



CITY OF NEWBERG

RETIREMENT PLAN BOOKLET

(with *Principal Financial Group*)

**2012**

# Disclaimer

This booklet is a brief description of the City of Newberg Employee Retirement Plan (the “Plan”). It is not meant to interpret, extend or change the Plan in any way. The provisions of the Plan can only be determined accurately by consulting the Plan itself. A copy of the Plan document is on file at City Hall offices and may be read by any employee at any reasonable time. In the event of any discrepancy between this booklet and the actual provisions of the Plan, the Plan document shall govern.

Periodically, Congress, the state Legislature or courts dictate changes to the administration or benefits of the Plan. The City also reserves the right to amend the Plan. Consequently, the Plan may change from time to time to maintain compliance, to clarify benefits, or to change benefits. While the City tries to keep this booklet current, it is important to consult with Human Resources when a retirement benefit event occurs.

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# CITY OF NEWBERG

## RETIREMENT PLAN BOOKLET

Welcome to the City of Newberg's Retirement Plan. This Plan exists to enable the City to provide you with secure retirement benefits as part of your compensation package. This handbook<sup>1</sup> has been developed to describe the Plan's benefits that are available to you or your beneficiary while you are a covered employee, when you leave your covered employment, when you retire, if you become disabled or after you die.

When you become eligible for benefits, you will need to make informed decisions. If you have any questions about your benefits, contact either Human Resources or the Finance Department.

### **1. When did the Plan go into effect?**

The Plan was first initiated January 1, 1964. On July 1, 1979, the Plan was restated to comply with state of Oregon pension plan requirements for certain public employees. Effective July 1, 1982, the Plan was restated again to consolidate previous amendments and to improve general benefits.

In 2002, the Plan was restated to meet current Oregon and IRS requirements of TEFRA, DEFRA and Retirement Equity Act. The IRS determined on August 8, 2003 that the City's Plan was in compliance with federal laws. Oregon law does not require a compliance review.

### **2. Who administers the Plan?**

The City Council adopted the Plan and designated the City Manager as the Plan's administrator. Human Resources and Finance help him with this task. The City also has, on contract, several firms which assist the City with administration, investment and compliance issues (see Questions 15 and 16).

### **3. When do I become a Plan member? Who are members of the Plan?**

You become a Plan member (1) on your first day of employment or (2) when you work 40 hours per week and are considered a full time employee. While the Plan has employees from other groups already participating, new entrants must be General Employees who hold non-management positions in the City. Other retirement plans are available to other employee groups (i.e. union groups are in PERS along with most of the management staff).

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<sup>1</sup> This handbook is not a legal reference but exists for information purposes. In any conflicts between this handbook, Oregon laws, administrative rules and Plan documents, the laws, rules and documents shall prevail.

#### 4. Who pays for the cost of the Plan?

You pay six percent of your monthly salary on a pre-tax basis (Employee Contribution).<sup>2</sup> In addition to employee contributions, the City funds the balance of your retirement benefit through an actuarially determined amount.

#### 5. May I make voluntary contributions to the Plan?

In addition to the mandatory six percent employee contribution, you may make voluntary contributions to the Plan. These contributions are after-tax deductions, and may commence or end on any quarterly date during active employee. Voluntary contributions may not exceed 10% of your aggregate City earnings.

While you are an active employee, you may withdraw your voluntary account<sup>3</sup> in a single lump sum which does not exceed the original amount of those contributions.

Voluntary contributions add to the other benefits the Plan provides. However, before you decide to do this, you may want to consider the City's deferred compensation program which is a pre-tax contribution. You may wish to check with a financial advisor about what is best for you.

#### 6. How is my monthly retirement benefit determined?

If you retire on your **Normal Retirement Date** (age 60 for general employees), you will receive a monthly benefit called the **Normal Retirement Benefit (Section 4.01)**. The Normal Retirement Benefit has two parts: the Accrued Benefit and Additional Monthly Income.

Your monthly Accrued Benefit equals:

$$\begin{array}{c} 1.67\% \\ \text{MULTIPLIED BY} \\ \text{your average compensation for the past 36 months} \\ \text{MULTIPLIED BY} \\ \text{your years of service} \end{array}$$

Your **average compensation** (Section 1.03(a)(2)) is the average of your monthly earnings (salary and vacation pay out) for each month in a 36 consecutive month period during the last 120 months preceding the date the benefit is being determined and which produces the highest average monthly earnings. In addition, one half (1/2) of the value of unused sick leave, divided by 36, is added to the average compensation determined above.

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<sup>2</sup> For the period January 1, 1980 through December 20, 1994, the City paid the employee contribution of 6% for you. Starting December 21, 1994, employees paid the 6% contribution on a pre-tax basis. Starting January 1, 2006 the City began picking up the 6% contribution for police union members and on July 1, 2006, the City again picked up the 6% contribution for management employees.

<sup>3</sup> Your account is fully vested and nonforfeitable.

Your **years of service** (Section 1.02(1)) are the number of years, counting completed months as fractional parts of a year, since your latest date of employment.

Example:

John Doe	
Date of Hire:	July 1, 1995
Average Monthly Pay:	\$3,500
Date of Retirement:	July 1, 2010

$$1.67\% \times \$3,500 \times 15 \text{ years} = \$876.75 = \text{Monthly Accrued Retirement Benefit}$$

Your **Additional Monthly Income** is described in Question 8 of this booklet. Appendix A provides you a worksheet to help you estimate your retirement benefit. This worksheet should only be used for planning purposes and does not guarantee that exact amount of benefit which can only be determined after all the facts are received by Principal Financial Group.

## 7. When can I retire?

### A. Normal Retirement Date:

Your normal retirement date is the first day of the month coinciding with or next after attainment of the age 60 for General Service Employees.

### B. Early Retirement Date:

You may retire at any time after ceasing to be an Employee and attaining age 55. Your monthly pension would be your benefit accrued to date reduced actuarially because you will be collecting your retirement at a younger age. The early retirement factor listed in Appendix B reduces the monthly benefit to reflect the expectation that payments will be made over a longer period of time.

The factor will be adjusted for fractional parts of a year. However, no reduction factor will be applied to your Accrued Benefit if you have 30 years of service at retirement. The factor will be adjusted for fractional parts of a year.

### C. Late Retirement Date:

If you continue working after age 60, you will continue to earn additional benefits each year until you actually retire, without regard to your age.

## 8. Do my employee contributions provide me with additional retirement benefits?

If you were employed by the City on or before June 30, 1993, you are entitled to receive your Participant Contribution Account as an actuarially equivalent monthly annuity as additional monthly income when you retire or you may take this balance as a lump sum.<sup>4</sup>

If you were hired on or after July 1, 1993, you may elect to receive all of your participant contribution account as a lump sum, but your Accrued Benefit will be reduced by the actuarially equivalent monthly annuity.

IN ANY EVENT YOUR RETIREMENT BENEFIT MAY NOT EXCEED 100% OF YOUR AVERAGE COMPENSATION.

**9. Will my retirement income increase if the cost of living goes up?**

Yes. Each July 1, your retirement benefit will be adjusted if the Consumer Price Index, published by the U.S. Bureau of Labor Statistics, for the Portland area—all items, has changed from the date of the last adjustment. The maximum increase each year will be 2%. In any event, your benefit can never be lower than the amount you were receiving originally.

**10. What if I terminate employment before my normal retirement date?  
What is the vesting period?**

“Vesting” means you cannot lose your benefit rights even if you stop working for the City. The vesting period is five (5) years of Plan participation.<sup>5</sup> Once you are vested, you can remain a member of the City’s retirement Plan until normal retirement age even if you no longer are employed by the City, unless you withdraw your Employee Contribution Account.

If you have been employed by the City for at least five (5) years, you are always entitled to a refund of your total Participant Contribution Account (including any Voluntary Contributions you made) with accumulated interest.

If you terminate your employment one month or more before you retire, you become an Inactive Participant. You will still be entitled to one of the following benefits payable on your Normal Retirement Date (Article 8):

(A) **Deferred Payment:** You may elect to receive a deferred monthly retirement benefit to begin on your Normal Retirement Date. The amount will be equal to your Vested Accrued Benefit on the day before you become an Inactive Participant. The amount shall not exceed 100% of your average compensation, and in no case shall it be less than the monthly benefit provided by the actuarial equivalent of your contribution account. (Section 8.01(a)(1))

For an Inactive Participant hired prior to July 1, 1993, the amount shall be equal to the sum of (1) an amount equal to the amount of monthly retirement benefits which could be provided on your Normal Retirement Date by that portion of your contribution account made on or

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<sup>4</sup> Payments from the Participant Contributions made before July 1, 1979 are in lieu of the actuarially equivalent monthly benefit of that portion of your accrued benefit attributable to any required participant contributions.

<sup>5</sup> If you are employed by the city and are age 50 or older, you are automatically vested (Section 1.03(b)).

after July 1, 1979 and (2) an amount equal to your Vested Accrued Benefit on the day before you became an Inactive Participant. The amount shall not exceed 100% of your average compensation, and in no case shall it be less than the monthly benefit provided by the actuarial equivalent of your contribution account (Section 8.01(a)(2)).

**(B) Early Retirement Payment:** An inactive participant may elect to have the deferred monthly retirement benefit begin on your Early Retirement Date (on or after age 55). This payment will be reduced by the early retirement factors found in Appendix B.

**(C) Immediate Payment:** In lieu of any benefits otherwise available, you may elect to receive your contribution account in a single lump sum payment. You will receive this payment within 90 days after you cease to be an employee and before your retirement date. This payment cancels your part of the benefit determined above.

If there is less than \$1,750 in present value of your deferred retirement benefit, it will be paid out as an involuntary cash-out in a single lump sum payment.

## **11. What happens if I am re-employed by the City?**

If you became an Inactive Participant, took a lump sum payment under the Plan and are re-employed by the City, you may repay the Plan including interest compounded at a rate of 8% annually. The Plan can also accept direct rollovers from qualified Plans. Human Resources will confer with Principal Financial Group on the exact amount of the repayment and its eligibility to qualify as a repayment.

## **12. What are the death or disability benefits in the Plan?**

### **Death Benefits:**

If you die before retirement, your beneficiary will receive a single lump sum equal to the sum of two and two tenths (2.2) times your Participant Contribution Account as of the date of death and any voluntary contributions. The benefit may be paid out in one of the optional forms of monthly retirement benefit (see Question 13).

*Beneficiary:* When you are employed by the City, Human Resources will ask you to designate a beneficiary who is to receive your benefits in the event of your death. You may change your beneficiary at any time. It is important to review your designation if your original beneficiary dies, or if you marry, divorce, or change your mind. By law, death benefits must be paid to the beneficiary currently on your designation form. **Remember, this designation supersedes any designation in a will.**

*Death Benefits After Retirement:* Death benefits will be in accordance with the form of retirement benefit that you selected on your retirement date (annuity form) (See Question 13).

### **Disability Benefits:**

If you are an Active Participant and become disabled while in the performance of your actual employment duties, or if you become disabled off-the-job and have been a Plan Participant for ten (10) years, you will receive a monthly disability payment equal to your Accrued Benefit. You must also qualify for Social Security Disability benefits under Title II of the federal Social Security Act (Section 1.03(f)). You become an Inactive Participant as of the date you become totally and permanently disabled.

Your payments will continue through the first day of the month preceding the earliest of your Normal Retirement Date, date of death, or the date you are no longer disabled. On your Normal Retirement Date, your monthly retirement benefits will begin in accordance with the optional form of monthly retirement benefits which you select (See Question 13).

In no event will your payment be less than \$100.

### **13. What are my retirement benefit options?**

When you retire, your employee contribution and the City's contribution will be used to provide you with your retirement benefits. You have several choices as to how you may receive this benefit. Options which provide payments after your death will have smaller monthly payments to cover the cost of the death benefits. The benefit amount described in Question 6 is payable as a life annuity with five years certain at Normal Retirement.

1. **Straight Life Annuity**: you will receive a payment for your lifetime without any death benefits for a beneficiary.
2. **Life Annuity with Five or Ten Years Certain**: you will receive a monthly payment for your lifetime; however if you die before the "certain period" ends, the balance of the remaining "certain period" payments will go to your beneficiary for the remainder of the five or ten years, whichever option you chose.
3. **Survivorship Life Annuity**: you will receive a monthly payment for your lifetime and, upon your death, 50% or 100% of the annuity will continue for the lifetime of your designated survivor.
4. **Life Annuity with Modified Cash Refund**: you will receive a monthly payment for your lifetime and upon your death, a single lump sum payment will be made to your beneficiary of the excess, if any, of your initial death benefit over the monthly annuity payments already made to you. You may change the beneficiary at any time.

Each option will be outlined for you to review before you make your final decision. You have 90 days to choose which option you wish. Once you have chosen an option, you may not change that option after payments begin.

In addition to the options above, you may choose to receive your Employee Contribution Account in a single payment at retirement. Taking the Account at retirement will reduce your monthly benefit amount from what it would otherwise have been.

It should be noted that all the options have the same expected value. Your decision will be influenced by your personal circumstances and by how much of the value you want to pass onto your beneficiary. In any case, you should evaluate all your resources and you may need to consult a financial advisor.

**14. Are my retirement benefits subject to taxation?**

Retirement benefits are subject to both federal and state income taxes. State inheritance and federal estate taxes may be owed by a surviving beneficiary.

You may elect to have tax deductions withheld from your monthly benefit check by completing an IRS form W-4P. The Principal Financial Group will mail you annually a Form 1099R for the benefits which were paid for the tax year. You should check with your financial advisor or tax preparer on what is best for you.

**15. How is the Plan administered?**

The City of Newberg Retirement Plan was adopted by the City Council by Resolution No. 2003-2463 and was determined to be in compliance with IRS rules and regulations. The City has appointed Principal Financial Group (insurer/investor) and Hershner Hunter Andrews Neill & Smith, LLP (legal advisor) to assist it in administering the Plan.

The City Council has designated the City Manager as the Plan Administrator. The Human Resources Department and Finance Department help him with this task. Questions should be directed to:

Human Resources Department  
PO Box 970  
Newberg OR 97132

(503) 537-1261

**16. How are my benefits protected?**

Each year the City sends the contributions to a special account at the Principal Financial Group of Des Moines, Iowa. Principal, in compliance with the City's adopted Pension Investment Policy, invests the City's and employee contributions.

The necessary City contribution is determined annually by Principal Financial Group as a percentage of salary, and is estimated to be enough to fund the benefits for each Plan participant at your retirement. The money can only be used to fund Plan benefits.

**17. Will I receive an annual statement of my account?**

Yes. Each year, around September 30<sup>th</sup>, you will be given a statement showing your accrued benefits under the Plan, as of June 30<sup>th</sup> of that year.

Employees should use either this annual statement or Appendix A to estimate benefits in the future (five year certain life -- see Question 13). The annual statement gives you an estimate at three retirement dates (early retirement, normal retirement and age 65). This estimate is based on normal cost of living salary increases of (this amount is determined each year at budget time) and projected interest earnings of 8%. Your financial advisor should be able to use this information to help you project future retirement benefits. You should remember that a number of factors can alter the estimate monthly benefit. These factors can include salary increases over or above the estimate, final vacation payout and sick leave accrual, and the monthly benefit option chosen.

**18. Do I have a non-transferable interest in the Plan?**

Yes. Your interest in your accounts, including the “vested” interests, may not be alienated, that is sold, used as collateral for a loan, given away, or otherwise transferred. Also participants’ creditors may not attach, garnish, or otherwise interfere with your account. However, if at the time you or your beneficiary is entitled to receive benefits, and you are indebted under the provisions of the Plan to the Trustee(s) or the administrator of the Plan, the Administrator may direct the Trustee(s) to first satisfy that debt before paying the benefit over to you or your beneficiary (Section 14.06).

**19. What are the claim provisions for benefits under the Plan?**

In anticipation of your retirement or at termination of employment for any other reason, you or your beneficiary must make a request for any Plan benefits to which you are entitled. The request must be in writing, on a form provided by the City and submitted to Human Resources (Appendix C).

Such request shall be considered a claim and is subject to full and fair review. If a claim is wholly or partially denied, your claim may be appealed in accordance with Section 12.05 of the Plan Document.

**20. If I leave City employment and am eligible to receive retirement benefits, how will the City know where to find me when I am due retirement benefits?**

It is your responsibility to keep the City informed of your whereabouts. Please notify Human Resources in writing, with your signature and Social Security number, of any changes in your name, your mailing address or your beneficiary.

## Appendix A

### City of Newberg

#### Retirement Benefit Calculator

1	Age at retirement	1	_____
2	Years and completed months worked	2	_____
3	Average monthly compensation (includes average of highest consecutive 36 months plus the value of 1/2 of unused sick leave)	3	_____
4	1.67%	4	0.0167
5	Accrued benefit (2) X (3) X (4)	5	_____
6	Early retirement factor (see Appendix B)	6	_____
7	Adjusted benefit (5) X (6)	7	_____
8	If you were hired before 1/1/93, enter: Post 7/1/79 account balance on retirement date	8	_____
9	Monthly benefit factor (see Appendix B)	9	_____
10	Monthly benefit from account balance (8) divided by (9)	10	_____
11	Total Monthly Benefit (7) + (10)	11	_____

This benefit is payable as a five-year certain and life benefit.

## City of Newberg

### Retirement Benefit Calculator SAMPLE

1	Age at retirement	1	<u>57.5</u>
2	Years and completed months worked, in years	2	<u>27.5</u>
3	Average monthly compensation (includes average of highest consecutive 36 months plus the value of 1/2 of unused sick leave)	3	<u>\$ 3,000.00</u>
4	1.67%	4	<u>0.0167</u>
5	Accrued benefit (2) X (3) X (4)	5	<u>\$ 1,377.75</u>
6	Early retirement factor (see Appendix B)	6	<u>0.80</u>
7	Adjusted benefit (5) X (6)	7	<u>\$ 1,102.20</u>
8	If you were hired before 7/1/93, enter: Post 7/1/79 account balance on retirement date	8	<u>\$ 65,000.00</u>
	If you were hired after 6/30/92, enter 0		
9	Monthly benefit factor (see Appendix B)	9	<u>133.122</u>
10	Monthly benefit from account balance (8) divided by (9)	10	<u>\$ 488.27</u>
11	Total Monthly Benefit (7) + (10)	11	<u>\$ 1,590.47</u>

This benefit is payable as a five-year certain and life benefit.

## Appendix B

### CITY OF NEWBERG

#### RETIREMENT PLAN EARLY RETIREMENT FACTORS

AGE	FACTOR
60 & Older	1.00
59	0.92
58	0.84
57	0.76
56	0.67
55	0.60

#### Monthly Benefit Factor

Age	FACTOR
55	137.508
56	135.804
57	134.040
58	132.204
59	130.308
60	128.352
61	126.336
62	124.272
63	122.160
64	120.000
65	117.804

## Appendix C

### City of Newberg

#### Employee Request of Retirement Benefits

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(street, PO Box)

\_\_\_\_\_  
City State Zip

Phone: \_\_\_\_\_  
Home

\_\_\_\_\_  
Cell

E:mail: \_\_\_\_\_

I plan to leave the City of Newberg employment and make the following request:

I plan to retire on \_\_\_\_\_ and wish to begin retirement payments.

I plan to leave the City on \_\_\_\_\_ and do not wish to receive retirement benefits at this time.

I plan to leave the City on \_\_\_\_\_ and wish to withdraw my non-vested benefits at this time.

I plan to leave the City on \_\_\_\_\_ and wish to withdraw my vested benefits at this time.

Signature: \_\_\_\_\_

SSN: \_\_\_\_\_

Date: \_\_\_\_\_