

**EMPLOYEE RETIREMENT PLANS
(Defined Benefit Plans)**

**COMMONLY ASKED QUESTIONS OF THE RETIREMENT OFFICE
(all information is subject to change)**

WHAT HAPPENS TO MY MEDICAL AND DENTAL INSURANCE WHEN I RETIRE?

The following medical coverages are currently offered to City retirees (Please note that your Union Contract governs your benefit plan in retirement. Generally, in many contracts, eligible retirees shall be covered by the same insurance as active bargaining unit members):

Blue Cross/Blue Shield – Will normally be exactly what you currently have as an employee.

Physicians Health Plan – If you have PHP upon retirement and PHP consider you to be retiring early, you may continue coverage. Remember this contract is with the Lansing area PHP only.

Delta Dental Insurance – Coverage remains the same as it was during employment with the City (one exception: in some cases, orthodontia is no longer a benefit). Union members please consult your contracts; non-union members should refer to personnel rules. There currently is no cost to the retiree for this coverage.

Premiums – You will be required to pay for all premiums for health care in excess of your eligible base plan. You will be subject to premium sharing as described in your Union Contract.

The criteria used to determine dependent eligibility is the same for retirees as for employees. You must be able to claim individuals according to the IRS dependence test in order for them to remain on your medical or dental insurance.

Open Enrollment – You can make changes to your medical insurance coverage during Open Enrollment which is normally held in May of each year.

Medicare Reimbursement – If you or your spouse are eligible for Medicare (age 65), be sure to sign up and immediately upon receipt of the card, mail a copy to the Benefit Office. At this time, you will be transferred to the City's supplemental coverage, currently United American. You will be reimbursed by the City for the basic Medicare premium which is deducted from your Social Security check, as long as the City's cost for Supplemental coverage is less than Medicare. **THE CITY WILL REIMBURSE FOR MEDICARE EXPENSES ONLY AFTER RECEIVING VERIFICATION THAT THE EMPLOYEE OR DEPENDENT IS ENROLLED IN MEDICARE,** and following completion of enrollment for the City of Lansing Supplemental coverage. If you are not eligible for Social Security, you may pay directly for Medicare.

Remember that the City of Lansing has the “exact fill” clause on its Supplemental policy. The City of Lansing advises that this means supplemental insurance along with Medicare pays exactly what would have been paid had coverage been under regular City of Lansing insurance. If any family member covered under your policy has disability Medicare, be sure to advise the Retirement Office when you sign up for retirement.

COBRA (Comprehensive Benefits and Retirement Act – continuation of coverage) – 1) If you should divorce your spouse or 2) you should elect a retirement option that does not provide a spousal retirement allowance or 3) you have a previous dependent who can no longer be claimed on your income tax return as a dependent, then those individuals may elect to remain on the city’s medical and dental policies by paying directly to the City for up to a three-year period. There are, however, some restrictions. If it becomes necessary to apply for COBRA benefits, please ask the Payroll and Benefits office about the restrictions.

WHAT HAPPENS TO MY LIFE INSURANCE WHEN I RETIRE?

You will be offered \$3,000 life insurance on yourself. Retiree pays for the cost of this insurance (unless union contract provides otherwise), and the cost is subject to change as the City’s insurance policy is experience-rated. (Police-Supervisory and UAW members are offered \$5,000 with cost adjusted according to contract provisions.) Your spouse and children will not be covered through the City for life insurance when you retire. Should you elect to convert the present life insurance on yourself or your family, you may do so with Aetna (ING) thirty days before or after retirement to avoid being required to submit to a physical examination. Those converting must pay the same rate as anyone else of that age who would apply for group conversion to Aetna. Please check with Brogan, Reed and Van Gorder, 320 W. Lake Lansing Road, Suite 2, East Lansing, telephone (517) 351-4400 in order to determine the exact cost. The City recommends this be reviewed as you might for any private term life insurance coverage. This is a highly competitive market.

Important: If you are retiring due to total disability (as defined in this instance by AETNA) and this disability may cause your death, you will want to check with Aetna for possible conversion for nine months. Nine months following retirement, it will be your responsibility to contact the Retirement Office and request the Retirement Office to initiate the paperwork for Aetna to consider waiver of premium for those under age 60. You will be advised at that time about the procedure used in filing for waiver of premium.

Deferred Retirement – It is your responsibility to contact the Retirement Office when you are eligible to receive retirement after a deferral period. The City will not automatically initiate payments to you.

If you qualify for medical, dental or life insurances coverage, they will be available when you commence drawing your retirement allowance (or when you attain age 55, 58 or 65 points of age and service credit in the defined contribution plan). During the time your retirement is on deferred status, you will not have medical, dental or life insurance through the City of Lansing.

What Happens in the Event of my death? – Your beneficiary will need to provide a death certificate to the Retirement Office. The Retirement Office will advise your beneficiary of all benefits available through your retirement for the beneficiary. Only if you elect an option leaving a pension to a beneficiary will the beneficiary continue to receive medical and dental insurances.

If you do not elect an option providing a continued retirement allowance for your spouse, he/she any remaining dependents will NOT be allowed to remain on the City's insurance except for the period of time specified under the COBRA law, and only if the beneficiary makes payments to the City for those coverages.

What Happens if my Beneficiary Should Die? – You will need to contact the Retirement Office to adjust your insurance accordingly. Once you retire, your nomination of beneficiary becomes **irrevocable**.

Is my retirement taxable income? – Yes! Anyone who retires after July 1, 1986, is responsible for Federal Income Tax on the employer's portion of retirement income beginning on the first day of retirement. The City will provide an exclusion letter one time only based on IRS tables. You will need to save the exclusion letter for income tax purposes. (Disability retirees should consult their tax consultants as they will not receive the exclusion letters until reaching normal age and service retirement.) At the time of retirement, you will elect a withholding option for Federal Income Tax to be withheld from your retirement check. You may change the withholding option at any time.

The State of Michigan phases out certain pension and retirement income subtractions based on date of birth, beginning for tax year 2012. The City of Lansing currently does not require payment of income tax on your retirement allowance. Please see specific instructions on your State and City tax returns, or consult your tax advisor. The City currently does not withhold City of Lansing income tax from your retirement check.

Social Security – If you are eligible to draw Social Security during the year in which you retire, it is your responsibility to report to the Social Security Administration the amount for lump sum vacation and sick leave that you earned in a prior year. This information is generally located on your last payroll check upon separation from the City of Lansing.

Bank Deposits – The City of Lansing will be happy to electronically deposit your entire check to any bank or credit union in the United States that you designate. The account number and routing number must be provided to the Retirement Office as bank and credit unions require it to receive direct deposits.

Deductions – If you have any miscellaneous deductions for Aflac, United Way, deferred compensation or credit union deposits, these will not continue upon retirement.

Payments – Remember payments are made once a month and are dated for the last business day of the month. Remember no check can be cashed until the date of the check. If you retire on the first day of a month, your first retirement check will be issued the last day of that same month.

Ideally, the City of Lansing prefers that payroll follow this procedure: the last regular check should include only hours worked in the last pay period, pro-rate longevity, for accrued sick leave (at one-half accumulated total as subject to contract or personnel rules), lump sum vacations and personal leave days. Checks are either mailed to employee's home address or directly deposited in the employee's account.

The Retirement Office calculates your final average compensation and your monthly retirement allowance. The Finance Department mails or electronically sends your checks.

HOW DO I BEGIN THE PROCESS?

Please contact the Retirement Office 4-6 weeks in advance to set up an appointment. **You will need your beneficiary's social security number and date of birth to complete your retirement application, if applicable.** You will also need your dependents social security numbers and dates of birth to complete your medical insurance paperwork. New medical and dental insurance cards will be issued approximately six to eight weeks after your official retirement date. It is OK to use the old card until the new one is received. The provider of services may get a rejection; however, by the time the provider receives the rejection, you should have your new cards in order to resubmit the claim.

If you are retiring on disability retirement, be sure to get a copy of the ordinance that governs the Retirement System in order to understand the difference between regular retirement and disability retirement. For instance, differences include income reporting, offset against earnings and how your worker's compensation may be affected, if applicable, as well as reexamination and reinstatement. Please review your retirement book and your union contract, if applicable, and ask questions.

This data is strictly designed to assist retirees and potential retirees with a few basic answers, and is subject to change, and is not a representation of all your rights. For more detailed information, please refer to applicable union contracts, health care brochures, etc.

THIS INFORMATION DOES NOT APPLY TO EMPLOYEES IN THE DEFINED CONTRIBUTION PLAN.

I acknowledge receipt of a copy of the Commonly Asked Questions of the Retirement Plan, and I acknowledge that all decision I have made relative to my retirement and benefits are done with an understanding of their implications.

Date _____

Employee Signature