



WICHITA EMPLOYEES' RETIREMENT SYSTEM

PLAN 2

August, 2004

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INTRODUCTION

The purpose of the Wichita Employees' Retirement (WER) System is to establish an orderly means whereby noncommissioned City of Wichita employees may retire from active service; and to enable employees to accumulate reserves for themselves and their dependents to provide for old age, disability, death, and termination of employment.

This publication has been prepared to explain the benefits and other provisions of the (WER) System – Plan 2; and in the interest of simplicity, certain generalizations have been made. In all cases, the text of the law and the rules adopted by the Board of Trustees will control.

The information contained in this booklet pertains ONLY to the provisions of Plan 2 of the WER System. Plan 2 applies to all employees hired or rehired on or after July 18, 1981; employees who voluntarily elected, in writing, to convert from Plan 1 to Plan 2 prior to December 18, 1981; and to all employees hired after January 1, 1994, who become vested and do not elect to remain in Plan 3.

The Wichita Employees' Retirement System is a qualified governmental pension plan under Sections 401 (a) and 414 (d) of the Internal Revenue Code.

MANAGEMENT OF THE WICHITA EMPLOYEES' RETIREMENT SYSTEM

The Wichita Employees' Retirement Board of Trustees administers the WER System (Plans 1, 2, and 3).

16-Member Board of Trustees:

- City Manager or the City Manager's designee;
- One (1) employee appointed by the City Manager;
- Seven (7) members appointed by the City Council;
- Seven (7) employees elected by WER employee members.

Ex-officio, non-voting members:

- Pension Manager, Executive Secretary;
- City Treasurer, Custodian of the Fund;
- City Controller;
- Dept. of Law staff member, Legal Advisor.

11-Member Joint Investment Committee (JIC):

- President of the WER Board;
- President of the Police & Fire Retirement Board;
- Two (2) employee elected members from each Board;
- Two (2) City Council appointees from each Board;
- City Manager's designee.

The JIC is responsible for development and implementation of the Strategic Plan and Investment Policies for the Wichita Retirement System Fund comprised of assets of the Wichita Employees' and Police & Fire Retirement Systems.

The WER Board and Joint Investment Committee employ professional advisors to ensure sound management of the System and Fund investments:

1. Professional money managers to invest Fund monies operating under what is commonly known as the "prudent man rule" in that they are expected to manage the Fund in the same manner they would manage their own affairs, and in compliance with the Strategic Plan and Investment Policies set forth in the provisions of the City of Wichita's Retirement Ordinance;

2. An investment consultant who monitors and evaluates the investment performance of the money managers, and advises the Board on matters dealing with asset allocation and long-range investment planning;
3. An actuary who serves in the capacity of “technical advisor” to the Board in all matters relating to the Retirement Plan, provides an annual valuation of the liabilities and assets, provides an annual determination of the contributions needed to meet the requirements for payment of annuities and benefits, and certifies the results of this valuation to the Board;
4. Such other consultants or advisors necessary to conduct the business of the Board.

PLAN 2 MEMBERSHIP AND PROVISIONS

Eligibility for membership

WER Plan 2 members are full-time employees of the City of Wichita hired after July 18, 1981 and before January 1, 1994. Membership also includes employees who previously elected to convert from Plan 1 to Plan 2, and vested employees who transfer to Plan 2 from Plan 3.

Employees excluded from Plan 2 membership:

- 1) Commissioned police and fire officers;
- 2) Seasonal, temporary, limited, or part-time employees;
- 3) Plan 1 members;
- 4) Employees hired after January 1, 1994 who have less than seven (7) years of service or who have elected to remain members of Plan 3.
- 5) Employees in pay range 000—006 who are members of ICMA.

Vesting is the earned right of the employee to retirement benefits, subject to requirements set forth in the Ordinance. In a defined benefit plan such as Plan 2, being vested is a guarantee of the employee's right to receive a monthly retirement benefit during his or her lifetime upon termination from City service; provided, the employee has not received a refund of contributions and that the age requirements set forth in the provisions of the Ordinance have been met. All Plan 2 members are vested with at least 7 years of service.

Deferred pensioners are Plan 2 members who terminate their service with the City of Wichita and leave their contributions in the Retirement Fund until they reach age 62 (for full) or age 55 (for reduced benefits). "Deferred pensioners" do not receive any betterments approved by the legislative body after termination of service unless specifically provided for in the Ordinance.

Required Contributions to the Plan

At the inception of Plan 2 (July 18, 1981), each employee contributed 3.0% of salary to the WER System (salary includes ONLY base pay plus longevity – does NOT include overtime, lump sum vacation, or reimbursement for automobile use, mileage or other similar expenses).

Beginning August 1, 1990, the employee contribution increased to 4.1% of salary. Plan 2 members approved this increase to pay the costs of benefit improvements.

Effective February 19, 2000, the employee contribution increased to 4.7%. Plan 2 members approved this increase to pay for a 2% Post-Retirement Adjustment (PRA) following 12 months of retirement.

PLAN 2 BENEFITS

Service Retirement

Benefits described in this booklet apply to persons retiring on or after January 1, 2000, unless otherwise stated.

Eligibility Members are eligible for service retirement upon attaining age 62 **and** completion of 7 full years of actual service with the City.

Creditable Service Actual service plus accumulated unused sick leave (SL) equals creditable service. Unused SL credit **may not** be used to meet either the minimum age or actual service requirements.

Retirement Benefit 2.25% each year (0.1875% per month) of creditable service, **not to exceed 75%**.

Final Average Salary (FAS) The 3 consecutive years, 78 consecutive pay periods, having the highest salary within the last 10 years of actual service.

Retirement benefit is calculated with the following formula:

$$\text{(Creditable service)} \times (2.25\%) \times (\text{FAS})$$

EXAMPLE 1

Sam A. Worker is 62 years old and has 20 years of actual service plus 9 months of unused SL credit for a total of 20 years, 9 months of creditable service.

$$\text{Retirement benefit - 20 yrs. X 2.25\% + 9 mos. X 0.1875\% = 46.6875\%}$$
$$46.6875\% \times \text{FAS of } \$3,325.00 = \underline{\$1,552.36} \text{ monthly benefit}$$

EXAMPLE 2

Sara G. Employee is 64 years old and has 34 years, 3 months of actual service plus 11 months of unused SL for a total of 35 years, 2 months of creditable service.

Retirement benefit - 35 yrs. X 2.25% + 2 mos. X 0.1875% = 79.1250%

*** 75% X FAS of \$3,325.00 = \$2,493.75 monthly benefit**

*** 75% is the maximum benefit allowed**

Early Retirement

A Plan 2 member is eligible for early retirement at age 55 and having at least 7 full years of actual service with the City. The monthly benefit is **reduced by 0.6%** per month (or part of a month) that the employee is below age 62 (normal retirement age).

Early retirement at age 55 reduces monthly benefit by 50.4%

EXAMPLE 3

Michael M. Mechanic is 57 years old and has 20 years, 7 months of actual service + 6 months of unused SL credit for a total of 21 years, 1 month of creditable service.

Retirement benefit - 21 yrs. X 2.25% + 1 mo. X 0.1875% = 47.4375%

47.4375% X FAS of \$3,325.00 = \$1,577.30 per month

0.6% X 60 months = 36% reduction for early retirement

\$1,577.30 - \$567.83 = \$1,009.47 / month early retirement benefit at age 57

POST-RETIREMENT ADJUSTMENT

All participants retiring after February 18, 2000, receive a post-retirement adjustment (PRA) to their benefit following 12 months of retirement and each year thereafter. The annual PRA increase is equal to 2% of their retirement benefit (not compounded).

EXAMPLE 4

Joe Retiree was granted a base retirement benefit of \$1,800 per month with an effective retirement date of June 15, 2003. On July 1st of the following year and each year thereafter, Joe's monthly benefit will increase by his PRA amount of \$36 (2% of \$1,800) computed as follows:

Beginning July 1, 2004.....\$1,800 + 36
Beginning July 1, 2005.....\$1,836 + 36
Beginning July 1, 2006.....\$1,872 + 36

MANDATORY RETIREMENT

There is NO mandatory retirement age under the WER System.

**OPTIONAL RETIREMENT
ANNUITIES**

An employee may elect a reduced retirement benefit and thereby provide an increased benefit for a surviving spouse or, if unmarried, a retirement benefit for a specified beneficiary. For example, the employee may wish to provide a benefit greater than the 50% benefit allowed the surviving spouse, or the 10% or 20% benefit allowed for a dependent child. The amount payable to a beneficiary under this section may not be more than the reduced retirement allowance payable to the retired employee.

The amount of reduction and the pension to both member and beneficiary are based on approximate equivalent formulas established by the actuary. If the designated beneficiary(ies) dies before the retired employee, the retiree's pension benefit increases to their normal retirement benefit.

DEATH BENEFITS

Death of an Employed Member

Death of a member with no surviving spouse or minor child(ren); the designated beneficiary(ies) receive:

1. Refund of the member's contributions to the Retirement System, plus 5% annual interest; and
2. Lump sum "death benefit" equal to 1 month's salary for each completed year of service up to a maximum of 6 months' salary (salary at the date of death is used for this computation).

Death of a member with a surviving spouse and/or minor child(ren) at the date of death; benefits are:

1. Surviving spouse receives a lifetime benefit equal to 50% of the benefit earned by the employee on the date of death;
2. Each surviving minor child receives a benefit equal to 10% of the benefit earned by the employee on the date of death. They continue to receive the benefit until they are 18 years old, married, or deceased.

Total payments to the surviving spouse and minor child(ren) will not exceed 75% of the employee's final average salary; any necessary reduction will be made from the surviving spouse's benefit as long as the surviving child(ren) remain eligible for their benefit.

Death of a member with no surviving spouse, but with surviving minor child(ren) at the date of death; benefits are:

Each surviving minor child receives a benefit equal to 20% of the benefit earned by the employee on the date of death. They continue to receive the benefit until they are

18 years old, married, or deceased.

Total payments to the minor child(ren) will not exceed 60% of the employee's final average salary; each benefit shall be reduced pro-rata, if necessary.

Death of a Retired Member

Death of a retired member with no surviving spouse or minor child (ren); the designated beneficiary(ies) receive:

1. Partial benefit from 1st day of month through date of death; and
2. Refund of any remaining balance of member's contributions to the Retirement System, plus 5% annual interest.

Death of a retired member with a surviving spouse and/or minor child(ren) at the date of death; benefits are:

1. Upon proof of marriage to retired member for 12 months prior to death, surviving spouse receives a lifetime benefit equal to 50% of the member's benefit at the time of death;
2. Each surviving minor child receives a benefit equal to 10% of the member's benefit at the time of death. They continue to receive the benefit until they are 18 years old, married, or deceased.

Total payments to the surviving spouse and minor child(ren) will not exceed 75% of the member's retirement benefit at the time of death; any necessary reduction will be made from the surviving spouse's benefit as long as the surviving child(ren) remain eligible for a benefit.

Death of a retired member with no surviving spouse, but with surviving minor child(ren) at the date of death; benefits are:

Each surviving minor child receives a benefit equal to 20% of the member's benefit on the date of death. They continue to receive the benefit until they are 18 years old, married, or deceased.

Total payments to the minor child(ren) will not exceed 60% of the member's final average salary; each benefit will be re-

duced pro-rata, if necessary.

Nomination of Beneficiary(ies)

At the time of employment, all employees are required to complete the retirement membership record form designating a specific beneficiary or beneficiaries. IT IS OF THE UTMOST IMPORTANCE that all employees keep their designated beneficiary(ies) current. If you need to change your beneficiary(ies) due to death, change in marital status, or for any other reason, contact the Personnel Office, 2nd Floor, City Hall.

RETIREMENT BASED ON DISABILITY

Disability is defined as the total inability to perform permanently any duties for the City which the employee might reasonably be expected to perform in view of training, experience, and education.

Service-Connected (S/C) Disability

Members are eligible for retirement if they become permanently and totally disabled and the disability is shown to have occurred in the course of employment with the City. The member is then eligible for retirement irrespective of age or length of service. The service-connected disability benefit is 50% of the most current (final) salary received.

EXAMPLE 5

Based on supporting medical evidence, Allen Doe was granted a S/C disability retirement, monthly benefit computed as follows:

$$50.0\% \times \$2,750 \text{ (final salary)} = \underline{\$1,375} \text{ monthly benefit}$$

NOTE: Any amount received under the State Worker's Compensation Act (except medical expenses) shall be deducted from the disability retirement benefit.

Non-Service Connected (N/S/C) Disability Members under the age of 62 who become permanently and totally disabled

EXAMPLE 6

Based on supporting medical evidence, Sue Smith (54 yrs. old with 10 years actual service) was granted a N/S/C disability retirement, monthly benefit computed as follows:

$$25.0\% \times \$3,950 \text{ (final salary)} = \underline{\$987.50} \text{ monthly benefit}$$

as the result of illness, disease, or non-job related injury, are entitled to a N/S/C disability benefit equal to 25% of the most current (final) salary.

To obtain a disability retirement, the employee must apply in writing within 60 days of incurring the disability. The determination of disability will be made by the WER Board of Trustees on the basis of medical examination by at least 2 physicians. The retirement benefit may be made retroactive to the date when salary or wages of the disabled employee ceased. Disability retirement is not allowed if the disability was caused by willful misconduct or intoxication of the disabled employee.

Once a disability retirement is approved by the Board, periodic medical examinations may be required during the period of disability until age 62. The frequency and scope of examinations are determined by the Board. The Board will pay the expense of any required examinations.

The Board may terminate a disability retirement benefit upon evidence that the member is no longer disabled for service. If a benefit is terminated and the member does not re-enter service, contributions (in excess of the total disability benefit received) to the Retirement System by the member will be refunded without interest.

Application for retirement based on "age and length of service" is an irrevocable waiver of any future claim for disability benefits.

An employee who believes they may be eligible for disability retirement should contact the Pension Management Office, 268-4544, to obtain application forms and information regarding required documentation of the disability claim.

Reduction or Termination of Retirement Benefits

Disability retiree with outside employment A disability retiree employed for compensation other than by the City, will have the monthly disability benefit reduced to an amount which, when added to income from gainful occupation, does not exceed the rate of salary currently being paid for the position classification (i.e. salary range and step) similar to that held by the member at commencement of disability retirement.

While under the age of 62, disability retirees are required to annually submit to the Pension Management Office an authenticated copy of their Federal Income Tax Return (accompanied by related W-2 Forms), reflecting income from gainful employment for the preceding year.

Disability retiree re-entering City employment When a disability retiree re-enters City service, the disability retirement benefit is immediately terminated. For future retirement purposes, if employment by the City extends for at least 3 years thereafter, service credit will be granted for the period of time during which disability benefits were received. If re-employed for less than 3 years, creditable service will be granted only during the period of re-employment with the City. Such employee will be reinstated as a member of the Retirement Plan to which they belonged at the date disability retirement commenced.

Deferred Retirement Option Plan DROP

The DROP is available to Plan 2 members who are:

- Eligible for retirement based on age and length of service; **and**
- Choose to continue their employment for 1 to 60 months.

How the **DROP** works:

1. 30 days prior to normal retirement date, employee elects to retire and participate in the DROP for a period of 1 to 60 months;
2. Retirement benefit is calculated as of the day prior to the DROP beginning date;
3. During the DROP period, employee works, receives their normal salary and benefits, and continues their contributions to the Retirement System;
4. Employee's retirement benefit plus 5% annual interest accumulates during the DROP period;
5. When active service terminates at the end of the DROP period, the retiree receives a lump sum distribution of their DROP balance and begins to receive their monthly retirement benefit on the first of the month following termination of service.

With an election to DROP, the employee's retirement benefits are calculated. Accumulated sick leave may be used to increase creditable service, but may not be used to meet minimum age requirements. Sick leave used in the retirement benefit calculation is no longer available to the employee.

At the end of the elected DROP period **and** termination of active service, the DROP balance will be distributed, within 90 days, according to direction of the employee (lump sum payment, direct roll-over, or combination of the two). Failure to complete the DROP period as a result of employee's actions (voluntary resignation or termination with cause) results in loss of the 5% annual interest accumulation.

TERMINATION OF EMPLOYMENT

Any employee leaving service before becoming eligible for retirement may, upon written request, withdraw all contributions made to the Retirement System by contacting the Pension Management Office, 12th Floor, City Hall. An employee who has signed the "Application for Retirement Refund" form **and** received his final payroll check will receive a refund check approximately 4 to 6 weeks following their termination date. Refunds are for the employee's to-

tal contributions plus 5% annual interest.

Employees transferring from permanent, full-time employment status to part-time, limited or seasonal status, or accepting employment for a position covered by the Police & Fire Retirement System must submit an application for a refund of their retirement contributions; or, if vested, may leave their contributions in the Retirement Fund and defer their pension benefit until they are eligible.

If in the future the employee returns to permanent, full-time status, they will become a member of Plan 3 with the option to convert to Plan 2 upon completion of 7 years.

DEFERRED PENSION

Plan 2 members who leave City service may elect to leave their contributions in the Retirement System and defer their benefit until they reach age 55 for early (reduced) benefit or age 62 for normal (unreduced) benefit. This election must be made in writing to the Pension Management Office within 60 days of their termination.

Upon becoming a deferred pensioner, the amount of their pension benefit is indexed annually by the same ratio as the change in the National Average Earnings Index determined by Social Security to a maximum of 5.5%.

Deferred pensioners may elect to withdraw their contributions at a later date; however, interest does not accrue beyond their termination date.

RE-EMPLOYMENT

1. All employees entering or re-entering service on or after January 1, 1994 are Plan 3 members. Those who do not elect to remain in Plan 3 after 7 years, will become Plan 2 members.
2. Employees who left service and received a refund of contributions will become Plan 3 members upon re-entry into service after January 1, 1994. They may purchase all or part of their

prior Plan 2 service by paying into the Retirement System the amount of the refund, plus 7% annual compounded interest. At the time of purchase, the employee's Plan 3 service added to his purchased Plan 2 service must be at least 7 years, and the member must make an election to transfer to Plan 2.

3. Prior service credit in Plan 2 may be purchased at any time after the employee has transferred to Plan 2. Up to 10 years of prior service may be purchased; however, service may only be purchased once during the employee's re-employment.
4. Plan 2 members who left service and became a deferred pensioner by leaving their retirement contributions in the Fund, upon re-entry into service, may elect to transfer to Plan 2 and continue earning service credit. Deferred members who meet the age/service requirements to draw their pension are not eligible to receive a pension while actively employed by the City of Wichita in a full-time position.
5. Military Leave - Employees who are called to active duty in time of war or national emergency upon their return to City service may continue in the retirement plan they were under on the date they entered military service if: (1) they did not receive a refund of contributions; and (2) they returned to the City as prescribed by the Uniformed Services Employment and Re-employment Rights Act (USERRA). Additionally, they will receive service credit for their military leave if the employee & employer contributions are made for the time of their absence. Employees must contact Pension Management upon returning to arrange for payment of contributions.
6. Retiree re-entering City employment. Retired employees will have their retirement benefits suspended upon re-employment by the City. Upon termination, payment of the retirement benefit is resumed. Nothing herein shall be construed to prohibit the employment of retired persons in an "advisory or consultant capacity, or an independent contractor basis."

PROCESSING YOUR RETIREMENT

Once you have made your decision to retire you should contact the Pension Management Office, 268-4544, to request an estimate of benefits form at least 45 days prior to retirement. When applying for retirement, you will need to furnish the following documents:

- A copy of your birth certificate;
- A copy of your spouse's birth certificate;
- A copy of each minor child's birth certificate;
- A copy of the marriage certificate with current legal spouse;
- A divorce record for each prior marriage entered by you and/or your present legal spouse;
- Your spouse's social security number and date of birth.

At the time you file application for retirement, you will be informed as to your eligibility for group health insurance benefits.

ASSIGNMENT OF BENEFITS QUALIFIED DOMESTIC RELATIONS ORDERS

Except as otherwise provided by law, your interest under the Plan cannot, prior to distribution to you, be sold, assigned, or transferred and is not subject to any debts or claims against you. However, a Qualified Domestic Relations Order (QDRO) arising from a divorce or similar proceeding may affect your pension benefits received once you retire or terminate your employment with the City.

DEFERRED COMPENSATION

Deferred Compensation is a tax-deferred savings program available to active employees. This is an IRC §457 plan allowing pre-tax contributions to grow until funds are withdrawn when employment is terminated, usually at retirement. The investment of individual accounts is employee directed utilizing investment options available from the Deferred Compensation provider. The annual contribution limits are governed by the Internal Revenue Code. For more information or to enroll, call 268-4551.

SOCIAL SECURITY BENEFITS

If you have questions regarding your benefits under the Social Security Program, you may contact that office at 8533 E. 32nd St. North, Wichita, KS 67226, 1-800-772-1213.

DISCLAIMER

The information contained in this booklet is intended only as a summary description of the provisions of the Wichita Employees' Retirement System Plan 2. The actual provisions as set forth in Chapter 2.28 of the City Code will govern the rights of all System members, their spouses, and minor children. No statement in this booklet is considered a legally binding interpretation, enlargement, or amendment to the provisions contained in Chapter 2.28 of the City Code. Those provisions control all rights to benefits provided

NOTES:

If you have questions about your retirement plan with the City of Wichita, contact Pension Management:

- ⇒ **On the Internet, go to wichita.gov and click on Finance/Treasury/Pension Management.**
- ⇒ **Call 268-4544**

