



Subject: Retirement
Effective Date: 2/5/2016
Department: Human Resources
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To All City Employees:

I. Purpose

To provide information and establish uniform procedures for the retirement of City employees.

II. Policy

The City of Durham will provide membership and benefits for regular City employees working more than 1000 hours per year subject to Retirement System regulations. The City is a participating member of the North Carolina Local Governmental Employees Retirement System (NCLGERS) and is governed by the laws, regulations, and policies of this system regarding retirement. Employees are considered retired from the City only as defined by the Retirement System (i.e. employees elect and receive a monthly benefit from the system).

III. Definitions

Orbit - database for the Retirement System that contains information regarding employee's Personal Information, Account Summary, Account Statements, Account History, Benefit Estimates, etc.

Disability Retirement - after five (5) years of creditable membership service, an employee who becomes permanently disabled to perform his or her usual occupation may apply for disability retirement. The North Carolina Retirement System Medical Board will certify eligibility for retirement benefits. Law enforcement officers may be eligible for line-of-duty disability after one (1) year of creditable membership service in the Retirement System.

Early Retirement - Reduced monthly benefits available at an earlier age or with fewer years of creditable membership service as outlined in the Retirement System Handbook. Law enforcement officers have separate benefits.

Service Retirement - Unreduced monthly benefit available based on age and/or years of service as outlined in the Retirement System Handbook. Law enforcement officers have separate benefits.

Vested - After 5 years of creditable membership service, employees are considered vested and are eligible to receive a monthly retirement benefit after meeting the requirements outlined in the NC Retirement System Handbook. Law enforcement officers have separate vesting rights.

IV. Procedure

A. New hire/re-hire information

1. Regular employees working at least 1000 hours per year are entered into the retirement system immediately upon employment. Some grant and temporary-with-benefits positions may include retirement benefits. NCLGERS mails retirement enrollment forms directly to all new employees.
2. New employees who are current members of the Retirement System from another City/ County, or are current members of the State Retirement System, should notify Human Resources during New Employee Orientation so a transfer form may be completed and the same retirement account numbers continued.
3. Employees who previously worked for the City of Durham should notify Human Resources during New Employee Orientation. If the previous service time was not withdrawn, service credit with the same account will resume. If the service time was withdrawn, the employee may purchase the service time after vesting and subject to the Retirement System regulations.
4. Employee retirement deductions are a fixed percentage of the employee's annual salary. Currently, the deduction is 6%. The City contributes a percentage determined by the North Carolina Legislature. Deductions begin immediately and continue as long as the employee is on paid payroll status.
5. Upon being sworn, law enforcement officers are transferred from the regular retirement system into the law enforcement retirement system. Law enforcement officers have separate benefits and vesting rights.

B. Procedures for Early or Service Retirement

An employee who is contemplating retirement can select the most appropriate retirement date and calculate their retirement benefit on line at www.nctreasurer.com to determine the potential retirement benefit. Retirement dates are always the first day

of the month selected. At least 5 months before the retirement date, the employee should:

1. Contact Human Resources to make an appointment to complete the appropriate paperwork. The paperwork should be completed approximately 120 days prior to the anticipated retirement date to ensure adequate time for processing the paperwork.
2. Notify the department of intent to retire.
3. Work with the timekeeper to calculate any leave to be accrued and complete leave slips for any days of anticipated absence through the retirement date to assist the department in completing the final personnel action. Up to 240 hours of vacation will be paid (360 for Firefighters); additional vacation hours must be used prior to the retirement date or they will be forfeited. Only FLSA compensatory time will be paid; other compensatory time must be used prior to the retirement date if possible or it will be forfeited.

C. Procedures for Disability Retirement

When an employee is unable to perform the essential function of the position due to medical disability, disability retirement may be an option. An employee who remains absent from work for sixty (60) consecutive days because of illness or injury must file for disability retirement or show evidence to the satisfaction of the Department Director in consultation with the Human Resources Department that return to work will occur within the next nine months. When disability retirement is indicated, the employee is responsible for:

1. Obtaining the appropriate NCLGERS form from Human Resources to take to his/her physician.
2. Once the physician has signed the State form, contacting the Human Resources Department to complete the appropriate retirement paperwork immediately. After this point, employees must either use sick leave, leave without pay or annual leave approved by the Department Director until the next available retirement date.
3. Obtaining appropriate medical information and documentation from the physician to provide to the State Medical Board for their review.
4. Following other procedures in B above.
5. An employee is placed on authorized leave-without-pay after all paid leave is exhausted pending the date disability retirement.
6. In the event the disability retirement is not granted, the employee will be separated from City employment on the date retirement had been requested. The employee may apply for vacant City positions. Placement

cannot be guaranteed, but every effort will be made to place the employee in a vacant position for which he/she meets the minimum qualifications and which falls within the medical restrictions indicated by the physician.

D. Termination of Employment without Retirement

1. If an employee terminates City employment with less than five (5) years of creditable membership service, he/she may, but is not required to, apply for a refund of their contributions to the retirement system. In the event a refund is requested, no interest is paid on contributions refunded.
2. By State law, contributions will be returned in no less than sixty (60) and no more than ninety (90) days after receipt of the application by the Retirement System.
3. The Human Resources Department may be contacted for appointment to complete the return of contributions form. Retirement refunds will be taxed and penalized in the same manner as is a 401 (k) plan.
4. Refunds may be rolled into qualified deferred compensation plans or IRAs.
5. Individuals of retirement age who withdraw funds are not considered retirees regardless of length of service.

E. Re-employment after Retirement. See HRM - 311 re-employment.

V. Other

A. General Information

A summary of all guidelines and benefits of the Retirement System are available in the Retirement System Handbook. Handbooks for both regular and sworn members are available through the Retirement System website at www.nctreasurer.com.

The Retirement System phone number is 919-733-4191 or 877-733-4191. Yearly NC Retirement statements are uploaded to the NC Retirement System Orbit System (Online Retirement Benefits through Integrated Technology). Employees are encouraged to visit the Retirement System Orbit website at:

www.nctreasurer.com/DSTHome/RetirementSystems/Active+Employees .

B. Accumulation Service Credits

For each period where the employee works and contributes the 6% salary deduction, creditable membership service is accrued. The accrual continues until the member leaves employment or attains sufficient time to meet retirement eligibility.

Unused sick leave hours may be used toward creditable membership service credit for an early or service retirement to help employees reach the required years of service sooner or to add to their years of service for a higher retirement benefit. There is currently no limit to the number of hours that may be used.

C. Service Purchase

The Retirement System allows the purchase of withdrawn accounts, service time omitted in error, and prior military, public part-time and temporary service, time worked during a waiting period, and other types of service under specified conditions. Details and forms are available online from the Retirement System at the website indicated above.

Employees become eligible to purchase withdrawn, military, and prior service after becoming vested. Service time omitted in error may be purchased at any time. Employees may buy back the waiting period (if you were employed during the time when employees were not entered into the Retirement System immediately).

Purchase of periods when employees were on approved Workers' Compensation leave and were receiving Workers' Compensation salary continuation benefits and then returned to City employment at the end of the leave may be purchased at any time prior to retirement. No interest will be assessed if the time purchased within 60 days of return to work.

Costs for service time purchased are generally increasing and more expensive after the date of eligibility as interest is compounded. Once forms have been submitted to the Retirement System, and a rate to purchase quoted, a deadline to purchase will be set by the Retirement System. If the service is not bought by the date indicated on the State estimate, the employee must contact the Retirement System so the cost may be recomputed.

Employees are responsible for the total cost of the service purchase. Employees may use funds from deferred compensation or pre-tax account, such as 401(k), 457 or IRA,

through City or personal accounts or from accounts of previous employers. Employees are not obligated to make any purchase, even if an estimate is received.

D. Retirement Information

1. The City has no mandatory retirement age. Continued service is based on ability to perform the job. Social Security benefits are separate from retirement benefits. Employees should contact the Social Security Administration to no less than three (3) months prior to your anticipated retirement date.

2. Benefits for Retired City Employees

a. For Employees Hired Prior to July 1, 2008:

Early or Service Retirement: Health insurance coverage will be provided at employee rates and levels for retiring employees with at least 20 years of service with the City of Durham to age 65.

Retirees with 15-20 years of City service will pay the employee rate, plus 25% of the City contribution. Retirees with 10-14.99 years of City service will pay the employee rate, plus 50% of the City contribution.

Department Directors who retire from the City may continue health insurance at employee rates and levels up to age 65 if vested in the retirement system with 5 years of City of Durham service.

Retirees with less than 10 years with the City of Durham will be eligible for Health Benefits under COBRA.

b. Employees may continue some optional benefits through direct billing with the vendor.

c. Retirees with at least 10 years of City of Durham service, who remain active in the City of Durham health plan until age 65 and then may be eligible for a Medicare Supplement. Retirees who meet the eligibility criteria receive a partial reimbursement payment for a Medicare Supplement plan which is determined by the age of the retiree. Proof

of enrollment in a Medicare Supplement plan is required. Benefit is subject to funding approval. Annual proof of eligibility is required.

3. Disability Retirement for those hired before July 1, 2008
 - a. For those approved by the State for a disability retirement, the City of Durham will pay the premiums for life insurance and the employer portion of single health insurance for one year after the approved retirement date (two-party or family coverage would be available at the regular retiree rates). After the first year, health insurance coverage will be provided at employee rates and levels up to age 65 subject to timely premium payment and continuation of the program.
 - b. Retirees with less than 5 years with the City of Durham will be eligible for COBRA, after the first year of Disability Retirement.
 - c. Health insurance coverage will be provided at employee rates to retiring employees with at least 20 years of service with the City of Durham to age 65.
 - d. Retirees with at least 5 years but less than 20 years of service with the City of Durham may elect to receive health insurance at pro-rated rates. Disability retirees with 15-19.99 years of City service will pay the employee rate, plus 25% of the City contribution. Disability retirees with 5-14.99 years of City service will pay the employee rate, plus 50% of the City contribution; this includes employees with fewer than 10 years of City service.
 - e. Department Directors who retire from the City may continue health insurance at employee rates and levels up to age 65 if vested in the retirement system with 5 years of City of Durham service.

PLEASE NOTE: If there is a break in City health coverage, after termination, these former employees will not be eligible for City health coverage.

Example: An individual resigns from employment and does not pay for COBRA coverage. 6 months later the individual retires. This individual is not eligible for City Health or City Medicare supplement benefits. Retiree health coverage requires continuous coverage.

Benefits described in the policy are subject to change.

VI. Attachments

[Policy Attachments]