

NOTES TO BASIC FINANCIAL STATEMENTS, *Continued*

6. **Defined Benefit Pension Plan, continued:**

Retirement Plan Provisions, continued:

Plan 1, continued :

Service Retirement Multiplier: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Normal Retirement Age: Age 65.

Earliest Unreduced Retirement Eligibility: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility: Age 55 with at least five years (60 months) of creditable service or at age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

NOTES TO BASIC FINANCIAL STATEMENTS, Continued

6. **Defined Benefit Pension Plan, continued:**

Retirement Plan Provisions, continued:

Plan 1, continued :

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2 :

About Plan 2: Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members: Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-in Election: Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Retirement Contributions : Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service : Same as Plan 1.

Vesting : Same as Plan 1.

Calculating the benefit : See definition under Plan 1.

Average Final Compensation : A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.

NOTES TO BASIC FINANCIAL STATEMENTS, *Continued*

6. **Defined Benefit Pension Plan, continued:**

Retirement Plan Provisions, continued:

Plan 2, continued :

Service Retirement Multiplier: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age: Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility: Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.

Eligibility: Same as Plan 1.

Exceptions to COLA Effective Dates: Same as Plan 1.

Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Purchase of Prior Service: Same as Plan 1.

Hybrid Retirement Plan :

About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")

The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.