Retirement Workshop offers insight on pension plan & 457

Vested Kent County employees contemplating retirement in the next year or so recently attended a workshop offering step-by-step instructions on when to request pension benefits, how to estimate the benefit value, and who to designate as a pension beneficiary.

Highlights from the workshop include:

1) **The importance of completing a Pension Beneficiary Form.** If you or a vested former employee are <u>unmarried</u> and die without an up-to-date pension beneficiary form, then NO individual receives the hard earned pension benefit. County pension benefits cannot be paid to an estate or entity. The beneficiary form is typically completed at orientation. If you have gotten married, divorced, or your designated beneficiary has passed away, you need to update the form. The Kent County Pension Beneficiary Form is available on the Employee Portal under the Forms tab. Promptly complete it and submit it to the Personnel Office.

2) **Spouses are entitled to half your Pension.** It is the law. If you are married, your spouse must receive at least 50% of your pension after your retirement and/or subsequent death. If you die before retirement, your lawful spouse will receive 50% of your pension benefit beginning when you would normally be eligible to collect (even without a beneficiary form). When you get ready to retire, you must designate your spouse and select the 50% contingent annuitant benefit. However, he/she can waive his/her right to your pension in front of a notary public.

3) **Former spouses are entitled to half your Pension too.** It is the law. Typically future retirement benefits are worked out as part of the divorce settlement through a Qualified Domestic Relations Order (QDRO). If you have this obligation, it is helpful to provide a copy to the Personnel Office for reference at the time of your retirement or death.

4) **Inform your spouse or family member about Pension & Life Benefits.** Once you have designated a beneficiary for your pension and life insurance benefits, please inform the individual. They need to promptly inform the Personnel Office of your passing and they need to complete various forms to receive your benefits.

5) **If after retirement your beneficiary dies before you, no changes are permitted.** Age and gender is an actuarial factor in the calculation of your pension beneficiary benefit when you retire. If your beneficiary predeceases you, you cannot select another person and your current benefit cannot be adjusted to reflect that loss. Any life insurance benefit would be paid to your estate and subject to the will probate process.

6) **You can designate a secondary beneficiary.** If you and your primary beneficiary should die at the same time, the Pension Beneficiary and Life insurance forms permit the designation of one or more secondary beneficiaries. After retirement, the pension beneficiary must be fixed, but any life insurance benefit can have a secondary beneficiary.

7) **When you retire you can rollover vacation & sick payouts to your 457.** Upon retirement, a lump sum payment for vacation and eligible sick leave accruals is paid out and TAXED in the final paycheck. You can mitigate the tax impact by directing some or all of the lump sum into your ICMA-RC 457 deferred compensation account. Various IRS regulations apply, but most County employees would likely be eligible for the 457 catch-up provision.

8) **You can begin withdrawals from a 457 before 50½ & must by 70½.** Unlike a 401K, government affiliated 457 accounts can be tapped before age 59½ without penalty. You must start taking withdrawals at 70½ or be penalized by the IRS. You can designate a fixed amount monthly, quarterly or annually and you can change the amount whenever your want. If you have not yet established a 457 deferred compensation account, then start saving for retirement now by visiting the Personnel Office. Your County pension benefit will NOT likely be sufficient to maintain your current standard of living in retirement.

9) **If you are Age 65 or more at retirement, you must sign up for Medicare Part B.** Kent County currently provides a Medicare supplement with Rx, but eligible retirees must sign up for Medicare at age 65 and enroll in Part B. Do not sign up for the prescription benefit (Part D). However, individuals over Age 65 still "actively" working with employer provided health benefits can avoid the Part B premium until they actually retire. In order to qualify after Age 65, the County will need to complete a Continuation of Care form for age 65+ employees upon retirement in order for the employee to avoid a Medicare late enrollment penalty.

10) **No requirement to move your 457 after retirement.** There is no requirement that you transfer or rollover all or any of your 457 deferred compensation managed by ICMA-RC. If you like how your investments have performed and the easy access features, then keep it where it is. Not sure if you should change your investment strategy after retirement, then speak to a certified financial planner from ICMA-RC.

Employees are always welcome to visit or call the Personnel Office at 744-2310 to learn about the County's pension program, the 457 deferred compensation program or any employee benefit. Copies of the workshop presentations are available on the Employee Portal under the Resources Tab.

Kent County Pension Plan

Kent County Levy Court offers a very rewarding pension plan to its employees, which can help provide some financial security upon retirement.

Employee pension fund assets have enjoyed better than average growth since the Kent County Employee Retirement Program was established on June 18, 1957. As the fund has grown, it has retained professional consultants and multiple fund managers.

No employee should count on their County pension and Social Security benefits to fully fund post-retirement expenses. Employees are strongly encouraged to set aside additional funds for retirement through a self-funded IRA and/or through the County's portable deferred compensation plan (457) administered by the ICMA-Retirement Corp.

The County pension plan is not portable and requires a 3% of base salary above $6,000 contribution for employees hired after December 21, 2010 *(1% of base salary contribution if hired before 12/21/10)* as provided under the applicable IRS "pickup" provision. The employee's contribution is only reimbursed if employee does not vest. Employee contributions do NOT accrue interest.

HOW TO APPLY FOR A COUNTY PENSION – a vested active or former employee meeting eligibility requirements must submit a letter with an actual signature to the Personnel Office at least 60 days in advance of pension eligibility requesting a County pension. Please include the full name, birthdate, and gender of any lawful spouse, and if no spouse please indicate none in the letter along with your own contact information such as telephone number and/or e-mail address. If previously married and a valid QDRO is in force, please provide contact information for the former spouse or attorney. If the applicant is eligible, the Pension Consultant (Actuary) will calculate the monthly pension under various options. If desired, a benefit calculation can be performed for an alternative beneficiary (when no spouse or QDRO exists) if requested information listed above is provided. Once the pension benefit is calculated, the pensioner will be contacted and must select the desired option and sign the pension documents. Upon return of pension documents and depending upon the date of receipt, the first pension check should be issued on the first of the following month and then monthly thereafter.

WHO IS ELIGIBLE?
Any full time or 1000+/hour per year part-time "permanent" employee of Kent County Levy Court is eligible once vested.

WHEN DOES VESTING OCCUR?
Eight (8) years of continuous employment with Kent County Levy Court if hired after June 29, 2010. *Persons hired before June 29, 2010 vest after five (5) years of continuous employment.* Employees failing to work the minimum number of years required to vest will be reimbursed their individual pension contribution amount without accrued interest at termination of employment. Kent County does not "match" employee contributions.

ELIGIBILITY
Vested employees can begin collecting a County pension, if they are:
- Age 62, with 8 years or more of service (*5 years if hired before 06/29/2010*)
- Age 60, with 15 years or more of service
- Age 55, with 20 years or more of service
- Any age, with 30 years or more of service *(subject to possible IRS reg. change)*

AUTHORITY
A County employee pension is authorized under 9 Del Code §4301 and the Kent County Code - Chapter 83.

DISABILITY
A County employee becoming disabled and receiving County long-term disability benefits shall continue under covered employment insofar as years of service for pension purposes is concerned.

OTHER GOVERNMENT SERVICE
Only employees hired on or before June 27, 1986 are permitted to include verifiable non-vested pension eligible service with the State of Delaware or the other two Delaware counties to determine total years of service.

PAYMENT METHOD

Pension checks can be mailed to you or direct deposited into your bank account.

PAYMENT OPTIONS

Prior to pension commencement, eligible pensioner choose one of several monthly benefit options:

- *Life Benefit* – pays pension until pensioner's death. (spousal consent required, if applicable)
- *10 Years Certain & Continuous* – pension is paid for a minimum of 10 years, including payments to designated surviving beneficiary for the balance of 10 years. If pensioner lives longer, then benefits extend until death with no beneficiary payment eligibility. (spousal consent required, if applicable)
- *5 Years Certain & Continuous* – pension is paid for a minimum of 5 years, including payments to designated surviving beneficiary for the balance of 5 years. If pensioner lives longer, then benefits extend until death with no beneficiary payment eligibility. (spousal consent required, if applicable)
- *Contingent Annuity (3 options)* – **100% option** pays pensioner and after death pays designated surviving beneficiary the original monthly pension benefit until his/her death; **75% option** pays pensioner and after death pays designated surviving beneficiary 3/4 amount of original monthly pension benefit until his/her death; or **50% option** pays pensioner and after death pays designated surviving beneficiary ½ amount of original monthly pension benefit until his/her death.
  NOTE: If a designated surviving beneficiary dies after vested pension plan member benefits begin, the beneficiary cannot be changed and no beneficiary benefits will be paid.

BENEFICIARY

If a vested employee or former employee dies before pension benefit eligibility, his/her lawful spouse will receive 50% of the vested employee's pension benefit, beginning on the date the deceased employee would have become eligible to collect a pension had he/she lived – subject to any known valid QDRO provision. Other properly designated beneficiaries receive an age-rated amount calculated like the 50% contingent annuity. No benefit is paid if no spouse exists or if no beneficiary is formally indicated on an official Kent County Pension Beneficiary designation form.

PENSION ADJUSTMENTS

In the past when financially feasible, the Kent County Levy Court has enhanced the monthly pension benefit by providing a Cost of Living Adjustment (COLA) to pensioners. COLA is usually effective July 1 of each year. Delayed pension benefit applications are not eligible for retroactive adjustments or interest.

BENEFIT FORMULA

To calculate estimated benefits, average the 3 highest consecutive annual base salaries, multiply by 1.85% (2% if hired before 12/21/10), multiply by years of service to determine the estimated annual pension benefit. Divide by 12 for the estimated monthly pension benefit.

EXAMPLE *if hired **after** 12/21/2010*

Say William Penn worked for Kent County for 20 years and his 3 highest consecutive annual salaries were $29,000, $30,000, and $31,000.

Add up the salaries, divide by 3 and you get $30,000 as the average annual salary.

Multiply the average annual salary by 1.85% and you get $555, which is then multiplied by 20 years of service.

The Total Annual Pension Benefit is $11,100.

The monthly benefit would be $925.

EXAMPLE *if hired **before** 12/21/2010*

Say William Penn worked for Kent County for 20 years and his 3 highest consecutive annual salaries were $29,000, $30,000, and $31,000.

Add up the salaries, divide by 3 and you get $30,000 as the average annual salary.

Multiply the average annual salary by 2.00% and you get $600, which is then multiplied by 20 years of service.

The Total Annual Pension Benefit is $12,000.

The monthly benefit would be $1,000.

Pension benefits are typically subject to federal & state taxes

OTHER BENEFITS

Only County employees retiring from active service are eligible for post-employment benefits. These benefits are subject to change, but currently include life insurance, dental insurance, and group health insurance or Medicare supplement, etc.

BOARD OF TRUSTEES

Kent County Levy Court makes all decisions regarding pension benefit levels, enhancements, fund managers, investment allocation, investment policies, etc., but specific investment decisions are made by professional pension asset fund managers.

PENSION REVIEW COMMITTEE

A committee of four citizens, The County Administrator, the County Finance Director, and an Employee Council representative make recommendations to Levy Court regarding investment policy, fund manager selection, pension advisors, pension funding levels, pension ordinance amendments, etc.

PENSION CONSULTANT (ACTUARY)

A professional pension consultant annually evaluates pension assets to determine the pension fund's financial solvency and required annual contribution estimates. The Actuary also calculates the actual pension benefit amount paid to eligible retirees/pensioners based upon the age & gender of the designated beneficiary(s).

PENSION ADVISOR

A professional pension advisor provides advice to the Levy Court regarding fund manager selection or asset allocation in order to enhance fund growth and verifies/ evaluates fund manager performance.

PENSION CUSTODIAN

A bank is contracted by the County to hold pension funds, issue pension checks or direct deposits, issue pensioner tax reporting forms, etc.

ADMINISTRATION

The Personnel Office administers the pension plan and can answer questions.

If vested or collecting a pension, please keep the Personnel Office advised of address changes even after separation of employment. A detailed explanation of the Kent County Employee Retirement Program is available in Chapter 83 of the Kent County Code available on the County's website at www.co.kent.de.us

Information presented is accurate to the best of our knowledge – *Personnel Office*

<u>COUNTY PENSION RULES & RETIREE BENEFITS ARE SUBJECT TO CHANGE</u>

(Posted 02/20/18)