



# **City of Richmond Post-employment/ Post-retirement Benefits**

**Date: January 16, 2020**





# Richmond

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## Richmond's Post-Employment Plans

1. What are the plans offered by Richmond?
2. What are other localities doing?



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## Richmond's Post-Employments Benefits

### 1. Retirement Funds

- Defined Contribution 401(a)
- Defined Benefit and Enhanced Defined Benefit

### 2. Healthcare Insurance

### 3. Life Insurance



# Richmond

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## City of Richmond Retirement Plan Systems:

1. Richmond Retirement System (RRS) - (described on next pages)
2. Virginia Retirement System (VRS)
  - Richmond uses VRS for constitutional employees, registrar and employees of the registrar's office; Richmond opted out of VRS for all other employees.
  - The majority of other localities in Virginia use VRS for all employees
    - 9 localities (with over 5,000 in population) do NOT use VRS for all employees (Richmond and Norfolk are 2 of the 9- both use VRS for constitutional employees)
    - There are plan design choices within VRS; generally, the design and administration of the plans are similar for all using VRS
    - The localities provide funding to VRS, as required
    - COLA increases to retirees are based on CPI (consumer price index) and plan type; COLA's are generally provided annually (ex. Chesterfield's 7/1/19 COLA was 2.44% for retirees in one type of plan, and 2.22% for retirees in two other types)





## Richmond Retirement System (RRS)

### 1. Defined Contribution Plan 401(a)

- **Eligible: General employees hired after 7/1/06 AND**
  - General employees hired prior to 7/1/06 who elected in 2006, to participate in the Defined Contribution 401(a) Plan instead of the Defined Benefit Plan
  - Sworn police and fire who elected/elect to participate in the Defined Contribution 401(a) Plan instead of the Defined Benefit Plan
- **Benefit/Funding: City provides a percentage of the employee's pay into a 401(a) based on years of service**
  - 5% if the employee has less than 5 years, 6% if 5-9 years, 8% if 10-14 years, and 10% if 15 year or more
  - Vesting occurs at 5 years
  - City contributions stop upon termination

## 2. Richmond Retirement System (RRS) compared to Norfolk's - Defined Benefit Retirement (not VRS)

	Richmond	Norfolk
Who is legible	All sworn employees, senior executives, and the general employees who were hired prior to 7/1/2006. Exception: Sworn may elect the Defined Contribution instead of the Defined Benefit. General employee could have elected the Defined Contribution in 2016 instead of the Defined Benefit.	Covers all, ongoing.
Employee Contribution While Employed	Defined Benefit is 1% of pay and Enhanced Defined Benefit is 4.57% of pay. (The payout benefit for Enhanced is higher and provides additional options.)	All participants must contribute 5% of pay.
Vesting	5 years	5 years
Normal Retirement Age	Retirement is at age 65 or 30 years of creditable service. (Reduced retirement benefits begins at age 55 with 5 years of service.)	<p><b><u>Modified in 2018</u></b></p> <p>Members on/before 6/30/18: For police and fire, retirement is age 55 with 5 years of creditable service, or 25 years of service, whichever occurs first. For general employees, retirement is age 60 years with at least 5 years of service, or 30 years of service, whichever occurs first.</p> <p>Members on/after 7/1/18: For police and fire, retirement is age 60 with 5 years of creditable service, or age 50 with 25 years of service, whichever occurs first. For general employees, retirement age is as defined by SSA with at least 5 years of service, or when the sum of age and service equals 90.</p>
Retirement Payout Formula	1.75% (2% for Enhanced) x Average Final Compensation x Years of Creditable Service up to 35 = annual benefit (Example: Average of \$50,000 and 35 years = \$30,625 benefit)	Similar formula but percentage is 1.75% for general employees, and 2.5% for public safety employees.



## 2. continued - Richmond Retirement System (RRS) compared to Norfolk's - Defined Benefit Retirement (not VRS)

	Richmond	Norfolk
COLA's	Not guaranteed but can be approved to be awarded. Most often, a COLA increase is not provided.	Not guaranteed but can be approved to be awarded. From 2001 to 2008, Norfolk gave one each year. After 2008, Norfolk rarely awarded COLA but has provided several one-time bonuses. In 2016, the City of Norfolk spokesperson stated that a 2% one-time bonus costs their general fund approximately \$1 million while a permanent 2% COLA would cost \$20 million in the year after implemented. She continued that while Norfolk was financially stable, the \$20 million in ongoing expenses would be extremely difficult to absorb.
Participants in Plan	1,781 - Active (1,522 vested, 259 non-vested) 1,603 - Terminated vested 4,318 - Retirees/beneficiaries receiving benefits 7,702 Total as of 6/30/19	4,250 - Active 1,285 - Terminated vested 3,994 - Retirees/beneficiaries receiving benefits 9,529 Total as of 6/30/18



## **RRS - Defined Benefit Retirement Plan (continued)**

### **– Funding**

- Defined Benefit Plan – While employed, employees contribute 1% of compensation each pay period. The City pays the balance of the funding cost.**
- Enhanced Defined Benefit Plan – Employees contribute 4.57% of compensation each pay period. The City pays the balance of the funding cost.**
- Funding varies depending upon actuarial computations. These computations include the full obligation through life expectancy along with other factors such as pay increases, investment earning rate, interest rate, etc. Funding also considers where funding levels are currently vs where desired/needed, and the funds available.**





## Post-Employment Healthcare

- The employee is eligible to continue medical and dental insurance and get a portion paid by the City if:
  - The employee is vested in the Defined Benefit Plan or the Enhanced Defined Benefit Plan and
  - The employee is under age 65 and
  - The employee has worked for the City for more than 15 years, or more than 10 years with 5 years of continuous health insurance coverage

## Post-Employment Healthcare - Comparison - Retired and Under Age 65 Benefit

Years of Service	Richmond		Chesterfield		Henrico	Hanover		Norfolk
	Defined Benefit Plan vested participants*	General employees hired after 7/1/2006	Hired prior to 7/1/2007 and age+years of service exceed 60	Employees hired after 7/1/2007 and attaining age 55	All Employees with over 20 years of service	Employees hired prior to 10/1/2007 and age+years of service exceed 60	All Employees Hired after 7/1/2007	Employees who retired in the Defined Benefit Plan
10-14 years**	\$762 on average for retiree-only coverage (varies by plan and type of coverage)	No coverage paid by the City	\$291 on average for retiree-only (varies by plan and type)	No coverage paid by the County	No coverage paid by the County	\$251 per month	\$100 per month	\$25 per month
15-20 years	\$833 on average for retiree-only coverage (varies by plan and type of coverage)	No coverage paid by the City	\$582 on average for retiree-only (varies by plan and type)	\$196 per month	No coverage paid by the County	\$251 per month	\$150 per month	\$25 per month
20-24 years	\$833 on average for retiree-only coverage (varies by plan and type of coverage)	No coverage paid by the City	\$582 on average for retiree-only (varies by plan and type)	\$294 per month	\$3 per month for each year of service up to a maximum of \$120 (at 20 years = \$60 per month) toward premium	\$251 per month	\$200 per month	\$25 per month
25 + years	\$904 on average for retiree-only coverage (varies by plan and type of coverage)	No coverage paid by the City	\$582 on average for retiree-only (varies by plan and type)	\$392 per month	\$3 per month for each year of service up to a maximum of \$120 (at 20 years = \$60 per month) toward premium	\$251 per month	\$200 per month	\$25 per month

\* The eligible group includes all sworn employees, all constitutional employees, and the general employees who were hired prior to 7/1/2006 and have attained age 55).

\*\* At 10-14 years of service, Richmond also requires 5 years of continuous health coverage immediately prior to retirement.

Note: In Richmond, there are currently 310 retirees enrolled in healthcare.





## Post-Employment Healthcare – Comparison – Retired and Age 65+

Richmond	Chesterfield	Henrico	Hanover	Norfolk
<b>After Medicare Eligible</b>	<b>After Medicare Eligible</b>	<b>After Medicare Eligible</b>	<b>After Medicare Eligible</b>	<b>After Medicare Eligible</b>
No coverage in City's Healthcare Plans	<p>(1) \$234 toward Medicare supplement insurance plus \$40 toward drug coverage if age 65 or over, public safety with 25+ years or non-public safety with 30+ years as of 1/1/2009.</p> <p>(2) All others with 10 or more years of service and age 55+ are eligible for \$4 per month for each year of service toward Medicare supplement insurance (e.g., at 20 years, the benefit is \$80).</p> <p>Note: Access to Dental Insurance continues to be provided but it is fully paid by Retiree.</p>	No coverage in County's Healthcare Plans	No coverage in County's Healthcare Plans	No coverage in County's Healthcare Plans





## Post-Employment Life Insurance

- While employed, the City pays a portion and the employee pays a portion of the cost of group life insurance
- After retirement, life insurance is retained by the retiree at a reduced level (for most, the death benefit reduces to 25%) if:
  - The employee is vested with 5 years of service in the Defined Benefit Plan or Enhanced Defined Benefit Plan
  - The employee is in the Defined Contribution 401(a) and is at least age 50 with 10 years of service or age 55 with 5 years of service, provided they continue to carry a balance in the City's 401(a) account
  - No ongoing contributions are required from the City or the retiree after retirement to continue coverage
  - This is the same or similar to what other localities are doing





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