



# Retirement Handbook

For members hired before July 1, 2011



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# GENERAL INFORMATION

The information contained in this handbook summarizes the retirement benefits available to the employees of the City and County of Denver initially hired prior to July 1, 2011, and some Denver Health and Hospital Authority (DHHA) employees.

## DERP History

The Denver Employees Retirement Plan (DERP) is a defined benefit plan established on January 1, 1963. DERP's purpose is to provide benefits for its members and beneficiaries upon retirement, disability, or death. DERP was designed to be supplemented by Social Security benefits and/or income from other retirement investments.

## DERP Administration

DERP is governed by a five member Board appointed for staggered six-year terms by the Mayor of the City and County of Denver. In addition, four non-voting Advisory Committee members (three elected by the DERP membership and one appointed by the Career Service Board) serve staggered three-year terms. The Executive Director is employed by the Retirement Board to administer DERP subject to the policies set by the Board and the Denver Revised Municipal Code.

## Contributions

Together, employer and employee contributions, plus income from investments, fund the retirement benefits for members and their beneficiaries. The contributions made by the member are on a pretax basis through payroll deduction. The City and County of Denver and DHHA contribute 15.75% of the member's total gross salary to DERP's trust fund, and the member contributes 9.25% of his or her total gross salary. For example, if the member's gross monthly salary is \$5,000, the employer's 15.75% con-

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tribution would be  $\$5,000 \times .1575 = \$787.50$  per month. The member's 9.25% contribution would be  $\$5,000 \times .0925 = \$462.50$  per month.

If an active member separates from employment prior to being vested (and thus is ineligible for a retirement benefit), his or her personal contributions, plus interest, can be refunded in a lump sum. As an alternative, the separated member may roll over these personal contributions and interest to a qualified retirement account. In either case, the separated member forfeits all years of service credit and any future retirement benefit eligibility. However, the separated member who returns to City employment may receive credit for the years of service forfeited if the amount refunded, plus interest, is repaid to DERP within 24 months of being rehired.

If an active member separates from employment and is vested (eligible for a retirement benefit), the contributions cannot be refunded. Instead, the contributions will remain a part of the trust fund and will be used to fund the member's future retirement benefit.

## Information Meetings

To give members a chance to receive information about their retirement options, DERP holds meetings throughout the year during the workday at City and DHHA facilities. Contact DERP or refer to DERP's website for more information.

Members may also schedule an individual appointment with a Membership Services Representative to go over any specific questions about retirement benefits from DERP.

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# TYPES of RETIREMENT

## Vesting Requirements

A member with five years of credited service becomes vested, and is then qualified to receive a benefit upon reaching retirement age.

## Calculation of Retirement

For active members employed by the City and County of Denver or DHHA prior to September 1, 2004, the lifetime monthly retirement benefit calculation is **2%** of the member's average monthly salary (AMS) (based upon the highest 36 consecutive months' salary that the member earns from the employer), times years of credited service. For members who were hired or re-hired on or after September 1, 2004, the retirement benefit is based on **1.5%** of the average monthly salary times years of credited service.

For example:

*Assumption:* The member was hired before September 1, 2004. The member is age 65, has credited service of 25 years, and has an average monthly salary of \$5,000.

**The maximum monthly benefit calculation is:**

$$\$5,000 \times .02 = \$100 \times 25 \text{ yrs.} = \$2,500$$

*Assumption:* The member was hired after September 1, 2004. The member is age 65, has credited service of 25 years, and has an average monthly salary of \$6,000.

**The maximum monthly benefit calculation is:**

$$\$6,000 \times .015 = \$90 \times 25 \text{ yrs.} = \$2,250$$

If a member was hired prior to January 1, 2010 and if the member's last 36 consecutive months' salary are the highest, unused Sick and Vacation

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time paid at separation will be recognized as salary, and will increase the AMS and enhance the retirement benefit. Unused Paid Time Off (PTO) does *not* increase the AMS. Retirement benefits from DERP are paid on the first of every month, are taxable, and are payable for life.

## Types of Retirement

- Normal Retirement
  - Age 65
  - Rule-of-75
- Early Retirement
- Deferred Retirement
- Disability Retirement

### Normal Retirement- at or after age 65

Normal Retirement without a benefit reduction becomes effective the first day of any month after the member reaches age 65, separates from employment with the employer, and completes an application.

### Normal Retirement- Rule-of-75

The Rule-of-75 Retirement enables a member to retire as early as age 55, without a benefit reduction, provided the combined years and months of credited service and age at separation from the employer equal or exceed the sum of 75.

For Example:

*Assumption:* The member was hired before September 1, 2004, is age 55, has credited service of 25 years, and has an average monthly salary of \$5,000.

**The maximum monthly benefit calculation is:**  
 $\$5,000 \times .02 = \$100 \times 25 \text{ yrs.} = \$2,500$

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## Early Retirement- from age 55 to 65

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A member may retire early upon reaching age 55 with a minimum of five years credited service. The Early Retirement benefit is determined in accordance with a calculation based on credited service to the early retirement date and permanently reduced by 3% per year for each year under age 65. For example, at age 55 there would be a 30% reduction in the retirement benefit.

For Example:

*Assumption:* The member was hired before September 1, 2004, is age 55, has credited service of 15 years, and has an average monthly salary of \$4,000.

**The maximum monthly benefit calculation is:**

*Unreduced Maximum Monthly Benefit*

$$\$4,000 \times .02 = \$80 \times 15 \text{ years} = \$1,200$$

*Less Reduction for Early Retirement*

$$10 \text{ years} \times .03 = .30 \times \$1,200 = - \$360$$

*= Early/Reduced Maximum*

*Monthly Benefit*

\_\_\_\_\_ \$840

## Deferred Retirement- at or after age 55

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A vested member who has separated employment from the employer prior to retirement eligibility may elect to begin receiving a benefit upon reaching age 55 or older. Calculation of a deferred benefit is based on the formula in place at the time of the member's employment, and the member's age at the time of application. If a member should die prior to receiving a monthly Deferred Retirement Benefit, the spouse or, if not married, children under 21, may be eligible for a benefit.

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## Disability Retirements

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- On-the-Job Disability
- Off-the-Job Disability
- Temporary Early Retirement  
*(pending approval of disability application)*

Disability Retirement is designed for the member with a permanent disability. For either an On or Off-the-Job Disability, the benefit is payable for life, provided the member continues to meet the eligibility requirements. This benefit becomes effective the first day of the month after the member separates from employment with the employer because of the disability. The illness or injury causing the disability must have occurred within 24 months prior to the effective date of the member's retirement. The member must apply in writing within 90 days of separation and complete the application requirements within three years.

### *On-the-Job Disability*

If a member should become permanently disabled because of an accident or other medical reason in connection with the member's employment, the member may be eligible for an On-the-Job disability retirement benefit.

The member must fulfill the following requirements to qualify for an On-the-Job disability:

- Separate from employment with the employer because of the disability;
- Submit proof of a work-related injury; and
- Qualify for a disability benefit as determined by Social Security standards.



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This benefit would be based on the higher of 20 years credited service or actual service plus 10 years. In either case the credited service cannot exceed the service the member would have earned at age 65. There are no minimum years of service requirements for this benefit.

### *Off-the-Job Disability*

A disability caused by illness or other medical reason not connected to the job will be classified as an Off-the-Job Disability. The Off-the-Job Disability benefit is 75% of the benefit calculated for an On-the-Job Disability. The member must fulfill the following requirements to qualify for an Off-the-Job Disability:

- Have at least five years credited service with DERP;
- Separate from employment with the employer because of the disability; and
- Qualify for a disability benefit as determined by Social Security standards.

### *Temporary Early Retirement*

Pending approval of a disability application, a retirement benefit is available to an active, vested member who is at least age 55 at the time the member separates from employment. This benefit is designed to provide income to the member during the process of fulfilling the disability application requirements. There is a three year limit on this retirement benefit.

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# BENEFITS

## Benefit Options

There are two benefit options available to members. They are the Maximum Lifetime Benefit and the Joint and Survivor Benefit. **Once the retirement benefit begins, the chosen benefit option cannot be changed, even if the member becomes re-employed by the City or becomes divorced or remarries following retirement.**

### *Maximum Lifetime Benefit*

This option provides a Maximum Lifetime Benefit to the member but will cease upon the member's death. This option does not provide any monthly benefit to a beneficiary. If the member is married and chooses the Maximum Lifetime Benefit, the spouse must formally consent in writing and forfeit all rights to any lifetime monthly benefit from DERP.

### *Joint and Survivor Benefit*

Under the Joint and Survivor Benefit option, the member receives a reduced lifetime monthly benefit in order to also provide a lifetime monthly benefit for a beneficiary. All benefits are calculated based on the statistically assumed mortality ages of the member and the beneficiary and on their respective ages upon retirement of the member. The member can choose for his/her spouse or named beneficiary to continue to receive a lifetime monthly benefit of 100%, 75%, or 50% of the monthly benefit the member was receiving at the time of the member's death. Because this benefit covers two lifetimes, the monthly benefit of the member is reduced.

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For example:

*Assumption:* The member was hired before September 1, 2004. The member and beneficiary are age 65, the member has credited service of 25 years, and has an average monthly salary of \$5,000.

<b>Member's Monthly Benefit</b>	<b>Beneficiary's Monthly Benefit</b>
Maximum Lifetime Benefit: \$2,500.00	-0-
100% Survivor Benefit: \$2,159.50	\$2,159.50
75% Survivor Benefit: \$2,235.75	\$1,676.81
50% Survivor Benefit: \$2,317.50	\$1,158.75

If the member is married, the spouse must be the designated beneficiary unless the spouse formally forfeits these rights and consents in writing to the designation of another beneficiary. If the spouse or named beneficiary should predecease the member, the member's benefit will be increased to the maximum benefit as if no Joint and Survivor option had been elected. **Once retirement benefits begin, neither this option nor the beneficiary can be changed, even if the member becomes re-employed by the City or becomes divorced or remarries following retirement.**

### Social Security Make-up Benefit

The normal retirement age under Social Security was extended beyond age 65 for individuals born in 1938 and later. In an effort to help members "make-up" for delayed Social Security benefits, DERP will increase monthly retirement benefits to those individuals affected. The benefit is based on a small percentage factor applied to the member's

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estimated Social Security benefit, and also considers years of credited service with the employer during which contributions were made to Social Security (up to a maximum of 35 years.) This additional benefit is payable beginning at age 62 or the member's retirement date, whichever is later.

## Purchase of Service Credits

With certain restrictions, vested members may purchase, prior to separation from employment, and subject to procedures established by DERP, unlimited prior governmental service credit, and up to five years of nongovernmental service credit, for the purpose of adding years or months of service to the calculation of the member's benefit. The cost to purchase service will be based on the member's age, earliest unreduced retirement age, average monthly salary, and certain other actuarial factors. Service can be purchased in periods of one or more months, but may be made only for full months, with full payment for each month. Please review DERP's "Purchase of Service" booklet for more details.

## Health Insurance

DERP currently offers group health, dental, and vision insurance to retired members, eligible spouses, and dependents. DERP contributes a portion of the monthly health insurance premium, provided the member is enrolled in group insurance offered by DERP. The monthly amount DERP contributes toward health insurance is established by the Board based on the member's credited service with the employer (excluding purchased service credits). The amount contributed also depends on whether or not the member is Medicare-eligible. DERP also offers a Health Insurance Premium Reimbursement for eligible out-of-state retired members who are not Medicare-eligible. Contact DERP for more information.

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## Domestic Relations Order (DRO)

For vested active and retired members of DERP who are going through a divorce, a member and his or her spouse may agree to have the spouse directly receive a portion of the member's retirement benefit and/or DROP or DROP II account, pursuant to court order. The retirement benefit from DERP can be divided in a divorce, legal separation, or invalidity of marriage proceeding through a Domestic Relations Order (DRO). A DRO is a judgment, decree, or other order made in accordance with DERP's procedures and Section 18-418 of the Denver Revised Municipal Code, which divides the member's retirement benefit and/or DROP/DROP II account at the time the member retires.

For more information on the Domestic Relations Order, please contact DERP.

## DEATH BENEFITS

### Death Benefits Before Retirement

If an active member should die while employed with the City or DHHA, there are death benefits available for the member's beneficiary. In most instances, the Death Benefit is a lifetime monthly benefit for the designated beneficiary. If the member is married, the member's spouse will receive the lifetime benefit unless the spouse formally consented and waived this right and consented to another designated beneficiary. If there is no spouse, all children under age 21 will receive a benefit until they reach age 21. If the member is unmarried and has no children under age 21, the designated beneficiary will receive the benefit. The member must designate a beneficiary upon enrollment. It is important for a member to inform DERP of any intended beneficiary changes.

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Change of Beneficiary forms can be obtained from DERP's website at [www.derp.org](http://www.derp.org).

### *On-the-Job Death*

If a death is classified as On-the-Job, the member's beneficiary will receive a lifetime monthly benefit with service credits calculated as the higher of 15 years service or actual service plus five years. In either case, the credits may not exceed service which would have been earned by the member at age 65. Benefits are calculated in accordance with the standard retirement calculation using the adjusted credited service. There are no minimum service requirements for this benefit.

### *Off-the-Job Death*

If a death is classified as Off-the-Job, the member's beneficiary will receive a lifetime monthly benefit that is 75% of the On-the-Job death benefit. There are no minimum service requirements for this benefit.

### Death Benefit After Retirement

In some instances there are benefits payable to a retired member's spouse or beneficiary after the death of the member.

### *Lump-Sum Death Benefit*

A lump-sum death benefit is available to members who retire directly from active service and have at least five years credited service at retirement. This single payment will be paid to the member's beneficiary or to the member's estate if the designated beneficiary is no longer living. The benefit schedule is shown below:

- **For Normal, Rule-of-75, Disability Retirement at and after age 65, and for Temporary Early Retirement pending approval of disability**, the lump-sum death benefit is \$5,000.

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- **For Disability Retirement before age 65**, the death benefit is one and a half (1 1/2) times the member's annualized average monthly salary, with such benefit limited to \$50,000. This benefit is reduced to \$5,000 when the disabled member reaches age 65.
  - **For Early Retirement**, the lump-sum death benefit is reduced by \$250 for each year of age under 65. At age 55, the benefit would be \$2,500.

While the member is alive, the lump-sum death benefit may be taken in 50 or 100 equal installments, added to the member's monthly retirement benefit.

## THE RETIREMENT PROCESS

### Social Security and Medicare Information

#### *Social Security Administration:*

In order to receive specific information regarding Social Security, it is recommended that members contact the Social Security Administration directly. DERP's Membership Services Representatives do not have detailed information regarding benefits offered through Social Security. The Social Security telephone number is **1-800-772-1213**. The Social Security website is **[www.ssa.gov](http://www.ssa.gov)**.

#### *Retirement Date:*

Contact Social Security two to three months prior to retirement for an appointment. At that time you will be provided information regarding your options for collecting your Social Security benefit.

#### *Medicare:*

To be eligible for Medicare Advantage plans offered through DERP, those age 65 or older, or eligible because of a disability, must enroll in both Medicare Parts A (Hospital) & B (Medical)

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when applying for Social Security benefits. Members can get answers to Medicare questions by calling **1-800-633-4227**. The Medicare website is **[www.medicare.gov](http://www.medicare.gov)**.

### *Earnings Restrictions:*

Post-retirement Social Security earnings restrictions for members younger than full retirement age can be obtained by contacting the Social Security Administration. There are no earnings restrictions for members older than full retirement age.

## DERP's Retirement Process

### *Retirement Benefit Estimates:*

DERP will calculate members' estimated retirement benefits upon request. DERP will need the date of intended retirement. Estimates including the Joint and Survivor benefit option (continuation of benefit payment to a surviving spouse or other qualified beneficiary) are also available. To receive a Joint and Survivor benefit estimate, include the beneficiary's birth date and gender.

Members can also calculate their own benefit estimates via the Plan's Member Self-Service Portal, **[www.myderp.org](http://www.myderp.org)**.

### **When members are ready to retire they should:**

- **Notify their supervisor and designated HR representative** approximately 30 to 90 days prior to the date selected for retirement.
- **Provide the Membership Services staff at the DERP office with a copy of an "intent to retire" letter which specifically indicates the member's last day of work.**



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- **Come to DERP's office and complete the retirement application.** Upon receipt of the "intent to retire" letter, DERP will contact the member requesting the member to come to DERP for an individual appointment to complete the retirement application.

**Items to bring to the DERP office when completing the retirement application:**

*Forms:*

- Copy of the member's certified birth certificate or valid passport;
- Copy of the beneficiary's certified birth certificate or valid passport (if electing a joint and survivor benefit);
- Social Security numbers (member and beneficiary); and
- A voided check for direct deposit of monthly benefit payments.

*Health insurance information:*

For a member, and an eligible spouse or dependent obtaining health insurance coverage through DERP's group insurance, the member must provide the following:

- Social Security number;
- Date of birth; and
- If enrolling dependents, documents which verify the eligibility of those dependents (a marriage certificate for a spouse, certified birth certificates for children).

*This publication is for informational and educational purposes only. The Denver Employees Retirement Plan (“DERP”) and its administration of the Plan is governed by the Revised Municipal Code of the City and County of Denver, as well as the Internal Revenue Code and its rules and regulations which are complex and subject to change. Though the information and explanations contained in this publication are based on the pertinent laws in effect as of this date, it cannot be relied on as legal authority, and any conflict or inconsistencies between it and the governing laws are resolved and controlled by those governing laws. DERP makes no guarantees pertaining to the information contained within it.*

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