Board for a service retirement. Your retirement allowance would be based on your total years of service

However, if you apply for reinstatement of your disability retirement within one year of the termination of your allowance, and can prove at that time 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 or surviving children 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 3.28.1410] *Under no circumstances will you be entitled to receive more than one retirement allowance. [SJMC 3.28.1449.11-12]*



## REEMPLOYMENT INTO NON-FEDERATED POSITION

If you are a disability retiree under age 55, you may be reemployed by the City, *at the City's discretion*, in a position that does not qualify for membership in the Federated Retirement System as long as you are not incapacitated for the duties of the new position. (Some part-time positions are examples of non-Federated positions.) You will continue to receive your retirement allowance, except that **you may not receive compensation in excess of the current base salary of the position from which you retired.**

Therefore, during the time you are reemployed in a position where the pay is less than you were earning when retired, you will receive:

- The compensation of your reemployment position; plus
- A disability retirement allowance that, when added to your reemployment position compensation, does not exceed the current base salary of the position from which you retired.

[SJMC 3.28.1340]

## REINSTATEMENT TO DUTY AFTER DISABILITY RETIREMENT

### Permanent Disability After Age 55

If at age 55 you are still incapacitated to perform the duties of the position you held at the time of your disability retirement, and of any other position in the same classification of positions, you will be deemed permanently disabled. This means that you no longer will be subject to recall to duty, and your disability retirement allowance may not be canceled.

[SJMC 3.28.1400]

### Medical Exam During Disability Retirement

Once you have received a disability retirement, the Retirement Board may at any time require you to undergo a medical examination to determine the status of your disability.

[SJMC 3.28.1370]



### **Reinstatement to Duty**

If 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. Once reinstated, you will again become a member of the system and will be entitled to credit for past service as if you had never retired.

[SJMC 3.28.1380 and 3.28.1446]

### **Disability Retirement Allowance until Reinstatement**

If the Board determines that 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(s) 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
- You are unable to accept reinstatement or become unable to perform the duties of your previous position, or a position in the same classification

[SJMC 3.28.1440]

### **Refusal to Accept Reinstatement**

If you are receiving a disability retirement allowance, are subsequently found to be capable of performing the duties of your position, and are offered reinstatement, you must accept reinstatement and report for duty. If you fail to do so, all of your rights and benefits, and your survivors' right and benefits, will be terminated.

[SJMC 3.28.1390]

### **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.





## DEATH AFTER RETIREMENT

This chapter describes the benefits available to your eligible survivors if you die **after** you have retired.

### DEATH AFTER RETIREMENT WITH LESS THAN 5 YEARS OF SERVICE CREDIT

Unless you choose an optional allowance as described on page 47, no monthly survivorship allowances will be paid upon your death if you have less than 5 years of retirement service credit. However, your estate or designated beneficiary will receive a death benefit if, at the time of your death, you have not received at least as much as the total of your contributions, plus interest. Your estate or beneficiary will receive the difference between your contributions (including interest) and the total paid to you by the retirement system at the time of your death.

[SJMC 3.28.1070]

*Note: Since at least five years of service is required for service retirements, this provision applies primarily to disability retirees with less than five years of service credit.*

#### **Special Provision for Former County Communications Employees**

If you became a member of this Retirement System prior to April 15, 1991, pursuant to a transfer of communication functions from the County of Santa Clara to the City of San José and received a retirement under the special provision for these members, your eligible survivors will receive the survivorship allowance described in the next section. This applies even if you had less than five years of service since the special provision allows a service retirement with two or more years of service. Please refer to Chapter 7.

[SJMC 3.28.1570(C)]



## DEATH AFTER RETIREMENT WITH MORE THAN 5 YEARS OF SERVICE CREDIT

The following benefits apply if:

- You die **after** you have retired and
- You were credited with at least five years of retirement service credit at the time of your retirement (or you are an eligible former County Communications employee described above.)

[SJMC 3.28.1570]

### Survivorship Allowance to Surviving Spouse

If you have an eligible surviving spouse at the time of your death, your spouse will be eligible for a monthly allowance *until he or she dies*. An eligible surviving spouse is the person to whom you were married **both** at the time of your retirement and at the time of your death and who survives your death. [SJMC 3.28.1560(C)]

The monthly survivorship allowance will be **1/2 of your retirement allowance**.

[SJMC 3.28.1580]

### Survivorship Allowance to Surviving Children

#### If There Is No Surviving Spouse

*No survivorship benefits are paid to your children if you have a surviving spouse.*

If at the time of your death, you do **not** have a surviving spouse, your eligible children 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 they meet the qualifications for a school allowance:

- The child survives your death
- The child is unmarried at the time of your death (and has never been married)
- The child is under the age of 18 years at the time of your death
- If the child is adopted, the adoption was completed prior to your death

[SJMC 3.28.1560(B)]

If you have a child born after your death, the child will be entitled to benefits at birth.

[SJMC 3.28.1630]



Your eligible children will receive a percentage of the allowance that would have been payable to your surviving spouse, if there had been one. The allowance will be calculated as follows:

<b>One Child:</b>	25% of the spousal allowance
<b>Two Children:</b>	50% of spousal allowance (25% each)
<b>Three or More Children:</b>	75% of spousal allowance divided by number of children

[SJMC 3.28.1590(B)]

#### **Survivorship Allowance to Surviving Children Where Surviving Spouse Dies After Receiving Allowance**

If at the time of your death, you had an eligible surviving spouse who subsequently dies, any unmarried eligible surviving children existing at the time of your spouse's death will receive the children's survivorship allowance described above.

[SJMC 3.28.1600]

#### **Payment Method of Surviving Children's Allowance**

Your children's survivorship allowance will be paid to the custodial parent or guardian. The Retirement Board may, however, pay the allowances to any other person, or directly to the children, if it feels this is in the best interest of the children. In addition, the Board may suspend payments if it has reason to believe that the allowances are not being used for the benefit of the children.

[SJMC 3.28.1520 and 3.28.1610]

As an alternative, you may file a beneficiary designation form with the Retirement Board requesting that your children's survivorship allowance be paid through any of the following:

- A named custodian for your children under the California Uniform Transfers to Minors Act
- A trustee of a trust created for the benefit of your children under your will
- A trustee of an inter vivos trust (Living Trust)

If you want your children's survivorship allowance to be distributed through one of these vehicles, you must legally name the custodian or establish the trust using one of these three vehicles. Additionally, you must put the information on an official beneficiary designation form and file it with the Retirement Board. The designation form must name



the custodian or identify the existence of a trust; in the form of either a will or a living trust. If payment is to be made to one of these trusts, the trust must be legally approved by the courts prior to any payments being made.

[SJMC 3.28.1525]

### **Benefits When There Is No Surviving Spouse Nor Surviving Children**

If you have no eligible surviving spouse or eligible children, your estate or designated beneficiary will receive a lump sum death benefit. This is payable only if, at the time of your death, you have not received at least as much as the total of your contributions, plus interest. Your estate or beneficiary will receive the difference between your contributions (including interest) and the total paid to you by the retirement system at the time of your death.

[SJMC 3.28.1070]

If you choose an optional allowance as described on page 45, then your designated beneficiary will receive that monthly survivorship allowance.

## **SPECIAL DEATH BENEFIT**

In addition to the benefits outlined above, \$500 will be paid to the beneficiary you have designated, or to your estate if no beneficiary is designated.

[SJMC 3.28.1620]

## **OPTIONAL SURVIVORSHIP ALLOWANCES**

You have the option of *reducing* your own retirement allowance in order to provide a survivorship allowance after your death.

[SJMC 3.28.1650]

Your choices include reducing your allowance in order to provide your spouse or child with a higher survivorship allowance than the benefits described in the previous sections of this chapter. Also, you may elect to reduce your retirement allowance in order to provide a beneficiary, who would not otherwise be entitled, with a monthly survivorship allowance.

You and your beneficiary's ages are very important in determining the amount by which your retirement allowance will be reduced. If your beneficiary 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 beneficiary will most likely be paid for a longer period of time.

### **Time Limits to Choose Options**

An election for an optional settlement must be made **in writing** no later than 30 days after the effective date of your retirement. You may amend or revoke any election **in writing** no later than 30 days 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 3.28.1660]

Once you elect an optional settlement that reduces your own retirement allowance, you **cannot** have your base allowance changed back to its original amount after the deadline has passed.

### **Optional Settlements**

Your options include:

- A reduced retirement allowance paid to yourself until your death, and then the same amount paid to your beneficiary for the rest of his/her life.  
[SJMC 3.28.1670]
- A reduced retirement allowance paid to you until your death, and then one-half of your reduced allowance paid to your beneficiary for the rest of his/her life. (Note: If you have an eligible surviving spouse, your spouse will receive 1/2 of your retirement allowance **without** requiring you to take a reduced allowance. Please refer to page 42.)  
[SJMC 3.28.1680]
- A reduced retirement allowance paid to yourself until your death, and then a percentage of your retirement allowance paid to your beneficiary for the rest of his/her life. The percentages are subject to the approval of the Retirement Board. (This option is **not** available to you if, at the time of retirement, you have a spouse or child who would be entitled to survivorship benefits.)  
[SJMC 3.28.1690]



### **Beneficiaries of Optional Settlements**

If you are married at retirement and at the time you elect any of the options, then you **must** designate your spouse as the beneficiary entitled to receive the optional settlement. Nobody other than your spouse is eligible to be a designated beneficiary. If you name someone other than your spouse and at the time of your death there is an eligible surviving spouse or child, then no benefits will be paid to the designated beneficiary. Instead, survivorship benefits will be paid to your surviving spouse or surviving children. [SJMC 3.28.1710(B) and 3.28.1700]

Any beneficiary you designate to receive an optional settlement benefit must be a natural person; that is, your beneficiary must be a real person, not a corporation, partnership, or a animal. Your beneficiary must satisfy the Board that he/she is indeed your designated beneficiary and is entitled to receive the benefit(s) in question. [SJMC 3.28.1710]

Beneficiary designation forms for active employees are available from the Employee Services Department, or, if your are retired, from the Retirement Services Department.





## DEATH BEFORE RETIREMENT

This chapter describes the benefits available to your survivors if you die while still a member of the retirement system, but **before** retirement.

### **NONSERVICE-CONNECTED DEATH WITH LESS THAN 5 YEARS OF SERVICE**

If at the time of your death, you had less than 5 years of service credit **and** your death was **not** service-connected, your designated beneficiary or estate will receive the following benefits:

- Your accumulated contributions to the system, and
- One-twelfth of your annual earned or earnable (whichever is greater) compensation during the twelve months immediately preceding your death multiplied by the number of years of service credit to which you were entitled at the time of your death. This amount may not exceed one-half of your compensation earned or compensation earnable in the twelve-month period preceding your death.

[SJMC 3.28.1500]

This death benefit is a lump sum payment, but it may be paid to your beneficiary in a fixed number of installments. You may elect, in writing, to have your death benefits paid to your beneficiary in installments. If you have not made an election, your beneficiary, after your death, may choose installment payments before any death benefit is paid.

The monthly installment will be the actuarial equivalent of the lump sum amount. The payments can be fixed in number of installments or amount of each installment. Regular interest will be credited on the unpaid balance of the benefits payable. The payments continue until the actuarial equivalent of the total death benefit has been paid.

[SJMC 3.28.1510]



## **NONSERVICE-CONNECTED DEATH WITH MORE THAN 5 YEARS OF SERVICE OR SERVICE CONNECTED DEATH**

This section applies if you meet the following conditions:

- You die while a member of the retirement system
- You die prior to being retired
- You had more than 5 years of service at the time of your death or your death is determined by the Board to have been a service-connected death

[SJMC 3.28.1470]

### **Survivorship Allowance to Surviving Spouse**

If you have an eligible surviving spouse at the time of your death, your spouse will be eligible for a monthly allowance *until he or she marries or dies*, whichever comes first. (The allowance will continue even if your spouse remarries if you are at least 55 years old with at least 20 years of retirement service credit at the time of your death or have at least 30 years of service regardless of your age.)

[SJMC 3.28.1480])

An eligible surviving spouse is the person to whom you were married at the time of your death and who survives your death.

[SJMC 3.28.1460(E)]

The monthly allowance will be calculated as follows:

$$\text{Years of Service} \times 2.5\% \times \text{Final Compensation}$$

If you were still an active City employee at the time of your death, the allowance will be a minimum of 40% of your final compensation.

The allowance will not be more than 75% of your final compensation

[SJMC 3.28.1480(A)]



**Survivorship Allowance to Surviving Children if There is No Surviving Spouse**

*No survivorship benefits are paid to your children if you have a surviving spouse.*

If at the time of your death, you do **not** have a surviving spouse, your eligible children 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.

Your children must meet all of the following requirements:

- The child survives your death
- The child is unmarried at the time of your death (and has never been married)
- The child is under the age of 18 years at the time of your death
- If the child is adopted, the adoption was completed prior to your death

[SJMC 3.28.1460(D)]

If you have a child that is born after your death, the child will be entitled to benefits at birth.

[SJMC 3.28.1530]

Your eligible children will receive a percentage of the allowance that would have been payable to your surviving spouse, if there had been one. The allowance will be calculated as follows:

<b>One Child:</b>	25% of the spousal allowance
<b>Two Children:</b>	50% of spousal allowance (25% each)
<b>Three or More Children:</b>	75% of spousal allowance divided by number of children

[SJMC 3.28.1480(B)]



### **Survivorship Allowance to Surviving Children if**

#### **Allowance to Surviving Spouse Ceases Due to Death or Remarriage**

If at the time of your death, you had an eligible surviving spouse whose allowance stopped due to death or remarriage, your eligible surviving children will receive the children's survivorship allowance described on the previous page.

[SJMC 3.28.1480(C)]

### **Payment Method of Surviving Children's Allowance**

Your children's survivorship allowance will be paid to the custodial parent or guardian. The Retirement Board may, however, pay the allowances to any other person, or directly to the children, if it feels this is in the best interest of the children. In addition, the Board may suspend payments if it has reason to believe that the allowances are not being used for the benefit of the children.

[SJMC 3.28.1520]

As an alternative, you may file a beneficiary designation form with the Retirement Board requesting that your children's survivorship allowance be paid through any of the following:

- A named custodian for your children under the California Uniform Transfers to Minors Act
- A trustee of a trust created for the benefit of your children under your will
- A trustee of an inter vivos trust (Living Trust)

If you want your children's survivorship allowance to be distributed through one of these vehicles, you must legally name the custodian or establish the trust. This information must be cited on an official beneficiary designation form (available in Retirement Services) and filed with the Retirement Board. The designation form must name the custodian or notify the Board of the existence of a trust, in the form of either a will or a living trust. The trust must be legally approved by the courts prior to any payments being made.

[SJMC 3.28.1525]



### **Benefits When There Is No Surviving Spouse Nor Surviving Children**

If you have no surviving spouse or eligible children, your designated beneficiary will receive your death benefit. If you have not named a beneficiary, the death benefit will be paid to your estate. (You may name or change your beneficiary at any time.) This benefit consists of the following:

- Your accumulated contributions to the system, and
- One-twelfth of your annual earned or earnable (whichever is greater) compensation during the twelve months immediately preceding your death multiplied by the number years of service to which you were entitled at the time of your death. This amount may not exceed one-half of your compensation earned or compensation earnable in the twelve-month period preceding your death.

[SJMC 3.28.1500]

This death benefit is a lump sum payment, but it may be paid to your beneficiary in a fixed number of installments. You may elect in writing to have your death benefits paid to your beneficiary in installments. If you have not made an election, your beneficiary, after your death, may choose installment payments before any death benefit is paid.

The monthly installment will be the actuarial equivalent of the lump sum amount. The payments can be fixed in number of installments or amount of each installment. Regular interest will be credited on the unpaid balance of the benefits payable. The payments continue until the actuarial equivalent of the total death benefit has been paid.

[SJMC 3.28.1510]







## MEDICAL AND DENTAL BENEFITS

This chapter describes medical and dental benefits for service and disability retirees and their survivors. It also describes the eligibility requirements for survivors of members who died prior to retirement.

### MEDICAL BENEFITS

#### Medical Insurance Eligibility Requirements For Retirees

You may be entitled to medical insurance coverage after retirement if you meet the following qualifications:

- You are retired for service or disability
- You are entitled to credit for 15 or more years of service or you receive an allowance that is equal to at least 37.5% of your final compensation
- You apply for medical insurance coverage at the time of your retirement and agree to pay any applicable premiums

*Note: If you have a disability retirement that is being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance **before** the offset is applied.  
[SJMC 3.28.1950(A) and 3.28.1970(A)]*

#### Medical Insurance Coverage for Spouse

Your spouse is eligible for medical insurance **only** if you were married to that spouse at the time of your retirement.

[SJMC 3.28.1970(C)]



### **Medical Insurance Coverage for Survivor(s)**

Your surviving spouse or children may be eligible for medical insurance coverage if they meet the following qualifications:

- You died before retiring, or were retired for service or disability
- At the time of your death, you were entitled to credit for 15 or more years of service or were receiving an allowance that is equal to at least 37.5% of your final compensation
- Your survivor receives a monthly survivorship allowance because of your death during your employment with the City or after you retired
- At the time of your death, you **and** your survivor were enrolled in one of the City sponsored medical insurance plans
- Your survivor applies to continue medical insurance coverage at the time of your death
- Your survivor agrees to pay any applicable premiums for this coverage

Note: *If, at the time of your death, you were receiving a disability retirement that was being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance before the offset is applied.*

[SJMC 3.28.1960 and 3.28.1970(B)]

### **Single Coverage Only for Surviving Spouse**

Generally, a surviving spouse is eligible only for single coverage. However, if you have at least one surviving child, or if your spouse has at least one unmarried minor child, and the child was enrolled in a medical insurance plan sponsored by the City at the time of your death, then your surviving spouse will be eligible for family coverage.

[SJMC 3.28.1970(C)]

### **Medical Insurance Premiums**

The Retirement System pays 100% of the premium for the lowest cost plan available to active City employees. If you or your survivors select a plan other than the lowest cost plan, then you or your survivors must pay the difference between the premium for the



selected plan and the lowest cost plan. Premium payments are deducted from your (or your survivor's) retirement allowance.  
[SJMC 3.28.1980]

## DENTAL BENEFITS

### Dental Insurance Coverage for Retirees

You may be entitled to dental insurance coverage after retirement if you meet the following qualifications:

- You retire directly from City service
- At the time of your retirement, you are enrolled in one of the dental insurance plans sponsored by the City
- You are entitled to credit for 5 or more years of service **or** you receive an allowance that is equal to at least 37.5% of your final compensation

**Note: Members who leave City service prior to retirement (“deferred vested” members) are not eligible for dental insurance.**  
[SJMC 3.28.2020(A)(1)]

*Note: If you have a disability retirement that is being offset due to Workers’ Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance **before** the offset is applied.*  
[SJMC 3.28.2000 and 3.28.2020]

### Dental Insurance Coverage for Survivors

Your surviving spouse or children may be eligible for dental insurance coverage if they meet the following requirements:

- You died before retiring, or were retired for service or disability
- At the time of your death, you were entitled to credit for 5 or more years of service or were receiving an allowance that is equal to at least 37.5% of your final compensation
- Your survivor receives a monthly survivorship allowance because of



your death during your employment with the City or after retiring directly from active City service

- At the time of your death, you *and* your survivor were enrolled in one of the City sponsored dental insurance plans

*Note: If, at the time of your death, you were receiving a disability retirement that was being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your pre-offset retirement allowance. [SJMC 3.28.2010 and 3.28.2020(B)]*

### **Dental Insurance Premiums**

The Retirement System pays 100% of the dental insurance premiums.  
[SJMC 3.28.2030]





## SURVIVING CHILD'S SCHOOL ALLOWANCE

Upon your death, your eligible minor children may 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 the following conditions:

- Must have reached the age of 18
- Must not have reached the age of 22
- Must be unmarried
- Must be a full-time student at a qualifying educational institution

[SJMC 3.28.1750(B)]

### **Definition of Full-Time Student**

The student must be enrolled in a junior college, college, or university in a day or evening noncorrespondence course that is at least 13 weeks long and is full-time under the school's standards and practices for day students. The student may also qualify if enrolled in any other educational institution in a day or evening noncorrespondence course that is at least 13 weeks long and is full-time under the school's standards and practices for day students with scheduled attendance of at least 20 hours per week.

The 13 week requirement refers to the entire course of study and not a semester, quarter, or summer school session. For example, a two-year junior college course qualifies even though any particular session lasts less than 13 weeks.

A student will not be considered a full-time student if he or she is paid by his or her employer for attending an educational institution if required by the employer or at the employer's request.

[SJMC 3.28.1750(C) and 3.28.1750(D)]



### **Qualifying Educational Institutions**

A qualifying educational institution is a school (including a technical, trade or vocational school), a junior college, college, or university 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.
- An educational institution that is approved by a state or accredited by a state-recognized accrediting agency or body
- 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

[SJMC 3.28.1750(A)]

### **Periods of Nonattendance**

A student who has been in full-time attendance may still be considered to be in full-time attendance during a period of time that he or she is not attending school (such as summers) as long as the period of nonattendance is less than four consecutive months. The student must establish that he or she intends to be, or actually is, in full-time attendance in the month following the period of nonattendance. A student does not qualify if the reason for nonattendance is due to expulsion or suspension from school.

[SJMC 3.28.1770]

### **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
- The child turns 22 years of age
- The child is no longer a full-time student at a qualifying institution

[SJMC 3.28.1790]



**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.

[SJMC 3.28.1800]

**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 the loss of medical and dental coverage, as well as termination of the monthly school allowance.

[SJMC 3.28.1760]







# 13

## COST-OF-LIVING ADJUSTMENTS

After receiving a retirement or survivorship allowance for one year, you are eligible for cost-of-living adjustments (COLA). On April 1 of every year, your retirement allowance or survivorship allowance will be adjusted to reflect changes in the Consumer Price Index (CPI). The resulting adjustment will remain in effect until March 31 of the following year.

No matter what the “official” cost-of-living change is, no allowance will be increased more than 3 percent over, or decreased more than 3 percent below, the allowance paid during the previous year (April 1 to March 31).

### Cost-Of-Living Adjustment Eligibility

To receive an allowance increase or decrease on April 1, you must:

- Have been receiving a retirement allowance for at least one full year; or
- Have been the survivor of an active employee for at least one full year; or
- Have been the survivor of an eligible retiree who died at least one full year earlier.

If you retire part way through the year (**between April 1 and March 31**), your first retirement allowance cost-of-living adjustment will begin on the first day of the month **following** the one-year anniversary of your retirement. The adjustment will be prorated for the number of months remaining until the following April. Adjustments occur on April 1. (See the example on page 63.)

If you die part way through the year (**between April 1 and March 31**), the cost-of-living adjustments in your survivors’ allowance(s) will begin on the first day of the month **following** the one year anniversary of your death. The adjustment will be prorated for the number of months remaining until the following April. Adjustments occur on April 1. (See the example on page 63.)

### **Determination of Cost-of-Living Adjustment**

Before each April 1, the Retirement Board will determine the cost-of-living increase or decrease for the previous calendar year. To determine the amount of this adjustment, the Board will use the most current December-to-December change in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland Metropolitan Area, published by the U.S. Department of Labor's Bureau of Labor Statistics.

This cost-of-living increase or decrease (subject to the 3 percent limitation) above or below the previous year's CPI, will be applied to all eligible retirement allowance payments for the period beginning on April 1 and will continue through the following March 31.

If the CPI increase exceeds 3 percent, the excess percentage will be accumulated from year to year in your "COLA bank" account. (Only percentage points are tracked in the "COLA bank" account, not actual money.) In years when the CPI increase is less than 3 percent, the Retirement Department will use your "COLA bank" percentage points, if any, to raise your cost-of-living adjustment up to 3 percent.

[SJMC 3.44.040]

### **Limitations on Decreases in Allowance**

No cost-of-living decrease will reduce your retirement or survivorship allowance below the amount to which you or your survivors were originally entitled.

[SJMC 3.44.080]



### Example of Cost-of-Living Calculation

1. You retire on June 10, 2000. For the purposes of this example, assume your retirement allowance is \$3,000 per month.
2. Assume the CPI for December 1999 shows a 3.5% cost-of-living increase and that the CPI for December 2000 shows a 5.5% cost-of-living increase. The difference between December 1999 and December 2000 is 2%. Therefore, the Cost of Living Adjustment for April 2001 is 2%.
3. From June 10, 2000 - June 30, 2001, your retirement allowance will remain \$3,000 per month.
4. Starting in July 2001, the first month following one year of retirement, you will receive your first cost-of-living adjustment in addition to your allowance.
5. Because you retired **after** March 31, 2000, you are eligible for a partial year of cost-of-living adjustment benefits for the period July 2001 through March 2002 (9/12, or 75% of the year).

$$2\% \times .75 = 1.5\%$$

$$\$3,000 \times 1.5\% \text{ (cost-of-living increase)} = \$45.00$$

$$\text{Your retirement allowance will become } \$3,000 + \$45.00 = \$3,045.00$$

6. Assume the cost-of-living increase from December 2000 to December 2001 is 4%.
7. As of April 1, 2002, you will receive the full 3% increase and 1% will be added to your "COLA bank" account.

$$\$3,045.00 \times 3\% = \$91.35$$

$$\$3,045.00 + \$91.35 = \$3,136.35$$

Your allowance will be then be \$3,136.35 per month.

From then on, you are eligible for the full amount of cost-of-living increases (or decreases) that take effect each April 1. These increases (or decreases) are based on your original retirement allowance plus whatever cost-of-living adjustments have been made in prior years. In this example, your next cost-of-living adjustment would be made to your new retirement allowance of \$3,136.35 per month.



### Cost of Living Adjustment (COLA) Bank Accounts

Changes in the Consumer Price Index may be greater than the 3% increase and decrease allowed by the Federated City Employees' Retirement System. For this reason, members are allowed to accumulate any cost-of-living percentage increases above the maximum 3% paid by the system. No actual money is kept in the "COLA bank" account. It is only a method to track excess percentage points.

The percentage points in your "COLA bank" account, if any, will be used to make your cost-of-living increase 3% in years when the actual cost-of-living index increases by less than 3% .

For example, if the cost-of-living index rose 4% in one year, you would receive the system's maximum 3% increase, and 1% would be added to your "COLA bank" account.

	<b><u>Index Increase</u></b>	<b><u>Plan Pays</u></b>	<b><u>Add to COLA Bank</u></b>	<b><u>COLA Bank Balance</u></b>
<b>Year 1</b>	4%	3%	1%	1%
<b>Year 2</b>	5%	3%	2%	3%
<b>Year 3</b>	0.5%	4%	(2.5%)	0.5%
<b>Year 4</b>	2%	2.5%	0%	0%

In no case will members have a negative balance in their "COLA bank" account. You cannot draw a larger percent than is available in your "COLA bank" account. (See example in Year 4.) This process is done automatically by the Retirement Department. There is no need to request deductions from your "COLA bank" account.





## RECIPROCITY

### SUMMARY

Effective on December 9, 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 Federated City Employees' Retirement System. 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 may also apply if you formerly worked for a reciprocal agency and joined the Federated City Employees' Retirement System upon leaving the reciprocal system.

***Reciprocity does not mean that your contributions will be transferred from one system to another.*** You are still subject to the rights and obligations of each system. If you qualify, reciprocity offers you enhanced retirement benefits. 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 Federated City Employees' Retirement System. 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

You must join the Federated City Employees' Retirement System 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. (If your move between systems took place prior to January 1, 1976, the maximum time between leaving one plan and joining the other is ninety (90) days.) [SJMC 3.28.2410(A)]



You must not have concurrent or overlapping service between agencies. For example, if you leave a PERS agency allowing a week of vacation to run out, and start with the City of San Jose during that vacation time, you have concurrent payroll running at both agencies. There must be a complete break in service from one agency to the other for reciprocity eligibility.

***Except for the use of average monthly salary described below, the benefits of reciprocity apply only if your transfer between this retirement system and a reciprocal system, or from a reciprocal system to this retirement system, takes place after December 9, 1994.***

[SJMC 3.28.2410(B) and (C)]

## BENEFITS

### **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 Federated City Employees' Retirement System no matter how many years of service you have credited with the system. 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.***

[SJMC 3.28.2420(A)]

### **Use of Average Salary From Reciprocal System**

An important factor in determining how much your retirement benefit will be is your average salary. 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 15 years of service in the Federated City Employees' Retirement System. You quit on December 31, 1999, and leave your retirement contributions on deposit. At this point, your average salary was \$2,500 per month. On January 1, 2000, you start working for an agency whose retirement system is administered by PERS. Let's assume that you will continue working there for an additional 5 years. Now you're 55 and ready to retire. Your final average salary at the PERS agency is \$5,000 per month. What happens?



**Without Reciprocity**, an example of your possible benefits is:

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

**Reciprocal System:** 2% x 5 Years x \$5,000 = \$500.00 per month  
**San José:** 2.5% x 15 Years x \$2,500 = \$937.50 per month  
Total Pension from both systems \$1437.50

**With Reciprocity**, your benefits could be:

**Reciprocal System:** 2% x 5 Years x \$5,000 = \$ 500.00 per month  
**San José:** 2.5% x 15 Years x \$5,000 = \$1875.00 per month  
Total Pension from both systems \$2375.00

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 \$937.50 per month to \$1875.00 per month. This is because both systems will use the highest average salary to calculate the pension.

If your San José final average salary is higher, then PERS will use your San José final average salary to calculate your PERS pension.

### **Eligibility Requirements for Use of Average Salary From Reciprocal System**

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

- You must be at least 50 years of age at time of retirement. (You must still meet minimum age requirements of this system and the reciprocal system.)
- You must retire concurrently from this system and the reciprocal system.
- You must be credited with service in the reciprocal system.

[SJMC 3.28.2420(C)]

*The benefit of using average salary from a reciprocal system may apply even if your transfer between systems took place before December 9, 1994.*



### **Combining Service in Reciprocal Systems to Meet Minimum Service Requirements**

For the purpose of meeting minimum service requirements for qualification to receive benefits, you may be eligible to combine service in this retirement system with service in a reciprocal system. For example, let's assume that you have 3 years of service in this retirement system. If you leave San José employment and join a reciprocal system within 6 months, you have a right to leave your contributions on deposit with San José. However, 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 2 years in a reciprocal system to meet the minimum requirements to receive a benefit from this retirement system. You will then be eligible to receive a benefit from San José if you retire concurrently from both systems.

*You will only be eligible to receive a benefit 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 to meet the minimum service required to receive medical or dental benefits.*

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

- You must be at least 50 years of age at time of retirement.  
(You must still meet minimum age requirements of this system and the reciprocal system.)
- You must retire concurrently from this retirement system and the reciprocal system.
- You must be credited with service in the reciprocal system.

[SJMC 3.28.2420(D)]

**NOTE: THIS BENEFIT APPLIES ONLY IF YOUR TRANSFER BETWEEN RETIREMENTS SYSTEMS TAKES PLACE AFTER DECEMBER 9, 1994.**



### **Reciprocal Benefit When Member Receives Disability Allowance From a Reciprocal System**

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

1. The benefit will not be greater than the difference between what the other system pays and what it would have paid for a nonservice-connected disability had all your service been there.

For example: San Jose retirement allowance < disability reciprocal allowance - nonservice-connected disability reciprocal allowance with service from both systems credited.

2. Your San José benefit will not be less than an annuity which is the actuarial equivalent of your San José contributions plus accumulated interest.

This applies whether or not the disability is for service-connected reasons.  
[SJMC 3.28.2420(E)]

### **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 nonservice-connected causes as a member of a reciprocal system shall not exceed an amount which when added to the survivorship and death benefits paid for you under the reciprocal systems equals the maximum death benefit payable under that system.

For example:

San Jose death benefit + death benefits from the reciprocal system < the maximum death benefit payable under the reciprocal 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 interest accrued as of the date of death.
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 as of the date of death.

[SJMC 3.28.2420(F)]



### **Special Redeposit Provisions**

If you are a former member of this retirement system who terminated City employment **after December 9, 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 requirements in the section entitled “General Eligibility Requirements” found on this handbook.
- You must redeposit withdrawn contributions including interest that would have been earned by the withdrawn contributions and interest, at the retirement fund’s actual earnings rate.
- You must redeposit the above amount **before** retiring from this system or from the reciprocal system.

[SJMC 3.28.2430]

### **ELECTING RECIPROCITY**

If you leave City service to join a reciprocal retirement system and meet the qualifications for reciprocal benefits, you can elect reciprocity by written request at any time **prior** to retiring. Send your request to the Retirement Services Department at the address on page 2.





## IRS LIMITS

The Federal Government has imposed limitations on the pension plan allowances and benefits that employers can pay to their employees under qualified plans. These limitations may reduce the allowance and benefits that you would otherwise receive from the City after you retire.

### **Internal Revenue Code Section 415**

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 trust fund and immediate annual taxability of each employee's accrued retirement benefits.

In bringing this retirement system into compliance with Section 415, the City was allowed to protect the benefits of all those who were members of this retirement plan prior to January 1, 1990, if it agreed to implement Section 415 limitations for those who became members on or after January 1, 1990.

If you became a member of this retirement system on or after January 1, 1990, your benefits are subject to all the limitations of Section 415 of the Internal Revenue Code (IRC). Benefit enhancements granted after October 14, 1987 are also subject to 415 limitations.

### **IRC Section 415 Benefit Limits for Persons Who Became Members Before January 1, 1990**

If you were a member of this system **before** January 1, 1990, your potential allowance will be calculated three different ways:

1. The maximum allowed by IRS 415 for your age at retirement
2. Your benefit under the formula in effect as of the day you retire
3. Your benefit under the formula in effect on October 14, 1987 (Final Compensation x 2 1/2% x Years of Service).



You will receive at least benefit #3. If your benefits are higher, you will receive the lesser of benefit #1 or #2.

### **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 the **lower** of the following:

- Your benefit under the formula in effect as of the day you retire
- The dollar limit set by Section 415

The maximum benefit payable under Section 415 is adjusted annually based on cost-of-living changes. This limit is reduced if you retire before:

- Age 65 for members born in 1937 or earlier
- Age 66 for members born from 1938 through 1954
- Age 67 for members born in 1955 or later

### **Additional IRC Section 415 Limitations**

The list below summarizes additional adjustments put into effect by Section 415:

- Certain post-retirement death benefits may be reduced
- Benefits paid after fewer than ten years of membership in the retirement system may be limited for service retirees and disability retirees

### **Internal Revenue Code Section 401(a)(17)**

IRC Section 401(a)(17) limits the amount of compensation that may be considered in any year. This “compensation cap” applies to your benefits if you become a member of the system on or after January 1, 1996.





# 16

## GLOSSARY

### ACCUMULATED CONTRIBUTIONS

Your own contributions to the system plus interest. Does not include contributions the City makes to the system on your behalf. [SJMC 3.28.030.17]

### ACTUARY

The Retirement Board's actuary is a statistician who compares economic and demographic assumptions with the actual experience of the Retirement System. 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.

### ACTUARIAL EQUIVALENT

A benefit of equal value when computed, based on the mortality tables and regular interest rate adopted by the Retirement Board. For example, if you choose an option that pays you a lower retirement allowance in return for your spouse 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. [SJMC 3.28.030.01]

### COMPENSATION

Your base salary includes all paid leaves (including sick leave, paid holidays, paid vacation leave, and paid compensatory time). This does not include overtime, lump sum compensatory time payoffs or any other special pays. [SJMC 3.28.030.05]

### COMPENSATION EARNABLE (Full-time Service)

The base monthly or biweekly pay at your salary step within your classification. [SJMC 3.28.030.06]

### COMPENSATION EARNED (Part-time Service)

The base monthly or biweekly pay you *actually* earn. [SJMC 3.28.030.05]

**CURRENT SERVICE**

Your City service since July, 1 1975. [SJMC 3.28.030.08]

**FEDERATED POSITION**

A job that is normally covered by the Federated City Employees' Retirement System.

**FINAL COMPENSATION (Final/Highest Average Salary)**

Your final compensation is your highest average annual base pay earnable for any consecutive twelve month period of City service with the following limit. Your highest year cannot exceed one hundred eight percent (108%) of your second-highest year. Your second highest year is the average annual compensation earnable by you during any twelve consecutive months, excluding all of the months used to determine your highest year. If your highest year exceeds one hundred eight percent (108%) of your second highest year, your final compensation will be 108% of your second highest year.

If you have breaks in service, those breaks may be combined to make a period of twelve consecutive months as long as the periods of service are consecutive except for such breaks. If a break in service did not exceed six months in duration, time included in the breaks and compensation earnable during such time shall be included in computation of final compensation. If a break in service exceeded six months in duration, the first six months of the break and the compensation earnable during those six months shall be *included* in the computation of final compensation. Time included in the break that is more than six months and the compensation earnable during that excess time shall be *excluded* in the computation of final compensation.

[SJMC 3.28.030.11(B) and 3.28.030.11(C)]

**MORTALITY TABLE**

A table detailing the expected life span and expected number of annual deaths of retirement system members. The table is supplied by the system's actuary.

**PRIOR SERVICE**

Your City service prior to July 1, 1975, for which you are entitled to credit under this System. [SJMC 3.28.030.22]



**RECIPROCITY**

An agreement effective on December 9, 1994, between the City of San José and the California Public Employees' Retirement System (CalPERS) that *in certain situations* results in improved retirement benefits for persons who move from one retirement system to the other.

**REGULAR INTEREST**

Interest at the rate established by the Retirement Board, compounded annually.  
[SJMC 3.28.030.23]

**RETIREMENT ALLOWANCE**

The monthly service retirement allowance or disability allowance you receive after you retire. Could also be called a pension.

**RETIREMENT BOARD**

The trustees responsible for managing the Retirement Fund. The Board consists of seven members: a member of the Civil Service Commission, two members of the City Council, two City employees who are also members of the Retirement System, one Federated retiree and one member of the public who is not connected with City government, but has significant relevant experience in investment matters. [SJMC 2.08.1010]

**RETIREMENT SERVICE CREDIT**

(See **Service, Years of**)

**SAN JOSE MUNICIPAL CODE [SJMC]**

The body of laws governing the City of San Jose.

**SERVICE, YEARS OF (Retirement Service Credit)**

Period of time for which Retirement System members worked for the City of San José **and** were enrolled in the Retirement System. Includes regular full-time and eligible part-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 time, etc.).

You earn one year of Federated city service if you work at least 1,739 hours of service credit in any calendar year. Although you actually work 2,080 hours per year if you



work full-time, you only need 1,739 hours to earn one year of retirement service credit. If you work more than 1,739 hours in one year, you still get one year of credit. If you are on a reduced (less than full-time) work schedule but work 1,739 hours in one year, you earn one year of credit. If you work fewer than 1,739 hours in one year, you divide the actual number of hours you worked by 1,739 to determine the service credit for that year.

For example, if you worked 10 years and 2 months (or 8 weeks), your retirement service credit would be calculated as follows:

<b>Full years of service:</b>		<b>10.00</b>
<b>Partial year:</b>	8 weeks x 40 hours per week = 320 hours	
	320 hours / 1739 hours (full year) =	<u><b>0.18</b></u>
<b>Total years of service:</b>		<b>10.18</b>

[SJMC 3.28.680]



