CITY OF PORTLAND
SAVINGS/RETIREMENT PLANS

Health & Financial Benefits
HEALTHY LIVING. HEALTHY FUTURE.

JULY 2015

Retirement and Savings

The City offers a full retirement package in an effort to support your (and your family's) financial health. As part of your total compensation, and as a public employee, you will be enrolled in the Oregon Public Service Retirement Plan (OPSRP). You may also elect to participate in the 457(b) Deferred Compensation Plan. Details on each plan and how they work follow.

Oregon Public Service Retirement Plan (OPSRP)

In 1945, the Oregon Public Employees Retirement System (PERS) was started to provide retirement benefits to public employees. Today, PERS-covered employees **hired on or after August 29, 2003** become Oregon Public Service Retirement Plan (OPSRP) members*.

Police/Fire Employees (PFFA, PPA) hired after January 1, 2007 will be enrolled in the **Oregon Public Service Retirement Plan (OPSRP)**.

OPSRP has two components: the pension program and the Individual Account Program (IAP).

For earlier established PERS members, you also have two components to your plan: the pension program (Tier 1 or Tier II) and the Individual Account Program (IAP).

When can you participate in OPSRP retirement benefits?

You qualify to participate in OPSRP retirement benefits after completing a six-month waiting period with the same employer in a position requiring at least 600 hours of work in a calendar year. You must complete and send in the Beneficiary Form that is included in your new hire benefits information packet.

OPSRP: The Pension Program

The OPSRP pension program is fully funded by the City and provides a lifetime pension. The City is responsible for making contributions to support your pension when you retire. It is designed to provide approximately 45% of your final average salary at retirement for a general service member. Let's take a look at how you can calculate your pension.

Final Average Salary

To determine your final average salary, use either the highest three consecutive years of your pay (or less if you were employed for less than three years) or your salary in the last 36 months of employment. Take whichever is higher and divide it by 36.

Years of Service

One year of service is any year in which you worked 2,000 hours or more. Part-time work is pro-rated, but no credit is given for a year consisting of 600 hours of work or less.

Pension Formula

To calculate your pension benefit, use the formula: final average salary x years of service x 1.5%. For example, if you determine your final annual average salary to be $45,000, the formula would be:

General Service Members

Annual final average salary: $45,000
Retirement Credit: 30 years as an OPSRP member 30 (years) x 1.5% = 45%
45% x $45,000 (final average salary) - $20,250
Converted to Single Life Option monthly lifetime benefit = $1,687.50 ($20,250÷12)

Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Police/Fire Members (PFFA, PPA)

Annual final average salary: $45,000
Retirement Credit: 25 years as an OPSRP member 25 (years) x 1.8% = 45%
45% x $45,000 (final average salary) - $20,250
Converted to Single Life Option monthly lifetime benefit = $1,687.50 ($20,250÷12)

Normal retirement age for Police/Fire members is age 60, or age 53 with 25 years of retirement credit. You must be within this classification for at least 5 years before you retire to qualify.

Frequently Asked Questions about the OPSRP

1. **When do I vest in my pension program?** You vest in the pension program after working at least 600 hours a year in each of five calendar years. You automatically vest at Normal Retirement Age even if you have worked fewer than five years.
2. **When can I retire and start receiving my retirement benefits?** You can begin receiving retirement benefits at normal retirement age. Under normal retirement age, you will receive your full monthly benefit over your lifetime. If you are eligible for early retirement, you will begin receiving benefits at age 55 (age 50 for Police/Fire members), and you will have a reduction in benefits because you will receive your benefit for a longer period of time.
3. **What happens to my pension if I return to work after retiring?** After you retire and start receiving retirement benefits, there are stipulations if you decide to return to work. If you work more than 600 hours in a calendar year, your benefits stop. It will be recalculated with your additional service time. Then, when you retire again, you will do so with your new amount.

OPSRP: The Individual Account Program (IAP)

The Individual Account Program (IAP) is the second part of your retirement plan. This portion of your retirement plan started in 2004 for all employees, regardless of pension tier. Here are highlights of the IAP:

- IAP is a defined contribution retirement program
- After your initial six month waiting period, the City contributes
  - **General Service Members:** 6% of your gross pay (this is in addition to the amount the City contributes for your monthly pension benefit described above)
  - **Police/Fire Members:** 9% of your gross pay (this is in addition to the amount the City contributes for your monthly pension benefit described above)
- You are immediately vested
- You can begin receiving benefits at age 55 (age 50 for Police/Fire) if you are retired

How does it work?

Your 6% (9% for Police/Fire) from the City is put into a member account. The Oregon Investment Council invests the money in a broad mix of asset classes. You don't need to understand anything about stocks or investments, it is all taken care of for you. Your account is credited with earnings (or losses) based on investment returns. Administrative fees are taken out of your account as part of the annual crediting process. IAP is estimated to pay approximately 15% to 20% of your final average salary (assuming a 30-year career) based on an 8% investment return each year.

At retirement, your IAP dollars are paid to you in a variety of options:

- Total lump-sum payment
  - Payable to you
  - Rollover to a traditional IRA
  - Rollover to another employer plan or a deferred compensation plan

OR

- Installments over 5, 10, 15, or 20 years paid monthly, quarterly, or annually

OR

- Over your expected lifetime

What are my responsibilities?

Designate a Beneficiary!

A beneficiary is the person you choose to receive your retirement benefit in the event of your death. Therefore, naming a beneficiary to your retirement savings is as important, or more important, than most other features of this Plan. Here's how it works:

If you are married at the time of your death, your spouse will be the beneficiary of the entire death benefit unless an election is made to change the beneficiary. If you wish to designate a beneficiary other than your spouse/domestic partner, your spouse/domestic partner must consent to waive any right to the death benefit. Your spouse's consent must be provided and notarized.

If you are not married, you may designate any beneficiary. All beneficiary elections can be made on a form supplied by the Plan Administrator or by contacting PERS.

It is important that PERS has up-to-date, accurate information …

so you can receive annual member account statements and so PERS can accurately calculate your benefit when you retire. Throughout your career, it will be your responsibility to ensure your City Bureau timekeeper always has your correct name, address, date of birth, and Social Security Number.

Accessing your OPSRP Pension and IAP Account information online

You can view your account information in a secure environment using PERS Online Member Services (OMS). OMS allows you to access the employment information reported to PERS by the City, and create retirement benefit estimates using data stored in the PERS database. To create your OMS account, go to www.oregon.gov/pers and click on the "Online Member Services" link.

You can access your **IAP account balance** online through a link at the PERS website or at https://iap.voyaplans.com. PERS has contracted with a third-party IAP administrator, Voya, to assist with the administration of the IAP. Voya will send you a personal identification number (PIN) when your contributions begin with the IAP. If you do not receive a PIN for your online IAP account access, contact PERS Customer Service at (503) 598-7377. For benefit estimate information, the IAP Disbursement Forecaster on the PERS homepage will help you estimate your IAP retirement benefit.

If You Need Help

For more information on the OPSRP, review the PERS website at www.http://oregon.gov/pers or the IAP account website at https://iap.voyaplans.com. You can also call the PERS customer service number at **1-888-320-7377** or **503-598-7377**.

457(b) Deferred Compensation Plan

A 457(b) Deferred Compensation Plan is an important retirement plan offered by the City, created to allow public employees, like you, to set aside money from each paycheck toward retirement. A deferred compensation plan can help bridge the gap between what you have in your pension and Social Security, and how much you'll need for retirement, or simply add additional funds to your retirement portfolio.

The City's Deferred Compensation plan (the Plan) is a voluntary plan available to eligible employees that helps you save for retirement on a tax-deferred basis. All amounts of compensation deferred under this Plan are held in trust, in annuity contracts or in custodial accounts, for the exclusive benefit of participants and beneficiaries under the Plan.

The Plan is managed by the Deferred Compensation Committee, and the Plan Administrator is within the Bureau of Human Resources. You may contact the Administrator at **503-823-6140**.

The City offers options for the 457(b) plan:

- Traditional pre-tax 457(b) deferred compensation plan
- Roth after-tax 457(b) deferred compensation plan

OR

- A combination of the two

Pre-tax, Roth: What's the Difference?

Your choice for retirement depends on your certain situation and savings objectives. The following chart will help you familiarize yourself with the options:

	Traditional Pre-tax 457(b) Plan	Roth After-tax 457(b) Plan
Eligibility	All benefits eligible full-time or part-time employees can participate in the plan. Electronic/paper election forms completed and received by the **15th** of each month are effective the first payday of the next month. Online elections can be made with Employee Self Service (ESS) or you may contact the Deferred Compensation Administrator to request a paper form.	
Minimum contribution	1% of pay or $10 per pay period ($260/year based on 26 pay periods each year)	
Maximum annual contributions	$18,000 in 2015* *If you make both pre- and after-tax contributions, this dollar limit applies to your total 457(b) contribution.	
Catch-up contributions	Age 50 and older can elect to save an additional $6,000 in 2015	
Three-year catch-up contributions	You are allowed to make up prior-year deferrals (subject to certain rules) during the three consecutive calendar years before your Normal Retirement Age. Please contact the Plan Administrator for additional details.	
Investment providers	Voya Financial and Advantis Credit Union. You choose to use one or both. Both have pre-tax and Roth contribution options. Only Voya has investment options you can choose from.	
Investment options	At Voya, you have access to a full portfolio of quality investment choices from a variety of funds (age-based funds, fixed accounts, aggressive fund options, etc.). Advantis does not have funds you can choose from.	
Money going in	Pre-tax contributions are deducted from your salary before any applicable federal and state taxes are taken. Pre-tax contributions are subject to Social Security and Medicare taxes. Pre-tax contributions will reduce your taxable income.	After-tax contributions are subject to federal (and where applicable, state and local) income tax withholding
Earnings, if any	Are tax-deferred until withdrawn	Are tax-free as long as certain qualifying conditions are met
Money coming out	Distributions are taxable as current income when withdrawn	Tax-free distributions, as long as you've satisfied the five-year holding period and are age 59½ or older
Rollovers allowed?	Yes, amounts rolled over from other non-457(b) retirement plans remain subject to the 10% IRS early withdrawal rule	Roth IRAs are not eligible to be rolled into a Roth 457 plan
How do I stop my deferral?	You can make a change (or stop) your deferral amount at any time online, or by calling the Deferred Compensation Administrator for assistance at **503-823-6140**.	

No 10% Early Withdrawal Penalty for Pre-tax Contributions When You Retire or Terminate Employment!
An advantage of the 457(b) plan is that it is **not** subject to the IRS age 59½ withdrawal rule. That means if you retire early you can start withdrawing money from your account before you turn the age of 59½ without paying a 10% penalty to the IRS. Like other pre-tax retirement plans, taxes still apply to the money withdrawn as contributions were made on a pre-tax basis.

Which is Right for You?

After reviewing the chart above, think about how the retirement options offered by the City can meet your needs. Determining which 457(b) Deferred Compensation Plan is right for you depends on your personal situation, your investment goals, and your risk preference. It's helpful to see how others weigh their options when considering investments. As you review the following examples and learn about your options, think about your own lifestyle and needs.

Meet Stewart

Age: 25
Marital Status: Single
Children: None

Stewart just started working for the City and is excited to get a retirement plan underway. He isn't worried about the tax deduction at his age and is confident his salary will increase over the years. By the time he is ready to retire, he will be in a higher tax bracket. Here is an overview of his options:

	Traditional Pre-tax 457(b) Plan	Roth After-tax 457(b) Plan
Gross income	$35,000	$35,000
Annual salary available to save	$3,000	$3,000
Less taxes at 25%	$0	- $750
Net yearly contributions	$3,000	$2,250
Total over 40 years	$120,000	$90,000
Value at retirement	$478,200	$358,700
Less taxes at 33%	$159,500	----
After tax value	$318,700	**$358,700**

Conclusion for Stewart: Based on the savings shown in the chart, Stewart might want to consider the Roth after-tax 457(b) Deferred Compensation Plan.

Meet Becky

Age: 45
Marital Status: Married
Children: 2

Becky considers herself at her "peak" earning years. She knows she won't make this kind of money with the City forever. However, she has two teenagers that need braces, are going to prom soon and, are just overall expensive. Becky doesn't think she can afford to lose another tax deduction at this point so she isn't sure participating is right for her. She expects she'll be in a lower tax bracket when she retires (in the chart, we assume 15%). Here is an overview of her options:

	Traditional Pre-tax 457(b) Plan	Roth After-tax 457(b) Plan
Gross income	$75,000	$75,000
Annual salary available to save	$10,000	$10,000
Less taxes at 25%	$0	- $2,500
Net yearly contributions	$10,000	$7,500
Total over 40 years	$200,000	$150,000
Value at retirement	$378,900	$284,200
Less taxes at 15%	$56,800	----
After tax value	**$322,100**	$284,200

Conclusion for Becky: Based on the savings shown in the chart, Becky might want to consider the Traditional pre-tax 457(b) Deferred Compensation Plan.

Meet Maria

Age: 55
Marital Status: Divorced
Children: 1

Maria has been working for the City for too many years to count. She likes the idea of a tax-free retirement income, but also likes her current tax deduction. She is getting closer to retirement and doesn't want to change her retirement nest egg now. But, she is considering the flexibility to optimize her tax strategy year to year as she withdrawals her retirement income. Here is an overview of her options:

	Traditional Pre-tax 457(b) Plan	Roth After-tax 457(b) Plan
Gross income	$60,000	$60,000
Annual salary available to save	$6,000	$6,000
Less taxes at 25%	$0	- $1,500
Net yearly contributions	$6,000	$4,500
Total over 40 years	$60,000	$45,000
Value at retirement	$81,500	$61,100
Less taxes at 25%	$20,400	----
After tax value	**$61,100**	**$61,100**

Conclusion for Maria: Based on the savings shown in the chart, Maria might want to consider a combination of the Traditional pre-tax and Roth after-tax 457(b) Deferred Compensation Plans.

Traditional, Roth, Maybe Both!

Maybe you, like Maria, could benefit from a retirement strategy that combines the traditional pre-tax and Roth after-tax 457(b) options. It might be right for you if you:

- Like the idea of tax-free retirement income, but also like the current tax deduction on your pre-tax contributions
- Believe your taxes in retirement will be about the same or are unsure where taxes are headed in the future
- Would like the flexibility to optimize your tax strategy year to year as you withdrawal your retirement income

Enroll and Manage Your Account

The City partners with two investment providers to give you a choice. You can choose between Voya Financial and Advantis Credit Union. Advantis has one investment option; Voya offers varying investment options to give you flexibility over your retirement. Both plans offer automatic payroll deductions so it's easy to contribute each month. After 30 days of employment, you are eligible to enroll. Here are the steps to enroll:

Step 1: Decide How Much You Want to Contribute

Contribution amounts will vary depending on your income now and the income you will need to live an active and eventful retirement. If you need help figuring out what contribution amount makes sense for you, please contact either Voya Financial or Advantis Credit Union. Call Voya at **503-937-0378** or toll free **1-800-238-6281** to have their information and enrollment guide mailed to you. Or, call Advantis Credit Union at **503-785-2528** or visit any branch office.

Get One-on-One Support
If investments and determining your retirement path isn't your strong suit, you can have a one-on-one meeting with a Voya representative to go over the materials in person. To schedule a meeting, email Voya at deferredcomp@lewis-stefani.com.

Step 2: Understand Investing

You may be ready to study and understand how to build your own portfolio or you may want help. Voya offers regular service days twice each month at the main downtown locations and also as needed at various outlying locations, where they come on site and help you elect your coverage options. The Voya sessions are free to Voya current and future participants.

You can visit an Advantis branch office to receive individual deferred compensation or financial counseling assistance.

Step 3: Enroll

Once you have decided to begin saving, it's time to enroll.

- You can enroll by using the **Employee Self Service (ESS)** system available through the CityLink Employee Portal. If you are electing Voya, you will be defaulted into a Target Date Fund depending on your year of birth (you must use a **City Computer** to access the Deferred Comp Tab in ESS). You can then complete a Fillable Beneficiary Form and submit it electronically to the Deferred Comp Administrator. Or,

- You can use the **EZ Enroll** form from your New Employee Packet If you are electing Voya, you will be defaulted into a Target Date Fund depending on your year of birth (you must use a City Computer to access the Deferred Comp Tab in ESS). Or,

- You can enroll using the 3 City forms (participation agreement, beneficiary and acknowledgement forms). An additional enrollment needs to be completed for those enrolling with Voya (503) 937-0378). If electing to enroll with Advantis, you must be an established member which can be done by visiting a branch office. Your completed City forms must be received in the Bureau of Human Resources Office by the 15th of the month to be effective the first paycheck of the following month.

Once you are enrolled, you can make changes to your contribution once each month by completing a participation agreement online through ESS.

Step 4: Manage Your Account

It's important to keep an eye on your account to help ensure that your financial future is on track. Use the following tools to help yourself along the way:

- Obtain account information and initiate transactions by visiting:
    - *Voya Financial* at https://portland.prepare4myfuture.com or call **503-937-0378** or **1-800-238-6281**
    - *Advantis Credit Union* at www.advantiscu.org, or call **503-785-2528** or **800-547-5532**
- Visit our educational website, https://portland.prepare4myfuture.com, then click on "Plan Website" on the right-hand side of the page to access a variety of interactive financial planning tools
- Review your quarterly account statement that is mailed to your home (or it can be found online) for detailed account activity

Distribution of Benefits

The Internal Revenue Service (IRS) and the City's Plan allow distributions from your account only upon your retirement, employment separation, unforeseeable emergency, Qualified Domestic Relations Order (QDRO), your death, or a voluntary in-service distribution for small account balances.

Retirement/Separation of Employment

The earliest you may start drawing on your account is the day following the date you leave City employment. Your separation from City employment *does not* include the status of "working retiree." You are not required to take a distribution upon retirement or separation of employment; you may choose to defer payments to a later time. You must begin to take distributions from your account by the time you attain age 70-½. You can also make changes (increase, decrease, stop, or start) to your payout schedule as often as you like. The only exception to that rule would be if you had initially selected an annuity payment option.

Unforeseeable Emergency Withdrawal

Sometimes, things happen that we never saw coming! There are provisions within the Deferred Compensation Plan that allow you to apply for an Emergency Withdrawal and seek relief from events beyond your control, including:

- Accident or illness involving you, your spouse, or your dependent (as defined by the IRS)
- Loss of property due to casualty (including damage not otherwise covered by homeowner's insurance)
- Other similar extraordinary and unforeseeable circumstances beyond your control

It is important that you exhaust all other options before you seek an unforeseeable emergency withdrawal. Distributions will be limited to the amount reasonably necessary to satisfy the emergency need, which may include any amounts necessary to pay federal, state, or local income taxes or penalties anticipated from the distribution. You must contact Voya Financial at **1-800-584-6001** or the Benefit Information Line at **503-823-6031** for additional information.

Qualified Domestic Relations Order (QDRO)

If you and your spouse divorce or legally separate, your spouse cannot receive any portion of your account unless the court enters a Domestic Relations Order. The rules are established by the IRS, and any applicable taxes are the responsibility of the divorced/legally separated spouse. The recipient can take an immediate distribution or elect any of the payout options available to participants in the Plan.

Death

Upon your death, the named beneficiary (or Standard Default Designation) as allowed is entitled to receive the balance of your account. Your beneficiary may select any payout option allowed by the Plan provided that it meets the Internal Revenue Code minimum required distribution. The IRS may require other distribution rules depending on your age.

Voluntary In-Service Distribution

While you are still working for the City, you may receive a lump sum distribution if you meet all three of the following requirements:

- Your total account balance does not exceed $5,000; and
- You have not previously received an in-service distribution of the total amount of your account; and
- You have not deferred any salary to the Plan during the two-year period ending on the date of the in-service distribution.

Frequently Asked Questions about the 457(b) Plan

1. **What sets a 457(b) plan apart from other retirement plans?** A 457(b) plan offers benefits that other retirement plans can't, like penalty-free withdrawals once you stop working for the City.
2. **What does tax-deferred mean?** Basically, you don't pay income taxes on your deferred compensation plan contributions or earnings until you retire and/or begin to take payments from your account. This may lower your taxable income now and in retirement. Withdrawals taken in retirement are taxed as regular income.
3. **Who regulates a 457(b) plan?** The Internal Revenue Service created and continues to regulate the plan.

If You Need Help

For more information on investment opportunities with *Voya Financial*, please review the website at https://portland.prepare4myfuture.com, or call **503-937-0378** or **1-800-238-6281**. For more information on investment opportunities with *Advantis Credit Union*, please review the website at www.advantiscu.org, or call **503-785-2528.**