

PERSONNEL RULES & REGULATIONS MANUAL

SECTION 1000 RETIREMENT BENEFITS

Section 1001. Retirement Criteria

a. General Retirement Plan

An employee may retire under the City of Gaithersburg's General Retirement Plan at age 50 years with at least 15 years of service, provided that the total of age (in years) plus years of service shall equal at least 75. An employee may, at his/her option, use his/her accumulated sick leave hour for hour as additional service to meet eligibility requirements. Any sick leave so used would not then be subject to a payment therefore as specified in the section entitled "Sick Leave."

b. Early Retirement Plan

An employee may retire under the City of Gaithersburg's Early Retirement Plan at age 46 years with at least 20 years of service. An employee under the Early Retirement Plan may, at the employee's option, use accumulated sick leave hour for hour as additional service to meet eligibility requirements. Any sick leave so used would not then be subject to a payment therefore as specified in the section entitled "Sick Leave."

Section 1002. Medical, Dental & Other Benefits Upon Retirement

Medical, dental, and other insurance benefits will be provided to retirees on the same basis as for active employees. Benefits added after an employee's retirement date will not be provided to the retiree.

In the event of the death of a retiree, the surviving spouse or domestic partner may continue coverage under the benefit plans available to retirees as if he/she was the retiree, under the same terms and conditions as the retiree, except that the surviving spouse or domestic partner may only cover dependents who were eligible for coverage at the time of the retiree's death, including an unborn child.

Section 1003. Medical Care Premiums

Employees retiring under the General Retirement Plan who elect to continue medical coverage through the City retain the type of coverage in force at the time of retirement and pay the same percentage of the medical insurance premiums as an active employee. Employees retiring under the Early Retirement Plan who elect to continue medical coverage through the City use the same provider and contribute 5 percent more in employee share cost of premiums than paid by employees in the General Retirement Plan.

Section 1004. Changes to Coverage Upon and After Retirement

The employee may elect to continue health insurance benefits and retain the type of coverage in force at retirement. The employee cannot increase his/her health insurance coverage at the time of retirement, unless the employee has a qualifying change in family status. However, the employee and/or his/her spouse/domestic partner must enroll in Medicare coverage as soon as they reach the age of 65 and become eligible for Medicare Part A and Part B coverage. (The retiree and/or spouse/domestic partner must provide proof of Medicare coverage to the Human Resources Department.) At that time, Medicare Part A and Part B become the primary medical insurance carrier and the City's insurance carrier becomes the supplemental secondary medical insurance carrier. The City may pay or contribute to the cost of the supplemental secondary insurance, but will not pay any of the Medicare premium.

The retiree will remain eligible to change health and/or dental insurance plans and add eligible dependents during the annual Open Enrollment period, which is held at the same time as for active employees. Open Enrollment is currently held during the month of May and changes filed during this period generally become effective on July 1.

It is the retiree's responsibility to notify Human Resources of any change, which would alter the retiree's health insurance coverage and/or premiums. If the change is not received within 60 days after the date of the event, the retiree may be required to wait until the next open enrollment period. It is also the retiree's responsibility to notify Human Resources of an address change.

Section 1005. Dental Care

Employees retiring under the General Retirement Plan who elect to continue dental coverage through the City use the same provider and pay the same percentage of the dental insurance premiums as an active full-time employee. Employees retiring under the Early Retirement Plan who elect to continue dental coverage through the City use the same provider and contribute 5 percent more in employee share cost of premiums than paid by employees in the General Retirement Plan.

Section 1006. Long-Term Care

A retiree will continue to use the same provider and pay the same amount for long-term care insurance as an active employee pays.

Section 1007. Life Insurance

The City will continue to carry a life insurance policy on the retiree that will cover death by natural or accidental causes in the amount listed below. There is no cost to the retiree:

Under Age 70:	\$50,000
Age 70 to 74:	\$32,500
Age 75 and Older:	\$25,000

An employee hired on or after July 1, 2012, is not eligible for this insurance coverage upon retirement from City service.

Section 1008. Annual Leave

A separate check will be written to the employee for his/her remaining annual balance not to exceed 240 hours. Taxes, social security, and 401K contribution will be withheld.

Section 1009. Sick Leave

A separate check will be written to the employee for 25 percent of the employee's accumulated sick leave. Taxes, social security, and 401K contribution will be withheld. The employee may choose to apply accumulated sick leave to years of service to meet the retirement criteria in lieu of payment for accumulated sick leave.

Section 1010. Miscellaneous Benefits

Retirees may continue personal cell phone service through the City at the same rate as an active employee and must pay cell phone bills monthly. Retirees may continue to use City recreational facilities and classes at the same rates as an active employee. A membership card will be issued to the retiree which will allow the retiree access to City facilities and classes.

Section 1011. Payment of Medical, Dental, & Long-Term Care Premiums

Upon retirement, an employee will elect to pay medical, dental, and/or long-term care insurance premiums (a) by monthly deduction from their Retirement Health Savings (RHS) Account, or (b) directly to the City of Gaithersburg on a monthly, quarterly, semi-annual, or annual basis. Retirees who fail to pay insurance premiums on schedule risk termination of coverage.

Section 1012. Social Security

Social Security is also known as OASDI (Old-Age, Survivor, and Disability Insurance). Social Security is a federal program funded by employer contributions and employee payroll deductions. Its intent is to provide a fixed monthly benefit for retirees. The level of payment depends on the length of time the individual has worked.

Employment with the City of Gaithersburg is covered under the Federal Social Security System. Employee contributions to the Social Security Administration are matched equally by the City. Further information about Social Security benefits can be obtained from the local office of the Social Security Administration.

Both the employer and the employee contribute to Social Security based on federal government guidelines.

Section 1013. Retirement Plans

Classified employees and unclassified management employees are eligible to enroll in all City of Gaithersburg retirement plans immediately upon hire. The City's retirement benefits administrator is ICMA-RC (International City/County Management Association-Retirement Corporation), which manages and administers retirement plans exclusively for the benefit of public sector employers and employees.

Once enrolled, employees will receive quarterly statements from ICMA-RC by mail and also have 24/7 access to their retirement accounts, either online at the ICMA-RC website (www.icmarc.org) or through ICMA-RC's automated telephone service. Employees may also contact the Human Resources Department to make changes in contribution amounts, investment allocations, and basic information (name, marital status, beneficiaries, etc.).

The 401A, 401A Supplemental, and 401K (described below) are defined contribution plans. Defined contribution plans are plans in which the employer and/or employee contribute a fixed or defined percentage of the employee's current salary to the plan. The employee controls where the money is invested. At retirement, the employee receives both the employer and employee contributions, along with the earnings gained on the contributions; and the employee determines the distribution amount he/she will receive based on the value of the account and distribution options selected by the employee.

If an employee leaves employment prior to retirement, the balance of the employee's retirement accounts may remain in an ICMA-RC account or be rolled over into a new employer plan or IRA.

Employee and/or employer contributions to all retirement plans (except the Roth IRA) are pre-taxed and tax deferred. When the employee withdraws the money, it will be taxed.

1013.1 401A Money Purchase Retirement Plan

The City of Gaithersburg will contribute the equivalent of 8 percent of the employee's base annual salary to the 401A Retirement Plan at no cost to the employee. This retirement plan has a gradual vesting schedule as shown below; an employee is fully vested after 5 years of service.

1013.2 401A Money Purchase Supplemental Retirement Plan

This retirement plan is available to eligible employees in the Public Works Department and Police Department who have physically demanding jobs. The City of Gaithersburg will contribute up to a maximum of 5 percent of the employee's annual base salary to the 401A Supplemental Retirement Plan if the employee is contributing at least 5 percent in the 401K Profit Sharing Plan and at least 5 percent in the 457 Deferred Compensation Plan. This retirement plan has a gradual vesting schedule as shown below; an employee is fully vested after 10 years of service.

1013.3 401K Profit Sharing Retirement Plan

The City of Gaithersburg will match 3 percent of the first 5 percent of the employee's base annual salary contributed by the employee to the 401K Retirement Plan. This retirement plan has a gradual vesting schedule as shown below; an employee is fully vested after five years of service. Contributions to this plan are tax deferred.

1013.4 457 Deferred Compensation Retirement Plan

This is a supplemental retirement plan which is funded through employee contributions only. Part-time employees are eligible to participate in this retirement plan. No vesting period is required. All contributions are tax deferred.

1013.5 Roth IRA

This is a supplemental retirement plan which is funded through employee contributions only. No vesting period is required. Contributions are not tax deferred; earnings on Roth IRA accounts may be distributed tax-free, provided they are not withdrawn in the first five years.

Section 1014. Vesting Schedule

A City employee is vested (obtained legal rights to retirement funds contributed by the employer) in the retirement plans per the following schedule:

Years of Service	401A & 401K Vesting Percentage	401A Supplemental Vesting Percentage
0	0%	0%
1	0%	0%
2	0%	0%
3	33 1/3%	0%
4	66 2/3%	0%
5	100%	0%
6	--	20%
7	--	40%
8	--	60%
9	--	80%
10	--	100%

An employee who leaves the City's employment before being partially or fully vested would be entitled to all contributions made by the employee.

Section 1015. Retirement Celebrations

The following procedures and guidelines shall be followed in acknowledging/celebrating an employee's retirement from City service:

- a. Human Resources notifies the City Manager and the Department Head of the employee's planned retirement date.
- b. City Manager advises the Municipal Clerk to prepare a proclamation from the Mayor and City Council and to order a retirement gift to be presented from the City (currently a clock valued at approximately \$50). Any personal gifts to be presented to the retiree must be paid for by donations from those wishing to contribute toward the cost.
- c. The City will fund a luncheon or reception in the retiree's honor in an amount not to exceed \$500. Any cost for the event in excess of \$500 must be paid for by donations from those attending or wishing to contribute toward the cost. (Any celebration event planned for the retiree that does not meet the guidelines set forth below must be paid for by donations/contributions.) Guidelines for organizing the luncheon or reception are as follows:
 1. The retiring employee's Department Head or supervisor (or designee) shall be responsible for planning the event. The host(s) are responsible for extending invitations and accepting responses and donations. (Tips on planning a retirement celebration are attached.)
 2. The activity/program may not be a "surprise" for the employee and may not be conducted in the manner of a "roast."
 3. The Mayor and City Council and all City employees must be extended an invitation to the event.

4. The activity, program, and special guest list (family members, close friends, other City officials, committee members, volunteers, etc.) must be coordinated with the employee who is retiring. Any special guests wishing to speak at the event must be coordinated with the City Manager.

5. The retirement luncheon or reception may be held during regular business hours provided it lasts no longer than 1½ hours.

6. No alcoholic beverages may be served at the event.

7. The event may be held at a City facility, provided a facility or room is available. The rental fee for a City facility/room will be waived; however, the celebration host(s) is(are) responsible for following all guidelines, rules, regulations, and obligations associated with renting a City facility/room.

8. The Department Head/supervisor (or designee) organizing the celebration should submit all check requests and receipts for expenditures associated with the event (not to exceed \$500) to the Human Resources Director for approval. All retirement celebration events should be charged to Account No. 1135-542000.

d. A retiree who is eligible to receive a service award during the year of his/her retirement, but who has not received the award prior to his/her actual retirement, will receive the service award at the retirement celebration.

e. If the retiring employee prefers, the City will not hold a retirement event for them. The retiree will receive the proclamation, gift, and service award (if appropriate) from the City.