

Henrico County Public Schools

Getting Ready to Retire



Henrico County Public Schools
Pre-Retirement Seminar
Getting Ready to Retire

Retirement from Henrico County Public Schools (HCPS)

As a potential retiree from HCPS, it is very important to review and consider how retirement impacts your final paycheck, leave payout, participation in the Post Retirement Earnings Program (PREP), and eligibility for employee benefits. Eligibility and cost of designated benefits programs/plans may change due to retirement.

For your reference, overviews pertaining to the Virginia Retirement System (VRS), HCPS retirement facts, and HCPS benefits are provided in 3 separate tables following this section.

Section 1 - Virginia Retirement System (VRS) Overview

Topic	Overview	Reference
Plan Types	<p>The three plan types for HCPS employees are the following:</p> <ul style="list-style-type: none"> • VRS Plan 1 • VRS Plan 2 • VRS Hybrid Retirement Plan 	Page 4
Vesting	<ul style="list-style-type: none"> • Vesting is the minimum length of service to qualify for a retirement benefit. • An employee becomes vested when they have at least five years (60 months) of service credit. 	Page 4
Types of Retirement	<ul style="list-style-type: none"> • Unreduced Retirement • Reduced Retirement • Disability Retirement 	Pages 4 and 5
Benefit Payout Options	<ul style="list-style-type: none"> • Basic Benefit • Survivor Option • Partial Lump-Sum Option Payment (PLOP) • Advance Pension Option 	Pages 6 and 7
Life Insurance	<ul style="list-style-type: none"> • Basic Group Life Insurance • Optional Group Life Insurance 	Pages 8 and 9

Section 2 - HCPS Retirement Facts

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Topic	Quick Fact(s)	Reference
Final Pay	An employee's final paycheck is issued based on their contract (semi-monthly) or work schedule (biweekly).	Page 10
Leave Payout	<ul style="list-style-type: none"> • Leave payouts are based on the HCPS Policies and Regulations designated maximums. • Annual, sick, and personal leave payouts (as applicable) are issued in the appropriate payroll period after final leave usage has been submitted by timekeeper. 	HCPS Policies and Regulations Pages 10 and 11
PREP	<p>Employees must refer to HCPS Policies and Regulations to review all requirements for PREP. Below are a few highlights pertaining to this program:</p> <ul style="list-style-type: none"> • Plan only exists on a year by year basis per inclusion and approval as part of the annual budget. • Last ten years employment immediately preceding retirement must be full-time with Henrico County Public Schools. • Must have a minimum of sixteen years coverage under Virginia Retirement System (VRS). • Attainment of age between 50 and not having attained the age for full, unreduced Social Security benefits. • Deadline to request permission to enter the program is February 1 of the current fiscal year. Entrance into the program is effective July 1. Any exceptions must be approved by the Superintendent. • Must satisfy a bona fide 30 day break of service. 	HCPS Policies and Regulations Page 11
Direct Deposit	If changes to current direct deposit accounts are desired, updated direct deposit forms must be submitted to the Payroll Office.	Page 11

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Section 3 – HCPS Benefits Overview

Program/Plan	Overview	Reference
Health Insurance	<ul style="list-style-type: none"> • Retirees under 65 and non-Medicare eligible will have the same health care plans available as active HCPS employees at full cost. • Retirees at the age of 65 or becoming Medicare eligible due to disability must enroll in Medicare Part B. <ul style="list-style-type: none"> ○ Health insurance choices will be made through Via Benefits. ○ Via Benefits serves retirees residing in Virginia or out-of-state. 	Page 12
Dental Insurance	Retirees will have the same dental plans available as active HCPS employees.	Page 13
Flexible Spend Accounts (FSA)	FSA ends at retirement from HCPS.	Page 13
Long Term Income Protection (LTIP)	<ul style="list-style-type: none"> • LTIP ends at retirement from HCPS. • LTIP plan does not apply to VRS Hybrid employees. 	Page 13
Short Term Income Protection (STIP)	<ul style="list-style-type: none"> • STIP ends at retirement from HCPS. • STIP plan does not apply to VRS Hybrid employees. 	Page 13
Mutual Fund Platform	<ul style="list-style-type: none"> • Retirees are eligible to continue in the program. 	Page 13

Section 1 - VRS Retirement Information and Options

VRS Plan Types

Your VRS membership is based on one of three different plan types determined by the criteria below:

- VRS Plan 1
 - My VRS membership date is **before July 1, 2010**.
 - I was vested as of January 1, 2013.

- VRS Plan 2
 - My membership date is before **July 1, 2010**, and I was not *vested* as of **January 1, 2013**; or
 - My membership date is from **July 1, 2010, to December 31, 2013**.

- Hybrid Retirement Plan
 - New members with no previous VRS service credit whose membership date is on or after **January 1, 2014** are eligible to participate in the Hybrid Retirement Plan.
 - If you were previously employed in Plan 1 or Plan 2 and took a VRS service refund, and are now employed in a VRS position, you become a Hybrid Retirement Plan employee.

Vesting

Vesting is the minimum length of service needed to qualify for a retirement benefit. You become vested in VRS when you have at least five years (60 months) of service credit. Once you are vested, you are eligible for a retirement benefit if you meet the age and service requirements for your plan.

Unreduced Retirement

Eligibility for unreduced retirement is based on the requirements for your designated plan type.

- VRS Plan 1
 - Normal retirement age is age 65. You become eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. The average final compensation (AFC) used for this plan to calculate your retirement benefit is based on the highest 36 consecutive months of AFC.

- VRS Plan 2
 - You become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of creditable service or when your age and service equal 90. Example: age 60 with 30 years of service. The AFC used for this plan to calculate your retirement benefit is based on the highest 60 consecutive months of AFC.

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- VRS Hybrid Retirement Plan
 - You become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of creditable service or when your age and service equal 90. Example: age 60 with 30 years of service.
 - Your VRS benefit will be enhanced by the amount of funds that you have invested both voluntarily and required through your ICMA Deferred Compensation accounts.
- The AFC used for this plan to calculate your retirement benefit is based on the highest 60 consecutive months of AFC for the defined benefit component.

Reduced Retirement

A VRS member may receive a reduced retirement benefit as defined by their VRS plan type.

- VRS Plan 1
 - You may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. To determine your reduced benefit, VRS applies an early retirement reduction factor to the benefit you would receive if you retired with an unreduced benefit. AFC used for this plan to calculate your retirement benefit is based on the highest 36 consecutive months of AFC.
- VRS Plan 2
 - You may retire with reduced benefits as early as age 60 with at least five years (60 months) of creditable service. The AFC used for this plan to calculate your retirement benefit is based on the highest 60 consecutive months of AFC.
- VRS Hybrid Plan
 - You may retire with a reduced benefit as early as age 60 if you have at least five years of creditable service. For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org. The AFC used for this plan to calculate your retirement benefit is based on the highest 60 consecutive months of AFC for the defined benefit component.

Disability Retirement

- VRS Plan 1 and Plan 2 employees are eligible for a disability retirement benefit.
- VRS Hybrid employees are **not** eligible for a disability retirement benefit.

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Benefit Payout Options

When you apply for retirement, you will need to choose your benefit payout option. The payout options are:

- Basic Benefit
- Survivor Option
- Partial Lump-Sum Option Payment (PLOP)
- Advance Pension Option.

The option you elect is irrevocable. This means you cannot change the option selected after you retire, with the exception of the Survivor Option under some conditions.

Basic Benefit

Basic Benefit is a monthly benefit based on a formula. If you retire with a reduced benefit, VRS will apply an early retirement reduction factor to your unreduced Basic Benefit amount. The Basic Benefit does not provide a continuation of a benefit to a survivor. However, your beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account upon your death. The Basic Benefit will provide the highest monthly payment to you in retirement.

Survivor Option

With the Survivor Option, you elect to receive a lower monthly benefit during your retirement so your survivor can receive a monthly benefit after your death. If you elect this option, you will choose a whole percentage of your benefit, between 10 percent and 100 percent, to go to your survivor. Your benefit amount will be based on this percentage, your age and the age of your survivor at your retirement date.

You can name any living person as your survivor; you also can name more than one survivor. The Internal Revenue Service (IRS) may limit the amount of your benefit that can go to a non-spouse survivor. For additional information including a chart on maximum survivor option percentages, contact the IRS toll free at 1-800-829-1040 or visit www.irs.gov for changing the Survivor Option.

You can name a new survivor or revert to the Basic Benefit if:

- Your survivor dies;
- Your survivor is your spouse and you divorce with fewer than 20 years of marriage;
- Your survivor is your spouse, you divorce after 20 or more years of marriage and your spouse dies, remarries or consents in writing to a change in benefit; or
- You provide VRS a written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.

Note: If you are divorced and VRS has an Approved Domestic Relations Order (ADRO) on file, your benefit must be paid as directed by the ADRO.

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Partial Lump-Sum Option Payment (PLOP)

The Partial Lump-Sum Option Payment is a retirement benefit payment option that reduces your monthly retirement benefit to provide a one-time lump-sum payment at retirement.

Qualifying for PLOP

- If you work at least one year beyond the date you first become eligible for an unreduced retirement benefit, you may elect to receive a one-time Partial Lump-Sum Option Payment (PLOP). This option reduces the amount of your monthly benefit. You may elect the PLOP option along with the Basic Benefit or Survivor Option.
- You may choose a lump sum equal to one, two or three times the amount of your annual Basic Benefit. The amount depends on how long you work beyond the date you first become eligible for an unreduced retirement benefit.
- Prior service credit or granted service credit counts toward eligibility for unreduced retirement. However, to qualify for a PLOP, you must be working as an active member beyond the date you become eligible for an unreduced retirement benefit. You will need to work at least 31, 32 or 33 years to be eligible for the corresponding 1, 2 or 3 years of PLOP payments. Prior service credit or granted service credit cannot substitute for this active service.

Taxes on PLOP

- If you have the PLOP paid directly to you, VRS will deduct 20 percent for federal income taxes and, if you live in Virginia, 4 percent for state income taxes. The IRS also may impose an additional 10 percent tax penalty for early withdrawal of member contributions if you receive the PLOP before age 59½; there are exceptions to this rule. You can roll over the PLOP to the Virginia Cash Match Plan if applicable, an Individual Retirement Account (IRA) or another qualified tax-deferred savings plan. For more information, read the IRS 402(f) Special Tax Notice available at www.varetire.org; or contact a tax advisor or the IRS toll free at 1-800-829-1040 or www.irs.gov

Advance Pension Option

The Advance Pension Option allows you to elect to increase your monthly benefit temporarily. The temporary increase will begin when you retire and continue until an age you choose, between age 62 and the age you become entitled to a full Social Security benefit. At that point, your benefit will be permanently reduced. You can elect this option with an unreduced retirement benefit or if you retire at age 55 or older and are vested (you have at least five years of service credit). A Social Security age chart is listed below.

To figure your benefit amount, VRS will add a percentage of your estimated monthly Social Security benefit to your monthly VRS benefit. The percentage is based on several factors, including your age when you retire and the age you want your benefit to permanently reduce. When the temporary increase ends,

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your benefit will be reduced by the estimated Social Security benefit used to determine your temporary increase. However, it will never be reduced by more than 50 percent of your Basic Benefit amount.

Important Note: This option does not affect the amount of your Social Security benefit. You also may draw your Social Security whenever you are eligible for it, regardless of the age you choose for your VRS benefit to reduce. The Advance Pension Option does not provide a continuation of a benefit to a survivor. You cannot elect the Advance Pension Option with other benefit payout options.

Table 1 – Age to Receive Full Social Security Benefits*

Year of Birth	Full Retirement Age
1937 or older	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

*Called “full retirement age” or normal retirement age

How Your VRS Benefit is Paid

When you retire, your benefit is paid first from your member contributions and interest. After these funds have been paid out, your benefit is paid from the separate contribution your employer makes to VRS and from investment earnings.

Life Insurance

The basic group life insurance provided at no cost to you as an employee will continue after retirement at no cost to you for your lifetime.

- The value at retirement is your annual salary rounded to the next thousand dollars and doubled. This will begin to reduce on the January 1 following one full calendar year of retirement. The reduction rate is 25% each January 1 until it reaches 25% of the value at retirement – it will not go any lower.
- If your salary is lower at retirement than at another point during your career and you have more than 20 years of creditable service, your life insurance will be based on your highest annual compensation.

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- Life insurance for retirees with 30 years of creditable service cannot be reduced to less than \$8,000 and will be increased annually using the cost-of-living adjustment calculation for Plan 2 employees.
- **Accelerated Death Benefit**— if you are diagnosed with a terminal condition and have fewer than 12 months to live, you can apply to withdraw funds from your life insurance policy up to the total amount of your natural death benefit for any purpose. Any amount left in the plan is paid to your beneficiary. If the entire amount of your life insurance coverage is withdrawn, then there would be no payment made to your beneficiary.

Optional Group Life Insurance

- A portion of Optional Group Life Insurance can continue after retirement, if you and your dependents have been covered continuously under the optional life insurance plan during the 60 months immediately preceding retirement. Insurance amounts begin to reduce when you reach age 65 and end when you reach age 80. To continue in retirement you must elect the coverage within 31 days of terminating employment.

Beneficiary Information

- Remember to keep your Beneficiary information up to date. If you have married, divorced, had children, grandchildren since you started employment you may just want to check to see that what is on file is what you want. You can contact VRS @ 1-888-827-3847 to verify your information or complete a new beneficiary form (available on the VRS website) and submit it directly to VRS (if retired) or through the Payroll Office (if still actively employed).

Other Important Points

- PLEASE REMEMBER TO VERIFY YOUR NUMBER OF YEARS AND MONTHS OF SERVICE WITH VRS BEFORE YOU SUBMIT YOUR RETIREMENT APPLICATION.
- Your VRS Member Profile Statements dated June 30, of any given fiscal year are posted on the VRS website, usually by the end of September. Paper copies are no longer printed. Your retirement information and Member Profile Statements are on the VRS website under *myVRS* and includes the benefits calculator. The VRS website is: www.varetire.org
- If you haven't already, it is a very simple process to set up your *myVRS* userID and password. Once logged in you will see your specific account information. Start a practice of reviewing your information and the VRS information available to you on a regular basis. Questions should be addressed sooner than later – it could affect your retirement benefits.

Section 2: HCPS Retirement Facts

Final Pay

An employee's final paycheck is issued based on their contract (semi-monthly) or work schedule (biweekly).

Leave Payouts

Annual Leave

- Payment for earned and unused annual leave will usually be paid out by the second pay day following your last day worked prior to retirement.
- Annual leave is paid at the employee's hourly rate, for all unused accrued annual leave per HCPS Policies and Regulations.
- All leave usage must be submitted by timekeepers.

Sick Leave

- Payment for earned and unused sick leave, will be paid out in the pay period following your last day worked prior to retirement (10 pay employees will receive leave payouts in June).
- Sick leave is paid at a rate of \$4 per hour for a maximum of 2000 hours (\$8,000 maximum). The rate is set by HCPS Policies and Regulations.
- If you wish to use your sick leave to purchase additional VRS credit – you must decide this at the time your VRS Service Retirement Application is completed. The cost to purchase this type of service credit will be based on actuarial costs. Calculation of the cost can be done on the VRS website through your MyVRS account.
- Deferred members would not receive payment for unused leave at the time of their decision to file for retirement benefits.

Personal/Emergency Leave

- Payment for earned and unused personal/emergency leave, will be paid out in the pay period following your last day worked prior to retirement
- Personal/Emergency leave is paid at the rate of \$4 per hour up to the allowed maximum carry over balances per HCPS Policies and Regulations.
- The maximum leave paid for 260 day personnel is one day. For employees who work contracts less than 260 days, the maximum leave paid is the equivalent of 5 days.

Post Retirement Earnings Program (PREP)

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- If you continue service with HCPS in the PREP Program or as a temporary employee, you may continue your Henrico County Federal Credit Union payroll deduction.
- Retirees who enroll in the PREP program **must** satisfy a bona fide 90- day break in service before initiating any of the 28 days requirement. The break in service also applies to volunteering in any capacity for HCPS as well as working in a substitute, temporary or part time position. There are **No exceptions**.
- Retirees who return to work with HCPS in PREP, a temporary, substitute or part time position will be limited to a maximum of 29 hours per week to meet the ACA policy.
- PREP payments are considered taxable income by the IRS and will be included in your W-2 tax forms.
- If you are in PREP and begin to receive Social Security Benefits, you will need to consider the SS maximum allowable earnings. If you exceed these, you may owe funds back to SS.
- When you retire and enroll in the PREP program you may want to review your tax deduction forms (W4's) for federal and state withholding. New participants coming into the program will be required to complete direct deposit forms.

Direct Deposit

- As of January 1, 2012, direct deposit became mandatory for all Henrico County and Henrico County Public School employees. Paper pay slips also ceased to be printed and distributed. Pay information and history is available in Employee Direct Access (EDA). Login is through <http://employees.henrico.us>
- VRS has a mandatory direct deposit program for all retirees.

Section 3: HCPS Benefits Overview

Benefits

- Retirees can continue to participate in the County's group coverage for health and dental insurance. Retirees will receive enrollment information by the Health Benefits Office and must respond within 31 days of your insurance coverage ending under the active employee group. Depending upon your contract, your coverage may end on June 30th, July 31st or August 31st. Payroll deductions **cannot** be made for these benefits, even if you participate in the PREP program. Premiums are paid directly to the insurance provider. Currently, health insurance and dental insurance is billed or direct drafted by the respective company on a monthly basis.
- For retirees under the age of 65 and non-Medicare eligible, the same health insurance plans are available as those of an active employee. The only changes will be that you will receive a new card with a different Group number and you will be responsible for the full premium payment.

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- When you reach age 65, or become Medicare eligible due to disability, you must enroll in Medicare Part B. Health insurance choices will be made through Via Benefits. Via Benefits can advise retirees who live in Virginia as well as those residing out-of-state.
- Prospective Retirees will receive a retiree health and dental enrollment package as well as COBRA information from the Health Benefits Office. Retiree enrollment in the health and dental plans offers life time coverage – COBRA enrollment offers 18 months of coverage.
- As of January 1, 2003, the County enacted a new policy for retirees for health and dental insurance. If you do not enroll in either or both of these programs within 31 calendar days of your insurance coverage ending, you will not be allowed to enter into the benefit program at a later date. If you are currently covered under a spouse's health insurance plan, be sure to get the facts from your spouse's employer. Can you continue to be covered after your spouse retires? If your spouse pre-decease's you, can you remain in your spouse's health insurance plan for your lifetime?
 - As of January 1, 2003, all Henrico County retirees are eligible for either a health insurance credit (from VRS) or a health care supplemental payment (from Henrico County). Teachers, Administrative Staff, Clerical Staff and School Nutrition Service Managers with at least 15 years of VRS service are eligible to receive \$4.00 for each year of service as a health care credit. The amount that you will receive as a retiree currently appears on your VRS Member Profile Statements. There is no cap for the maximum. This is a nontaxable amount that is included in your VRS monthly payment.
 - Custodial staff, Bus Drivers and other School Nutrition Service workers with a minimum of 20 years of VRS service (at least 10 must be with Henrico County) are eligible to receive \$3.00 for each year of service as a health care supplement towards the purchase of Henrico County health insurance. There is no maximum for the health care supplemental payment (from Henrico County).
- Dental Insurance will be available to retirees and will offer the same plans offered to active employees.
- Flexible Spending Accounts (FSA) will end at retirement.
- Long Term Income Protection Insurance (LTIP) and Short Term Income Protection Insurance (STIP) will end at retirement.

Tax Shelter Annuity Program

If you are not currently enrolled, you may still enroll at any time.

You can invest up to \$19,500, and if you qualify for the catch up provision, you may be able to invest an additional \$6,500. The base limit may increase in the future.

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Any of the Deferred Compensation agents listed with the Schools can help you determine what your limitations and qualifications are. The program no longer has the limitation of making only one change per calendar year. Deferred Compensation is not an open enrollment benefit.

If at retirement you have not been investing your maximum amount, you may qualify to be able to invest a larger amount. You have the option of investing the sick leave and annual leave pay out amounts as well. Contact your agent by the beginning of June, or earlier, to maximize your investment possibilities and meet payroll deadlines. Payroll deduction forms must be received by the 1st of July to be processed for the July payday. Please remember that FICA taxes are withheld on the Deferred Compensation deduction amount.

You may also want to contact your Deferred Compensation agent if you are considering retiring this year and are considering taking the PLOP option for your retirement.

Contact your Deferred Compensation agent for information on restrictions for withdrawing your funds after retirement but while still active in the PREP program. If you continue as an employee of HCPS in any capacity (Substitute, part time or temporary position or PREP) you may be restricted from withdrawing funds until you are 59 ½ years of age.

If you continue in PREP or in a temporary or part time position with HCPS, you will still be able to continue making payroll contributions to your 403(b) or 457 account.

- The current Deferred Compensation provider is: Variable Annuity Life Company Insurance Company (VALIC)

- Representatives: Greg Pinkard (804) 690-9652
Jason Cotton (757) 818-0249

Website: <http://www.valic.com/>

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Who to contact with questions:

Topic	Contact
Health and Dental Insurance	Tina M. Brooks trmbrooks@henrico.k12.va.us
VRS purchase of prior service	Kathy Williams kwilliams@henrico.k12.va.us
Benefits questions	hcpsbenefits@henrico.k12.va.us
Payroll questions	hcpspayroll@henrico.k12.va.us
Virginia Retirement System (VRS)	www.varetire.org 1-888-827-3847