

what  
would  
you  
do  
without  
it?



things we take  
for granted —  
but shouldn't —  
from the Dallas  
Employees'  
Retirement Fund

# overview

Look around your home or work place. You'll see dozens of useful things that are part of your everyday life, yet you don't give them a second thought. But they're important things...that make your life easier or that you couldn't imagine doing without. If the room goes dark, isn't that light bulb suddenly important? And that inexpensive umbrella—doesn't it become valuable in a downpour?

There are many other important things around you that you probably take for granted. Like the Employees' Retirement Fund of the City of Dallas. You may not think much about it—until you need it.

The Employees' Retirement Fund is a defined benefit pension plan for City of Dallas employees. It provides retirement, disability, and survivor benefits to Fund members and their beneficiaries.

Preparing for retirement is one of the most important financial commitments you will make. And the City of Dallas Employees' Retirement Fund helps you keep that commitment. Every eligible employee automatically participates in the Fund, and both you and the City contribute the dollars that help secure your financial future.

This brochure gives a brief overview of the features of the Fund and explains how you earn benefits and how they are paid. Before you make any decisions, contact the Fund office to be sure you understand the Fund's features and their effect on your benefit options. So, read on to learn about the program and how it can help you meet your retirement income goals.

The Dallas Employees' Retirement Fund...what would you do without it?



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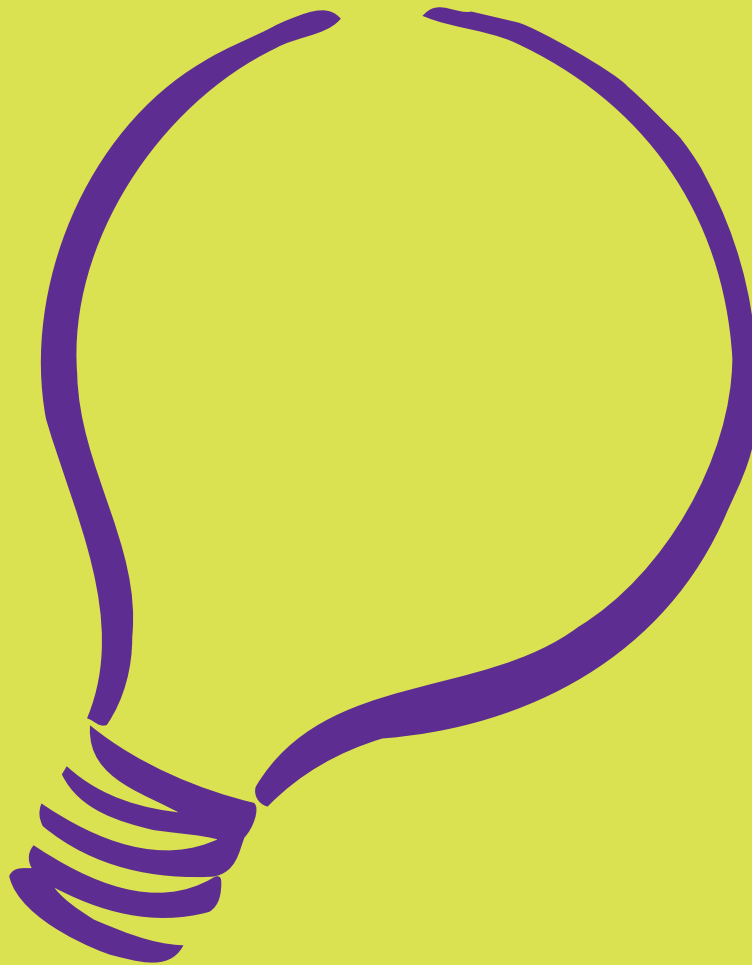
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# who is eligible

**m**ost non-uniformed, permanent City of Dallas employees are eligible to participate in the Employees' Retirement Fund. You don't have to enroll—if you are eligible, payroll deductions for your contributions will begin automatically. However, you must complete some paperwork (typically on your first day of employment).

You are not eligible to participate in the Fund if you are:

- An elected or appointed official
- A contract employee
- A temporary employee
- An employee working less than 20 hours per week
- A uniformed employee of the police or fire department.



# contributions to the fund

Both you and the City contribute money to the Fund, but the City nearly doubles the amount of your contribution. The City makes this contribution to the Fund on behalf of members. The City does not participate in the federal Social Security system. The table below shows the contribution percentages.

Time period	Employee's Contribution Percentage	City's Contribution Percentage
October 1, 2000, to September 30, 2001	5.75% of wages	9.75% of your wages
October 1, 2001, and later	6.50% of wages	11.00% of your wages

## contribution amounts

All eligible employees contribute the same percentage of wages. Your automatic payroll deductions appear on your pay stub as "ERF/Pen." Your contributions are taken out of your pay before federal tax withholding is calculated, so you don't pay taxes on your contributions until you withdraw them. However, if you contributed to the Fund before December 16, 1997, you made after-tax contributions—so you have already paid income taxes on those contributions because they were reported on your W-2 as part of your earnings in those years.

You pay taxes on your contributions only once. Your benefits from the Fund are taxable when you receive them—except the part that comes from your after-tax contributions.

Payroll deductions continue until you leave the City or become ineligible to participate in the Fund. Because your contributions are a percentage of your wages, your payroll deductions automatically adjust when your pay rate changes.

## definition of wages

Under the provisions of the Fund your pay includes all taxable earnings, including salary continuation.

Your pay does not include:

- Expense reimbursements
- Cash or non-cash fringe benefits
- Welfare benefits (such as health or life insurance)
- Lump-sum payments made at retirement for accrued sick leave
- Workers' compensation, short-term disability, or catastrophic leave benefits.

# service credit

Your retirement benefit is based on three factors: your service credit, the pension formula, and your average monthly salary for your three highest paid years. Service credit includes:

- Your total service credit at the time of termination
- Unused vacation balance when you leave employment with the City
- Up to five years of military active duty while you are employed by the City if you return within the period required by law.

## earning service credit

You begin earning service credit on the date you become an eligible employee.

## earning benefits

To be eligible for a deferred retirement benefit from the City, after you terminate employment, you must have at least five years of service credit. You earn a year of service credit for each period of 12 consecutive months you work at least 1,000 hours. After you have five years of service credit, you have earned a deferred benefit—which is your right to a retirement benefit that will be paid at a later time. If you are at least age 60, you are immediately eligible for retirement benefits.

## buying forward in a reduction in force

If your position is eliminated due to a reduction in force, you may be able to purchase service credit in order to be eligible for retirement benefits by “buying forward.” To buy forward, you must have five or more years of service credit and be within two years of reaching eligibility for retirement at the time of the reduction in force. You buy forward by making a final lump-sum contribution of the total of your contribution and the City’s contribution for the period of service you need to be eligible for retirement. You will begin receiving retirement benefits on the date of your eligibility.

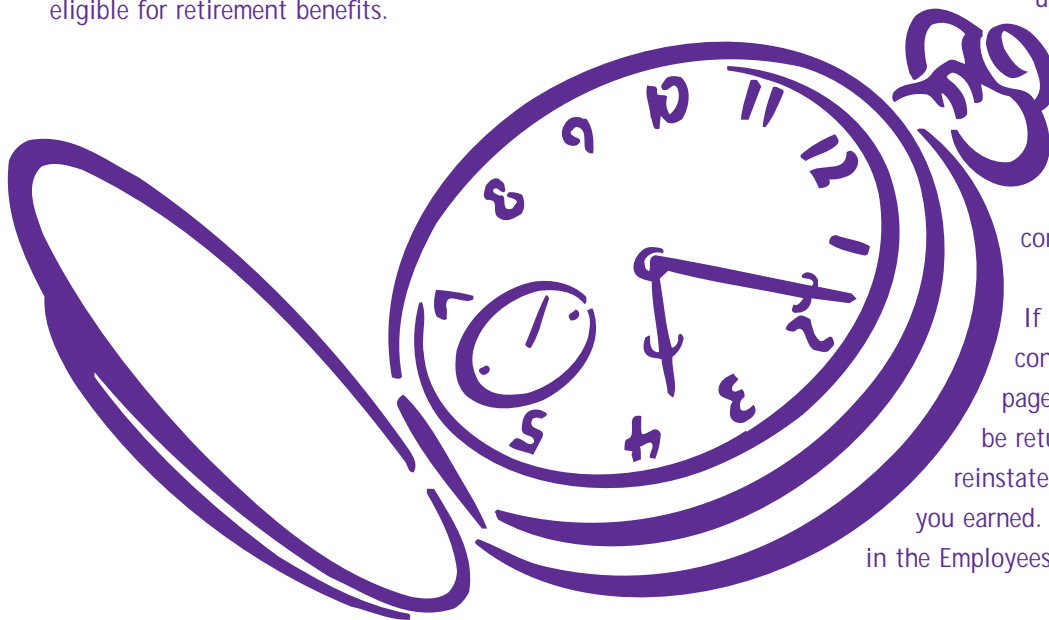
## if you are rehired

If you stop working for the City and are later rehired, the period before your rehire is called a break in service. If you previously deferred your retirement and you are later rehired by the City, your total service credit will include your original period of service but will not include your break in service.

You are eligible to reinstate your service credit if your break in service is six years or less and you received a refund of your contributions (described under “if you leave the city”)

upon termination. To reinstate service credit, you must repay the refund (with interest) to the Fund. You can request reinstatement within the 24 months after you complete 12 consecutive months of service.

If you previously forfeited your contributions (as explained on page 4), those contributions will not be returned—but you can request reinstatement of the prior service credit you earned. Reinstatement forms are available in the Employees’ Retirement Fund office.



# if you leave the city

You may have two options for your contributions when you leave the City—you may elect to receive a refund of your contributions or you may leave your contributions in the Fund.

## taking your contributions out

When you terminate, you can request a refund of your contributions from the Fund. If you take a refund, you will not be entitled to retirement benefits. If you do not have at least five years of service credit, you must request a refund.

**Any refund of contributions is made without interest and less any benefit payments. If you made contributions before December 17, 1997, you will receive two checks for your contributions. One check will be for the after-tax contributions you made before December 17, 1997, and the other for the before-tax contributions you made after December 17, 1997. You pay current federal income taxes only on a refund of before-tax contributions you have made since December 17, 1997.**

You may also make a direct rollover into another qualified plan. Only before-tax contributions made after December 16, 1997, are eligible for rollover. By making a direct rollover, you delay paying federal income taxes on your before-tax contributions until you withdraw them. The types of plans that may accept a direct rollover from the Fund include: individual retirement accounts (IRAs), individual retirement annuities, annuity plans, and qualified trusts.

Contact the Employee's Retirement Fund office for the appropriate forms and more detailed information on refunds and rollovers.

## if you have earned a deferred benefit

If you have at least five years of service credit when you terminate employment, you have earned a deferred benefit from the Fund. You are entitled to retirement benefits as long as you leave your contributions in the Fund. If you elect a refund of your contributions you will not be entitled to retirement benefits. If you have at least 10 years of service credit when you terminate, you are eligible for disability retirement benefits if you become disabled after termination.

## if you have not earned a deferred benefit

If you leave the City with less than five years of service credit, you will want to make a written request for a refund of your contributions within three years after your termination. Remember that no interest is paid on contribution refunds. If you do not make this request within three years, you will forfeit your contributions.

If you leave the City and then die less than three years later without receiving a refund, your beneficiary can apply for a refund of your contributions. If you die more than three years after termination and did not previously request a refund, your beneficiary will receive nothing because all your contributions will have been forfeited.

# if you retire

There are several ways you become eligible for retirement, as explained below.

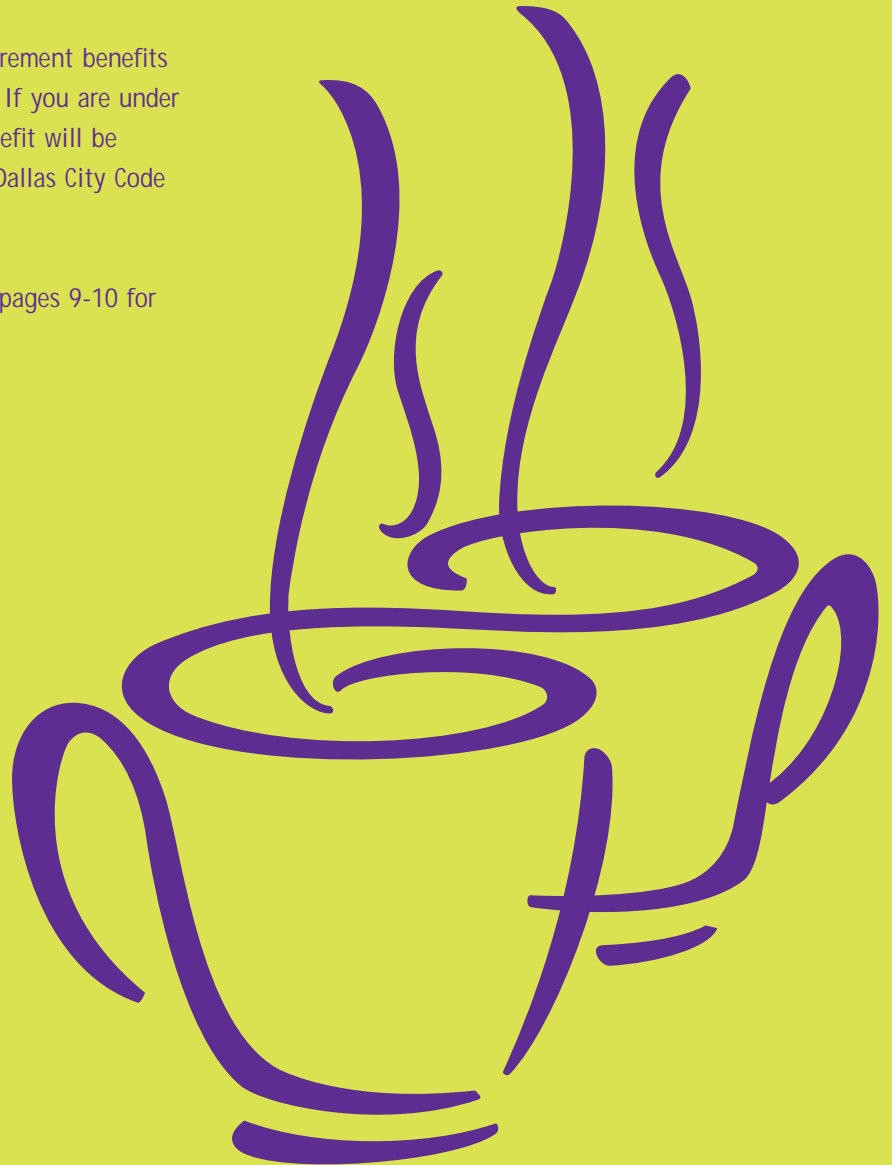
## eligibility for retirement

- **Normal retirement**—Age 60 is the normal retirement age. So if you retire at or after age 60, you will receive a normal retirement benefit.
- **Early retirement**—You may retire at age 55 if your credited service began before May 9, 1972.
- **Rule of 78**—You may retire at or after age 50 if your age and years of service credit added together total at least 78.
- **Service retirement**—You may receive retirement benefits when you have 30 years of service credit. If you are under age 50 when you retire, your monthly benefit will be reduced. Refer to 40A, Section 16 of the Dallas City Code for the age reduction table.

See “calculating your retirement benefit” on pages 9-10 for examples of retirement benefit calculations.

## if you are rehired after retirement

If you retire and are later rehired by the City in a permanent position that is eligible for participation in the Fund, you must notify the Fund to stop your retirement benefit payments. Retired City employees who return to work at the City as permanent employees may choose not to contribute to the Fund. You must re-apply for retirement benefits when you stop working for the City. If you made contributions during your re-employment, your new benefit will be based on any additional service credit you earned.



# if you become disabled

**y**ou may qualify for disability retirement if you become unable to work because of an illness or injury that leaves you totally and permanently disabled. Total and permanent disability means you have the continuing inability to secure and keep any type of employment. The Fund's Board of Trustees must approve disability retirements.

There are two types of disability retirement:

- **Service Disability**—If you become totally and permanently disabled while performing your job, you are eligible to apply for service disability benefits. There is no minimum service requirement.
- **Non-service Disability**—If your disability is not related to your work, you may apply for non-service disability benefits. The following Fund members are eligible for non-service disability retirement:
  - Active members with five or more years of service credit
  - Inactive members with 10 or more years of service credit.

The Board's procedures governing the disability application process are explained in "Disability Rules and Procedures," a document you can request from the Fund office.

## service disability benefits

If you retire with a service disability and you have less than 10 years of service credit, your benefit calculation will be based on 10 years of service credit. Your minimum monthly benefit is the greater of:

- \$500 a month or
- 10 years of service credit x 2.75% x average monthly pay

## non-service disability benefits

If you have a non-service disability, your retirement benefit is calculated as a percentage of your average monthly earnings on your termination date. You must have at least five years of service credit to apply for a non-service disability, but your benefit will be based on 10 years of service credit or your actual service credit if it is more than 10 years. The formula is:

$$\begin{array}{r} 10 \text{ years minimum service credit} \\ \times 2.75\% \\ \times \text{average monthly pay} \\ \hline = \text{non-service disability benefits} \end{array}$$

# if you die before retiring

If you die before you are eligible to retire, your beneficiary or designee will receive a death benefit (see the next page for more information on choosing a beneficiary). The benefit calculation is based on your years of service and whether your death is caused by a job-related injury or illness. See “choosing a benefit option” on pages 11-12 for more on how death benefits are paid.

## service death benefits

If an active Fund member dies on the job as the result of a job-related injury or illness, the Fund pays service death benefits to the member’s beneficiary. The death benefit is calculated on the greater of 10 years of service credit or the member’s actual service credit. The minimum service death benefit is \$500 per month.

## non-service death benefits

If you are an active Fund member who dies because of an injury or illness that is not the result of City employment, non-service death benefits depend on your years of service credit. If you have completed:

- Less than two years of service credit—your beneficiary will receive a refund of your contributions and no death benefits will be paid.
- Two or more years of service credit—death benefits will be paid to your eligible beneficiary or designee.

# choosing a beneficiary or designee

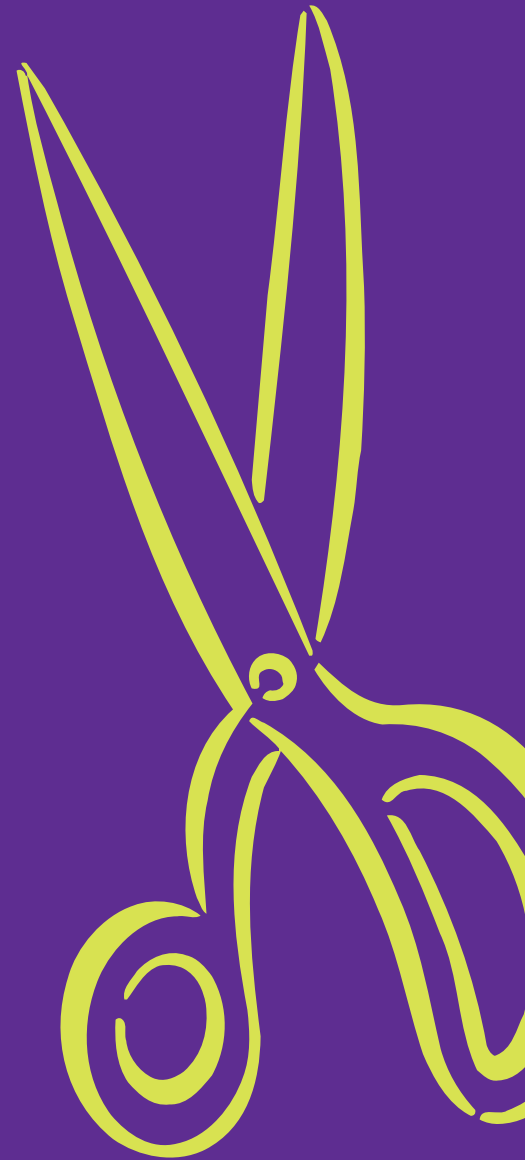
**W**hen you apply for retirement benefits you must name a beneficiary or designee to receive your benefit in case of your death. If you are married when you retire, the law requires your spouse to be your beneficiary. If you are single, you should complete a designee form. You may change your beneficiary or designee at any time before retirement by submitting a signed Beneficiary Form or Designee Form to the Fund administrator.

Your beneficiary or designee may be:

- **Your spouse**—If you are married and you want your beneficiary to be someone other than your spouse, he or she must agree on a signed and notarized Spousal Waiver Form filed with the Fund's administrator. If you and your spouse divorce, that spouse is no longer your beneficiary. If you marry after you retire, that spouse is not your beneficiary—but you may make that spouse your designee by submitting a Designee Form.

- **Your children**—If you are not married, your minor children under age 18 are automatically your beneficiaries. If your child was totally and permanently disabled before age 18, the child may be your beneficiary at any age. The benefit will be paid to the legal guardian of a child under age 18.
- **A parent**—You may name one of your parents as your beneficiary if you claim that parent as a dependent on your federal income tax return.

Your beneficiary receives a monthly payment after your death. A designee receives your benefit if you die with no beneficiary. A designee will be paid a lump sum benefit upon your death.



## if you get a divorce

- In a divorce, the court may enter a qualified domestic relations order (QDRO) requiring the Fund to divide benefits between you and your former spouse or your children. Contact the Fund office for information about a QDRO.

# calculating your retirement benefit

Your retirement benefit is calculated using a formula that includes your total service credit and the average of your monthly pay during your three highest-paid years. Your benefit may not exceed 100% of your salary.

2.75%
x Service credit*
x Average monthly pay
= Calculated monthly benefit

\*Benefits are prorated for any partial year of service credit.

The following examples show how the formula works for normal retirement and retirement before age 50.

## normal retirement

John retires from the City of Dallas at age 60 with 26 years of service credit. He earned \$32,000, \$34,000 and \$36,000 during his three highest-paid years. His retirement benefit is calculated as follows:

### step 1. average three highest-paid years

$$\begin{array}{r}
 \$32,000 \\
 \$34,000 \\
 \underline{\$36,000} \\
 \$102,000 \\
 \\
 \$102,000 \quad \text{Divide by 36 months (three years)} \\
 \div \quad 36 \\
 = \$2,833 \quad \text{John's average monthly pay}
 \end{array}$$

### step 2. benefit percentage

Multiply years of service credit by 2.75% to determine the percentage of average monthly pay to use in calculating the monthly retirement benefit:

$$\begin{array}{r}
 2.75\% \\
 \times \quad 26 \quad \text{Multiply by 26 years of service} \\
 = 71.5\% \quad \text{John's percentage of average} \\
 \quad \quad \quad \text{monthly pay}
 \end{array}$$

### step 3. monthly retirement benefit

Multiply average monthly pay by the percentage from step 2:

$$\begin{array}{r}
 \$2,833 \\
 \times \quad 71.5\% \\
 = \$2,025 \quad \text{John's estimated monthly} \\
 \quad \quad \quad \text{retirement benefit}
 \end{array}$$

John's estimated monthly benefit is \$2,025, but the actual amount of benefit payments will probably be different to reflect his choice of benefit option (explained on pages 11-12).

## retirement before age 50

Julia is 48 years old when she retires after earning 30 years of service credit. Her retirement benefit is calculated at \$2,000 per month, but because she is retiring before age 50 she will receive 87.2% of this monthly benefit:

Age at Retirement	Monthly Benefit	Reduction	Reduced Monthly Benefit
48	\$2,000	12.8%	\$1,744.00

Julia will get 87.2% of her benefit because she is retiring before age 50. For the complete age reduction table, refer to the Dallas City Code Chapter 40A, Section 16(c).

## cost-of-living adjustments

Each January 1, the base benefit amount for retirees and beneficiaries may be adjusted (up to 5%) to account for changes in the cost of living the previous year.

## health benefit supplement

To help you manage the costs of health care after you retire—or to help your beneficiaries after your death—the Fund pays a health benefit supplement in addition to the normal retirement benefit. You receive \$25 per month for each full year of service credit, up to \$125 a month.

## basic monthly benefit calculation

To use this table, first determine your three highest-paid years, then average those earnings. Your estimated base monthly benefit is listed in the row and column that correspond to your average earnings and years of service.

Years of Service	Final Average 3-year Earnings				
	\$20,000.00	\$30,000.00	\$40,000.00	\$50,000.00	\$60,000.00
5	\$ 229.17	\$ 343.75	\$ 458.33	\$ 572.92	\$ 687.50
6	\$ 275.00	\$ 412.50	\$ 550.00	\$ 687.50	\$ 825.00
7	\$ 320.83	\$ 481.25	\$ 641.67	\$ 802.08	\$ 962.50
8	\$ 366.67	\$ 550.00	\$ 733.33	\$ 916.67	\$ 1,100.00
9	\$ 412.50	\$ 618.75	\$ 825.00	\$ 1,031.25	\$ 1,237.50
10	\$ 458.33	\$ 687.50	\$ 916.67	\$ 1,145.83	\$ 1,375.00
11	\$ 504.17	\$ 756.25	\$ 1,008.33	\$ 1,260.42	\$ 1,512.50
12	\$ 550.00	\$ 825.00	\$ 1,100.00	\$ 1,375.00	\$ 1,650.00
13	\$ 595.83	\$ 893.75	\$ 1,191.67	\$ 1,489.58	\$ 1,787.50
14	\$ 641.67	\$ 962.50	\$ 1,283.33	\$ 1,604.17	\$ 1,925.00
15	\$ 687.50	\$ 1,031.25	\$ 1,375.00	\$ 1,718.75	\$ 2,062.50
16	\$ 733.33	\$ 1,100.00	\$ 1,466.67	\$ 1,833.33	\$ 2,200.00
17	\$ 779.17	\$ 1,168.75	\$ 1,558.33	\$ 1,947.92	\$ 2,337.50
18	\$ 825.00	\$ 1,237.50	\$ 1,650.00	\$ 2,062.50	\$ 2,475.00
19	\$ 870.83	\$ 1,306.25	\$ 1,741.67	\$ 2,177.08	\$ 2,612.50
20	\$ 916.67	\$ 1,375.00	\$ 1,833.33	\$ 2,291.67	\$ 2,750.00
21	\$ 962.50	\$ 1,443.75	\$ 1,925.00	\$ 2,406.25	\$ 2,887.50
22	\$ 1,008.33	\$ 1,512.50	\$ 2,016.67	\$ 2,520.83	\$ 3,025.00
23	\$ 1,054.17	\$ 1,581.25	\$ 2,108.33	\$ 2,635.42	\$ 3,162.50
24	\$ 1,100.00	\$ 1,650.00	\$ 2,200.00	\$ 2,750.00	\$ 3,300.00
25	\$ 1,145.83	\$ 1,718.75	\$ 2,291.67	\$ 2,864.58	\$ 3,437.50
26	\$ 1,191.67	\$ 1,787.50	\$ 2,383.33	\$ 2,979.17	\$ 3,575.00
27	\$ 1,237.50	\$ 1,856.25	\$ 2,475.00	\$ 3,093.75	\$ 3,712.50
28	\$ 1,283.33	\$ 1,925.00	\$ 2,566.67	\$ 3,208.33	\$ 3,850.00
29	\$ 1,329.17	\$ 1,993.75	\$ 2,658.33	\$ 3,322.92	\$ 3,987.50
30	\$ 1,375.00	\$ 2,062.50	\$ 2,750.00	\$ 3,437.50	\$ 4,125.00
31	\$ 1,420.83	\$ 2,131.25	\$ 2,841.67	\$ 3,552.08	\$ 4,262.50
32	\$ 1,466.67	\$ 2,200.00	\$ 2,933.33	\$ 3,666.67	\$ 4,400.00
33	\$ 1,512.50	\$ 2,268.75	\$ 3,025.00	\$ 3,781.25	\$ 4,537.50
34	\$ 1,558.33	\$ 2,337.50	\$ 3,116.67	\$ 3,895.83	\$ 4,675.00
35	\$ 1,604.17	\$ 2,406.25	\$ 3,208.33	\$ 4,010.42	\$ 4,812.50
36	\$ 1,650.00	\$ 2,475.00	\$ 3,300.00	\$ 4,125.00	\$ 4,950.00

These examples show estimates of retirement benefits. Your actual calculation and benefit amount will vary.

### example

Morgan retires with 17 years of service and final average earnings of \$30,000. According to the table, his monthly base benefit would be \$1,168.75.



# choosing a benefit option

The Fund offers three benefit payment options. You choose an option on the Survivor Option Form when you retire and apply for benefits, and you cannot change your choice after you retire. Before selecting a payment option, you should contact the Fund office to ask them to calculate your benefits under the options you want to consider.

**When selecting a payment option, keep in mind how you want your retirement benefit to provide for your own needs while you are living and for your beneficiary's needs after your death. If you die before selecting a payment option, your beneficiary will make the choice.**

You receive retirement benefits after you retire until you die. The Fund guarantees that you—or your beneficiary—will receive at least 10 years (or 120 months) of retirement benefit payments. (This benefit guarantee is called “10 years certain.”)

The monthly benefit amount you receive during your lifetime depends on whether you elect a payment option that continues the monthly payment after your death.



## life with 10 years certain

This option pays you full (unreduced) benefits for your lifetime. If you die before receiving 120 monthly payments, your beneficiary receives the same monthly benefit for the balance of the 120 months. If you have no eligible beneficiary, your designee receives a final lump sum payment equal to the present value of the remainder of the 120 monthly payments.

### Example

Marilyn retires at age 60 with 15 years of service credit. Her monthly benefit is calculated at \$1,050. She receives this amount until her death eight years later. Her beneficiary then receives \$1,050 a month for the remaining 24 months of the guaranteed 120-month benefit period. If Marilyn had no one eligible to receive the monthly benefit, her estate or designee would be paid a lump sum of the present value of the remaining 24 months, or \$23,035.

## joint and one-half survivor with 10 years certain

This option pays you full (unreduced) benefits for your lifetime. After your death, your beneficiary receives one-half of your monthly benefit for the rest of his or her life. If you both die before receiving 120 monthly payments, your designee receives a final payment equal to the present value of the remainder of the 120 monthly payments.

### Example

Marilyn receives her monthly benefit of \$1,050 for eight years until her death. Her beneficiary then receives half of the benefit amount, or \$525 a month, until the beneficiary's death three years later. When the beneficiary dies, monthly benefit payments stop.

## joint and full survivor with 10 years certain

This option is available to you only if you have at least 15 years of service credit or you are at least age 60. This option pays you reduced benefits for your lifetime, and after your death your beneficiary receives the same monthly payment for the rest of his or her life. The benefit is calculated according to your age and your beneficiary's age when you retire.

### Example

Marilyn's monthly retirement benefit is calculated at \$1,050 a month, but it is then reduced to \$960 a month using a formula that estimates how long both she and her beneficiary will live. When Marilyn dies eight years later, her beneficiary continues to receive \$960 a month until death.

## present value

Present value is what your future benefits are worth in today's money. The Fund's actuary calculates present value of your total remaining benefits by making an assumption about the interest the money would earn if it continued to be invested in the Fund rather than being paid today.

Si usted quiere este folleto en Español, por favor llame a (214) 580-7700.

This brochure is intended to describe the highlights of the Employees' Retirement Fund of the City of Dallas. It is not a contract of employment or a guarantee of benefits. Chapter 40A of the Dallas City Code, which contains the complete provisions of the program, governs the Fund. In case of a conflict between this highlights brochure and the provisions of the Code, the Code governs. You should contact the Fund office for detailed information regarding your situation before making any decision about your retirement benefits. The Fund's staff is available to provide scheduled, confidential retirement counseling.

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