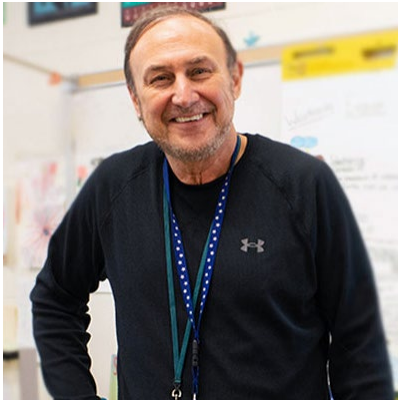


ERFC LEGACY



ERFC Legacy Benefit
Plan Structure

Handbook
for Members



Educational Employees' Supplementary Retirement System of Fairfax County
Fairfax County (VA) Public Schools

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Foreword

This handbook summarizes the main provisions of the retirement plan for members of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) whose ERFC membership commenced prior to July 1, 2001.

A separate publication addresses the benefit provisions for those whose ERFC membership commenced July 1, 2001 or later. This handbook is not a legal document, but is intended only to provide general information regarding the retirement plan.

The detailed provisions of the Virginia Code, Fairfax County Ordinance, the *ERFC Legacy* Plan Document, and the Board of Trustees' official rules and regulations govern the actual operation of ERFC. In the event of any conflict between the information contained in this handbook and the provisions of the Code, Ordinance, Plan, and regulations, the provisions of the Code, Ordinance, Plan, and regulations will govern. The full Plan Document may be accessed online at the ERFC website: erfcension.org.

Be aware that changes may occur after the printing of this handbook, and such changes could affect your benefits. Members will be notified if and when such changes occur, but are also encouraged to visit the ERFC website regularly for the most current information. Any questions regarding your retirement benefit entitlement, benefit estimates, Purchased Service Credit, refund of contributions, or taxation of retirement benefits should be directed to the ERFC office.

The rules in this handbook apply only to members who entered active employment in jobs covered by ERFC prior to July 1, 2001. It also applies to members who earned service credit under *ERFC Legacy* before July 1, 2001, who did not receive a refund of their *ERFC Legacy* member contributions, and subsequently returned to work in a covered job on or after July 1, 2001.

Full-time Fairfax County Public School (FCPS) employees hired into covered jobs on or after July 1, 2001, are governed by a revised benefit structure, *ERFC 2001*. In addition, members who have received a refund of their contributions from *ERFC Legacy* and return to covered employment on or after July 1, 2001, are governed by *ERFC 2001*.

The *ERFC Legacy* pension plan represents an important source of financial security for you and your family. Members are encouraged to read this handbook carefully to understand your rights and responsibilities under *ERFC Legacy*.

ERFC
3110 Fairview Park Drive, Suite 300
Falls Church, Virginia 22042-4525

Handbook edition updated as of December 2023.



THE ERFC MISSION STATEMENT

To enhance the financial security of our members through prudent financial stewardship of a defined benefit plan while providing outstanding retirement services and education.

ERFC VISION

To be a leader among our peers in providing professional and personalized service to our members and beneficiaries.

ERFC VALUES

- Accountability
- Customer Service
- Open Communication
- Integrity
- Continuous Education

1

Introduction and Overview

ERFC LEGACY—A SUPPLEMENTAL RETIREMENT PLAN

The Educational Employees’ Supplementary Retirement System of Fairfax County (ERFC) was established July 1, 1973, to provide members an independent retirement plan that would supplement their primary benefits from the Virginia Retirement System (VRS) and the Social Security Administration throughout retirement. *ERFC Legacy* is a public sector defined benefit plan, which operates under terms incorporated in a Fairfax County Ordinance and the *ERFC Legacy* Plan Document. The Fairfax County School Board authorizes all changes governing the provisions of the Plan.

The *ERFC Legacy* Plan has been improved and amended several times as necessary over the years since its inception. In early 2001, a new Plan of benefits, *ERFC 2001*, was developed for all FCPS educational and administrative employees hired on or after July 1, 2001. In 2017, the original *ERFC 2001 Plan* became *ERFC 2001 Plan Tier 1*. A new benefit structure, *ERFC 2001 Plan Tier 2*, was developed for all FCPS educational and administrative employees hired on or after July 1, 2017. The *ERFC Legacy* and *ERFC 2001* Plans are part of the Educational Employees of Fairfax County Defined Benefit Plan.

As you read through this handbook, you will note that references to the “*ERFC Legacy*” Plan, are distinguished

THE ERFC BOARD OF TRUSTEES—FISCAL YEAR 2023-2024



Kimberly Adams
Chairperson and Trustee



Kathie Pfeffer-Hahn
Vice Chairperson and Trustee



Leigh Burden
Treasurer and Trustee



Dr. Sherry Agnew-Scott
Trustee



Marty K. Smith
Trustee



Adam McConagha
Trustee



Duchhi Quan
Trustee

in print by italicized type. When not italicized, “ERFC” refers to the umbrella organization that administers the *ERFC Legacy* and *ERFC 2001* retirement programs.

THE ERFC BOARD OF TRUSTEES

ERFC is governed by a seven member Board of Trustees, which administers the retirement program according to the requirements of the Plan Document and other governing law. The Fairfax County School Board appoints three members to the ERFC Board, and three Board members are elected by the membership of the System. These six ERFC Trustees then refer and recommend a seventh candidate for approval by the School

Board as the final ERFC Board member. This “individual Trustee” must be someone who is unaffiliated with both Fairfax County Public Schools and the Fairfax County School Board, and who possesses competent financial and/or investment skills. The full ERFC Board of Trustees appoints an actuary, an investment consultant, legal counsel, and an Executive Director to administer and transact the System’s business. Board meetings are held monthly throughout the year, excluding February, August, and November.

1

Introduction and Overview

ERFC ADMINISTRATION AND ASSISTANCE

Under the management of the Executive Director, the ERFC staff performs the direct services for members and their beneficiaries, such as responding to members' inquiries, calculating retirement benefit estimates, processing retirement applications, maintaining member accounts and processing the retirement payroll. The Board of Trustees and ERFC staff work together to provide you consistent and thorough benefit information throughout your FCPS career and during your retirement.

ERFC provides you secure and direct online access to your retirement information. Members and retirees are encouraged to register for *ERFCDirect* at: www.ercf.direct.

Another resource for ERFC information is the ERFC Call Center, which is staffed weekdays throughout the year from 8 a.m. to 4:30 p.m. ET. Question Sessions may be scheduled either in person or virtually with a retirement counselor for members prior to an FCPS Notification of Retirement form (HR2) being submitted to ERFC.

Paperwork appointments can be scheduled for members following submission and approval of the HR2 form with the ERFC office.

Recorded information sessions for the *ERFC Legacy* Plan are available on MyPDE. Please search the keywords ERFC Legacy Retirement Information Session.

ERFC publishes two biannual newsletters, an Annual Comprehensive Financial Report (ACFR), and a Popular Annual Financial Report (PAFR). ERFC active employee members also receive monthly e-newsletters and an annual member benefit statement, which is posted to each member's *ERFCDirect* account in August. All current publications and related information updates erfcension.org.

Your ERFC membership provides the support of a lifelong relationship. Be assured that the ERFC Board and professional staff will be available with the information you need every step of the way.

CONTACT INFORMATION

ERFC Office
3110 Fairview Park Drive, Suite 300
Falls Church, Virginia 22042-4525

ERFC Phone Numbers
Local: 703-426-3900
Out of Area: 1-844-758-3793
Fax: 703-426-3984

Email
erfcoffice@fcps.edu

Website
erfcension.org

ERFCDirect
www.ercf.direct

ADDITIONAL RESOURCES

Retirement Issues

Virginia Retirement System (VRS)
www.varetire.org

Social Security Administration
www.ssa.gov

Health Benefits & Insurance Information

FCPS Office of Benefit Services
Phone: 571-423-3200

Email
hrconnection@fcps.edu

Website
<http://www.fcps.edu/hr/benefits/index.shtml>

2 About *ERFC Legacy*

ERFC LEGACY—A DEFINED BENEFIT PLAN

The Educational Employees of Fairfax County Defined Benefit Plan (*ERFC Legacy*) is qualified under section 401(a) of the Internal Revenue Code. With a defined benefit plan, a set formula is established and used to compute your retirement benefit based upon your compensation level and length of service with Fairfax County Public Schools. The plan also includes coverage for early retirement, disability, and death.

BECOMING A MEMBER OF *ERFC LEGACY*

Employees who began working full time in an educational, administrative or support position with Fairfax County Public Schools on or before June 30, 2001, were enrolled automatically as members of *ERFC Legacy*. These members include:

- Full-time teachers and related educational personnel, instructional assistants, administrators, administrative support, and technical staff members who were working in (or on approved leave from) such FCPS positions on or before June 30, 2001.
- Full-time teachers and related educational personnel, instructional assistants, administrators, administrative support and technical staff members who earned Credited Service under *ERFC Legacy* on or before June 30, 2001, left Eligible Employment *without taking a refund of their ERFC Legacy Accumulated Contributions*, and returned to Eligible Employment on or after July 1, 2001.

The term “Eligible Employment,” as defined in the *ERFC Legacy* Plan Document and in this handbook, refers to periods of paid employment and/or approved leave with pay in these covered positions. Eligible Employment does not cover periods of leave without pay, other than approved leave without pay for periods permitted by School Board policy or regulation, for the purpose of serving full time with an employee organization.

Employees ineligible for *ERFC Legacy* membership include:

- Employees who formally waived their right to membership at the inception of the plan in 1973.
- Seasonal or part-time employees in any of the above job classifications.
- Employees who transferred into Eligible Employment from other FCPS positions on or before June 30, 2001, but elected at that time to remain a member of the Fairfax County Employees’ Retirement System (FCERS).

As cited in the Introduction on page 1, all full-time educational, administrative and support employees hired by FCPS on or after July 1 2001, automatically become members of the *ERFC 2001 Plan Tier 1* or *Tier 2* benefit structure depending on their hire date. Individuals choosing to return to Eligible Employment after an earlier resignation from FCPS, during which they requested and received a refund of *ERFC Legacy* contributions accumulated prior to July 1, 2001, will be enrolled automatically in the *ERFC 2001 Tier 2* benefit structure upon their re-employment.

ERFC LEGACY FUNDING

The *ERFC Legacy* Plan is funded by three sources: member contributions, employer contributions and investment income.

MEMBER CONTRIBUTIONS

At this time, member contribution rates equal 3 percent of your paid contract salary or base compensation (if you do not have a contract) in Eligible Employment.

Your *ERFC Legacy* member contributions are automatically withheld from your salary by FCPS, and credited accordingly to an account in your name. As allowed by law since July 1, 1985, member contributions are treated as employer contributions for federal tax purposes. This means that you will not be required to pay income tax on your *ERFC Legacy* contributions until you withdraw deposited funds from the system, or when you begin to receive *ERFC Legacy* retirement benefits.

Upon the start of full-time employment, an account is established for each active *ERFC* member. Interest is credited to each member’s account annually on July 1 for all contributions (including payments for Purchased Service Credit) which have been in the *ERFC* system for at least one fiscal year. Currently, accounts earn interest at a rate of 4 percent. Based upon *ERFC*’s financial standings, the Board of Trustees may adopt a different rate for a particular year.

2 About *ERFC Legacy*

FCPS CONTRIBUTIONS

The exact share of FCPS contributions to ERFC is determined by the Fairfax County School Board as part of the budget process, upon the recommendation of the ERFC Board of Trustees and its actuary. The funding policy of the Plan is to establish and receive contributions that will remain approximately level from generation to generation of citizens, and which, when combined with other assets, will be sufficient to pay benefits when due, while providing a reasonable margin for adverse experience.

ERFC INVESTMENTS

With the assistance of an investment consultant and staff, the ERFC Board of Trustees holds all of the contributions in trust and supervises the investment of the trust's assets by registered investment advisors. This investment income is an integral component of the income structure utilized to pay ERFC member benefits.

The ERFC publishes a Popular Annual Financial Report (PAFR), as well as a complete review of the System's financial statements and investments in its Annual Comprehensive Financial Report (ACFR). Both reports may be accessed directly on the ERFC website at: erfcension.org. Members may also request copies by calling the ERFC office at 703-426-3900 or 1-844-758-3793.

PLAN YEAR

Records are maintained on a fiscal-year basis. The plan year is July 1 through June 30.

YOUR ANNUAL RETIREMENT STATEMENT

Each year, a member benefit statement will be posted to your ERFC*Direct* account, citing the balance in your *ERFC Legacy* account on July 1. Your annual *ERFC Legacy* statement will detail your Accumulated Contributions (including any Purchased Service Credit), plus all interest accrued in your name, and other pertinent retirement information. Any statement discrepancies should be reported immediately to ERFC.

PRESENTING CLAIMS FOR BENEFITS

The filing procedures to initiate your *ERFC Legacy* benefits are addressed in Chapter 9 of this handbook, with additional notes summarized in Chapter 11's *Frequently Asked Questions* (See the responses to questions 7-9).

Information on applying for Disability Retirement benefits is addressed in Chapter 7.

REMEDIES AVAILABLE FOR THE REDRESS OF CLAIMS DENIED IN WHOLE OR IN PART

First Step

To request reconsideration for the denial of an *ERFC Legacy* benefit claim, the member should present the appeal in writing, addressed to the Chairperson of the Board of Trustees, and enclose any documents relevant to the appeal. The member may also make a personal appearance at an ERFC Board meeting to further support the appeal.

Second Step

After completing the first-step appeal, a member who is dissatisfied with the Board's decision may file a lawsuit with the Fairfax County courts. Any such suit must be filed within two years after the application for benefits was first denied, *or* (if the member is dissatisfied with the amount of the benefit payment) after the first benefit payment was made.

3 Qualifying for Retirement Benefits

OVERVIEW

Whether you qualify for an *ERFC Legacy* retirement benefit depends upon your age at the time your benefits commence and the amount of Credited Service you have earned (or purchased) during your FCPS career.

FULL SERVICE BENEFIT

Under *ERFC Legacy*, you are entitled to a full service retirement benefit if you are:

- Age 55 or older, with 25 or more years of Credited Service, **or**
- Age 65 or older, with 5 or more years of Vesting Service

REDUCED SERVICE BENEFIT

Under *ERFC Legacy*, you may elect a Reduced Service retirement benefit and retire up to 10 years prior to the date at which you would otherwise have been entitled to a Full Service Benefit. You may make this election if you are:

- Age 45 or older, with 25 or more years of Credited Service, **or**
- Age 55 or older, with 5 or more years of Vesting Service

SERVICE REQUIREMENTS AND VARIABLES

The following section explains Vesting Service and *ERFC Legacy* Credited Service. The chapter concludes with information on how you may purchase Credited Service for specific types of previous employment.

VESTING SERVICE

Vesting refers to the point at which you have earned the right to receive a benefit from ERFC. Under the *ERFC Legacy* Plan, a member is vested after completing a minimum of five years' Vesting Service. You receive Vesting Service credit for all periods of service during which you are a contributing member of ERFC. To the extent required by federal law, you may also receive Vesting Service for periods of active-duty military service.

Unused Sick Leave may *not* be applied to fulfill the minimum service period required for vesting. Vesting Service may *not* be purchased. If you terminate employment with FCPS and elect to receive a refund

or rollover of your *ERFC Legacy* Accumulated Contributions, you will automatically forfeit your Vesting Service.

If you terminate employment with FCPS after you are vested, and do *not* elect to receive a refund or rollover of your *ERFC Legacy* Accumulated Contributions, you will be entitled to receive an *ERFC Legacy* benefit when you reach age 55. This is called a “deferred vested” retirement benefit.

ERFC CREDITED SERVICE

With few exceptions, Credited Service refers to the period of time in which you made member contributions to ERFC as an active FCPS employee. Credited Service may also include Military Service Credit, Unused Sick Leave, pre-1973 service and Purchased Service Credit. Each type of Credited Service is explained further in the remainder of this chapter.

As an ERFC member, your service is credited to coincide with your monthly contributions to the system, according to the length of your FCPS employment contract, whether you work 10, 11 or 12 months of the year.

Effective July 1, 2013, members are credited service according to the chart below:

CONTRACT PERIOD	MONTHLY CREDITED SERVICE	TOTAL CREDITED SERVICE PER YEAR
10 months	1.2000	12
11 months	1.0909	12
12 months	1.0000 (no change)	12

3 Qualifying for Retirement Benefits

Military Service Credit

ERFC grants Credited Service for active-duty military service. As an ERFC member, you are entitled to a maximum of three years' Credited Service for your U.S. military duties, at no cost, regardless of when you served in the military, with the following restrictions:

- ERFC does *not* grant Credited Service for periods of military duty for which you are entitled to receive U.S. military retirement pay (*However, under federal law, you can receive credit for service that counts toward U.S. military reserve retirement pay.*)
- ERFC does *not* grant Credited Service for any periods of military duty previously credited by any other pension or retirement system from which you will be entitled to receive a benefit, other than VRS or Social Security.

You may become entitled to more than three years of Military Service Credit, pursuant to federal law, including Section 414(u) of the Internal Revenue Code. ERFC will grant Credited Service as the law dictates. If you are called to active-duty military service while you are an active ERFC member, you should immediately notify ERFC of your leave assignment. Upon completing your active-duty military assignment, you must return to your FCPS Eligible Employment within the time period specified by law.

To receive Military Service Credit, you must submit an application form to ERFC with a copy of your DD-214 military discharge form.

Note, however, that ERFC will not accept such application prior to the school year in which you are eligible to retire. Although you cannot apply for Military Service Credit until retirement eligibility, you may submit a copy of your DD-214 to ERFC, and request an estimate of your pension benefits that includes your Military Service Credit. This estimate is not binding upon ERFC, and will be subject to recalculation at the time of retirement. You may call the ERFC office to request an application at 703-426-3900 or 1-844-758-3793.

Unused Sick Leave

If you are among the fortunate who have enjoyed good health during your FCPS career, your Unused Sick Leave can add significantly to your retirement benefit. If you are fully vested with *ERFC Legacy* at the time you terminate your employment with FCPS, your Unused Sick Leave will convert automatically to additional

Credited Service toward your retirement. And if you are a fully-vested FCPS employee, age 55 or older at the time you terminate employment, your Unused Sick Leave may also be used to meet the 25-year service requirement for full *ERFC Legacy* benefits.

In lieu of receiving retirement service credit, you may opt to transfer your accumulated Unused Sick Leave to another Virginia public school district. Be aware, however, that you must make arrangements for the transfer of your Unused Sick Leave *prior* to the effective date of your FCPS termination. **Note:** If you retire from ERFC and transfer sick leave to another county, your ERFC pension will be negatively impacted. As such, you'll be contacted the month following your retirement to recoup the overpayment amount, and your future pension will be recalculated based on the new reported hours of unused sick leave.

Unless other arrangements are approved prior to your employment termination with FCPS, your Unused Sick Leave will convert automatically to additional Credited Service toward your *ERFC Legacy* retirement according to the formula below:

$$\begin{array}{ccccccc} \text{Unused Sick Hours} & \text{divided by} & \text{No. of Contract Days} & \text{divided by} & \text{Daily Scheduled Work Hours} & \text{equals} & \text{Sick Leave Conversion} \\ & \div & & \div & & = & \end{array}$$

The formula used to calculate the sick leave conversion is based in part on how you accrue leave at the effective date of retirement, i.e., whether you accrue leave based on 7.0, 7.5 or 8 hours per day. For example, if you accumulated 1,000 hours of Unused Sick Leave and worked a 194-day contract with leave accrued at 7.5 hours per day, your sick leave conversion at retirement will be calculated as follows:

$$1,000 \text{ hours} \div 194 \text{ days} \div 7.5 = 0.69 \text{ years of Credited Service}$$

3 Qualifying for Retirement Benefits

In the page 6 example, 0.69 years of Credited Service will be added to your total Credited Service amount at retirement. If you are at least 55 years old with 24.4 years of Credited Service, the sick leave conversion factor (0.69) will increase your Credited Service to 25.09 years. In this circumstance, you will qualify for full retirement benefits several months ahead of schedule.

Pre-1973 Service

ERFC Legacy members will receive Credited Service for full-time eligible FCPS employment prior to July 1, 1973, under the following conditions:

- You are an *ERFC Legacy* member who was employed by FCPS (or you were on an approved leave of absence from such employment) on July 2, 1973, *and* during part or all of fiscal year 1973 (July 1, 1972 through June 30, 1973);

—AND—

- You meet one of the three following conditions:
 1. You were employed by FCPS in an *ERFC Legacy*-covered position on July 1, 1973 (or, you were on an approved leave of absence from such employment on that date);
 2. You had at least one year of eligible FCPS employment between July 1, 1973, and June 30, 1975;

—OR—

3. You were on an approved leave of absence from FCPS, or were employed part-time by FCPS for any or all of the period between July 1, 1973 and June 30, 1975, *and* you accrued at least one year of Eligible Employment immediately after that leave of absence or part-time work.

Purchased Service Credit

Under the *ERFC Legacy* Plan, members may purchase Credited Service for prior eligible work experience that does not otherwise qualify for retirement or pension benefits. Purchasing Credited Service may enable you to increase your monthly retirement benefit. Although members may not purchase Credited Service to attain vesting, Credited Service may be purchased to help you qualify sooner for a Full Service Benefit.

You may purchase *ERFC Legacy* Credited Service for:

- Full-time service as an educational employee with FCPS that is not otherwise Credited Service
- Full-time service as an educational employee in a public school system other than FCPS, or in any private school
- Full-time employment in any other capacity that has favorably impacted your experience and abilities to fulfill your subsequent employment with FCPS

- Up to five years' full-time service in any other employment
- Periods of time spent on an approved leave of absence from FCPS that also qualify for a purchase of credit from VRS. This does not mean that leave time must be purchased at VRS. However, evidence that the leave period is eligible for purchase from VRS will be required before the purchase will be allowed in *ERFC Legacy*.
- Periods of part-time employment with FCPS or Fairfax County, during which you were a member of the Fairfax County Employees' Retirement System (FCERS)

You may purchase an unlimited amount of Credited Service for prior employment with FCPS or Fairfax County Government. However, there are certain restrictions for the purchase of Credited Service for experience with all other employers:

- A maximum total of 10 years' Credited Service may be purchased by *ERFC Legacy* members hired by FCPS on or before June 30, 1998, for prior employment unaffiliated with FCPS or Fairfax County Government.
- Service for prior employment unaffiliated with FCPS or Fairfax County Government may not be combined with FCPS or Fairfax County Government service to exceed a maximum total of 10 years' Credited Service.

3 Qualifying for Retirement Benefits

Members hired by FCPS in *ERFC Legacy*-covered positions between July 1, 1998 and June 30, 2001, are subject to some additional rules:

- They may purchase an unlimited amount of credit for prior service with FCPS or Fairfax County.
- They may purchase Credited Service for prior employment with other “qualified employers,” which include federal, state, or local governments, institutions of elementary or secondary education, and associations of government employees.
- They may purchase up to five years of Credited Service for prior employment with “non-qualified employers,” but federal law requires them to wait until they have attained a minimum of five years’ Credited Service in Eligible Employment before making this purchase.
- A maximum total of 10 years’ service credit may be purchased for service with employers other than FCPS or Fairfax County. Such service with other employers may not be combined with FCPS or Fairfax County Government service to exceed the maximum total of 10 years’ Credited Service.

Credited Service *cannot* be purchased for:

- Seasonal or extracurricular positions, such as coaching athletics, directing the band, or other after-school activities
- Teaching in summer school or intermittent substitute teaching
- Part-time work in any position except a position that was covered by FCERS
- Any service for which you are currently credited in another retirement system, other than VRS, Social Security, or military reserve retired pay
- More than one year of Credited Service for any given year

Other restrictions may apply. The Board of Trustees has adopted regulations that more completely define the types of prior employment that are eligible for purchase. You may review these regulations at the ERFC website: erfcension.org.

THE PROCESS TO PURCHASE SERVICE CREDIT

Purchasing Credited Service holds many advantages, but there are important issues that must be considered to ensure that you receive the benefits intended from your investment. The following paragraphs outline the steps to purchase *ERFC*

Legacy Credited Service. You will want to review these steps carefully to understand the factors to consider in making your purchase decision.

STEP 1. You must first submit a **Request for Cost Estimate to Purchase Service Credit form**, which is available on the ERFC website. The completed form provides ERFC with a general outline of the type and amount of Credited Service to be purchased.

You must include the following documentation with your request:

- Verification of your age
- Verification of your applicable prior employment
- Verification that you are ineligible for pension benefits from any other retirement system for this applicable period of prior employment
- Information that details and supports your claim for favorable impact service, if applicable.

If you are purchasing fewer than five years’ *ERFC Legacy* service credit, and documentation verifying your age and prior employment is on file with your FCPS employment records, it may not be necessary for you to resubmit this information with your request. However, ERFC reserves the right to require verification as necessary to ensure that all Purchased Service Credit complies with *ERFC Legacy* requirements.

3 Qualifying for Retirement Benefits

STEP 2. From this initial information, ERFC determines your eligibility and potential costs to purchase Credited Service.

STEP 3. ERFC calculates your estimated *ERFC Legacy* retirement benefit with and without the Purchased Service Credit. **It is critical to remember that the *ERFC Legacy* benefit structure is designed to consider the benefits provided by the VRS and Social Security systems. Purchasing service under *ERFC Legacy* may not add value when you are retiring with more than 25 years of *ERFC Legacy* Credited Service. Therefore, members are strongly advised to review their overall plan benefits with an ERFC counselor before purchasing *ERFC Legacy* Credited Service. And before purchasing VRS service credit, members are also encouraged to request a benefit estimate from ERFC. Purchasing VRS service credit may be of limited value when you consider the effect the purchase will have on your *ERFC Legacy* benefit.**

STEP 4. ERFC forwards the benefit estimates to you, including a *Service Credit Purchase Agreement*, *Authorization to Transfer Tax-Sheltered Funds* and *Employment Verification for Purchased Service Credit*, if applicable. (See the *Payment for Purchased Service Credit* section in this chapter for an explanation of using tax-sheltered funds for the purchase of service credit.)

STEP 5. You determine whether to move forward with the purchase, in consultation with ERFC. If purchasing, you must sign and return the *Service Credit Purchase Agreement* and enclose either a check for the full cost of the Purchased Service Credit OR a completed Transfer form. Purchase applications, supporting documentation, and full payment must be received by ERFC no later than the last business day of the month preceding your birthday; otherwise the purchase cost must be recalculated. If your salary increases before payment is made, the purchase cost must also be recalculated.

STEP 6. ERFC processes your payment and confirms your Purchased Service Credit with an acknowledgement letter.

THE COST OF PURCHASED SERVICE CREDIT

Your cost to purchase *ERFC Legacy* Credited Service is determined by a set percentage of your highest annual FCPS gross salary at the time of payment. The applicable percentages are set by the Board of Trustees in a uniform and non-discriminatory manner, after consultation with the actuary. The factors used to determine the percentage fee may include, but not be limited to, age and proximity to retirement, plus any exceptional costs to ERFC for providing the additional benefits. In general, the sooner you are able to purchase Credited Service, the lower the cost of your purchase.

The following table illustrates the current costs of purchasing *ERFC Legacy* Credited Service for representative ages.

MEMBER'S AGE AT TIME OF PURCHASE	MEMBER'S PAYMENT FOR ONE YEAR OF SERVICE
Age 30	5.3%
Age 35	5.4%
Age 40	5.6%
Age 45	5.9%
Age 50	6.5%
Age 55	7.2%
Age 60	4.4%
Age 65	2.0%

NOTE: There is an additional penalty of 15% of salary charged for each full or partial year between the purchase and the actual retirement date.

3 Qualifying for Retirement Benefits

The rates shown in the table on the preceding page apply *only* if your Credited Service purchase is fully paid *at least five years prior* to your effective date of retirement. Members purchasing service credit fewer than five years prior to retirement must pay substantially higher rates to compensate for the shortened period of time between the System's receipt of purchase money and the commencement of benefit payments. When service credit is purchased fewer than 5 years prior to commencing *ERFC Legacy* retirement benefits, an additional 15% of salary is charged for each year, or fraction of a year, under the 5-year requirement. There is no proration of the penalty.

If you have already completed a service credit purchase without incurring the 15% penalty, and you decide to retire sooner than five years from the date of your purchase, you will have two options:

- You may elect to pay the difference between your original cost for the service and the cost with the additional 15% per year penalty,

—OR—
- You may elect to receive a recalculated amount of Credited Service based on the ratio of the payment made to the total payment required.

PAYMENT FOR PURCHASED SERVICE CREDIT

All Purchased Service Credit must be paid to ERFC in a single, lump sum. The tax-free transfer of retirement assets from one retirement system to another is called a rollover. If you have money that you can withdraw or have withdrawn from another retirement plan that is qualified under Section 401(a) of the Internal Revenue Code, you may be able to use all or a portion of that money to fund your *ERFC Legacy* Purchased Service Credit. Members may purchase Credited Service with direct distributions from a qualified retirement plan, or with money from a conduit Individual Retirement Account (IRA). A conduit IRA consists entirely of monies that have been rolled over from another retirement plan that is qualified under Section 401(a) of the Internal Revenue Code.

Direct transfers from 403(b) tax-deferred annuity plans, and certain deferred 457(b) compensation plans, are also accepted. However, ERFC will only accept a rollover or transfer amount that is equal to or less than the cost of Purchased Service Credit. Other restrictions may also apply. If you choose to purchase Credited Service using rollover funds from an existing IRA or other tax-deferred savings plans, you are advised to seek assistance from your financial institution to ensure an appropriate transfer of funds.

REFUNDS OF PURCHASED SERVICE CREDIT

All purchases of Credited Service are final unless one of the following exceptions applies:

- You are retiring on disability.
- Any portion of your Purchased Service Credit will not result in increased retirement benefits.

The Plan Document provides further details on refunds of Purchased Service Credit.

FORFEITING CREDITED SERVICE

If you leave FCPS Eligible Employment before you retire, you may retain all of your Credited Service, including Purchased Service Credit, by leaving your contributions on deposit with ERFC. If instead you elect to receive a lump-sum refund or rollover of your Accumulated Contributions, you will forfeit both your Credited Service and Vesting Service.

Thus far, you have reviewed the basic components of the *ERFC Legacy* system, from its management oversight, funding and investment structure, to your Plan's service credit requirements and benefit qualifications. In Chapter 4, you will find information detailing the specific retirement benefits and the formulas used to calculate them, with sample calculations provided for each.

4 Retirement Benefit Formulas and Calculations

OVERVIEW

As explained in Chapter 1, the *ERFC Legacy Plan* was designed specifically to supplement the benefits you also earn and receive separately from the Virginia Retirement System (VRS) and the Social Security Administration. Over time, the ERFC Board of Trustees has recommended, and the School Board has approved, adjustments to the *ERFC Legacy* benefit calculation formulas to reflect changes made in Social Security and the VRS plan to ensure that appropriate, balanced benefit levels are maintained. A major rewrite of the *ERFC Legacy Plan Document* was recommended by the ERFC Board of Trustees and adopted by the School Board effective July 1, 1988. Current members employed prior to that time are grandfathered for certain benefit provisions, called the Alternative “Guarantee” benefit payments, which are not available to newer members. The formulas used to calculate all the benefit payment types, including the Alternative “Guarantee” benefit payments, are detailed in this chapter.

PLAN ADJUSTMENTS

There are two specific “adjustments” noted among the benefit payment calculations detailed in this chapter. These adjustments—the **VRS Adjustment** and the **Three Percent Benefit Increase Adjustment**—are calculated in all *ERFC Legacy* benefit formulas.

THE VRS ADJUSTMENT

$$\begin{array}{l} \text{VRS Final Average} \\ \text{Compensation (FAC)} \\ \text{Minus — \$1,200} \end{array} \times 1.65\% \times \begin{array}{l} \text{Total Years} \\ \text{of Creditable} \\ \text{Virginia Service*} \end{array} = \text{VRS} \\ \text{Adjustment}$$

* If your Creditable Virginia Service is greater than your ERFC Legacy Credited Service, substitute your ERFC Legacy Credited Service for Creditable Virginia Service in this formula.

1. THE VRS ADJUSTMENT

The VRS Adjustment is a component used in the *ERFC Legacy* benefit formula, which adjusts the level of *ERFC Legacy* benefits to provide an appropriate supplement to the corresponding benefits you can expect to receive from VRS. The VRS Adjustment is determined by the following formula:

— Subtract \$1,200 from your VRS Final Average Compensation (FAC) (*Your highest average salary paid over three consecutive years*)

X Multiply this figure by 1.65%

X Multiply the result by your total years of Creditable Virginia Service*

* See *Glossary of Terms* for component details of Creditable Virginia Service

Certain *ERFC Legacy* benefits also require you to multiply this VRS Adjustment by **Early Service Reduction Factors** to reflect the lower benefits paid by VRS if you retire before age 65 with fewer than 30 years of **Creditable Virginia Service**. Please refer to the *Tables of Early Service Reduction Factors* found in Chapter 13 of this handbook.

Each benefit formula detailed in this chapter will explain when and how to use these tables.

2. THREE PERCENT BENEFIT INCREASE ADJUSTMENT

Effective July 1, 1995, the ERFC Board of Trustees recommended, and the School Board approved, an amendment to the *ERFC Legacy Plan Document* to provide a 3 percent increase to all pensions payable as of July 1, 1995, and thereafter. The purpose of this benefit adjustment was to replace monies that retirees would have otherwise lost due to the implementation of Virginia’s state taxation of retirement benefits. This 3 percent adjustment also ensured that ERFC members would receive an increase equivalent to the one approved by the Board of Supervisors for all school system and county employees covered by the Fairfax County Employees, Police Officers, and Uniformed retirement plans.

The 1995 benefit adjustment remains in effect today. If you are retiring under the *ERFC Legacy Plan*, you will note that the benefit formulas and sample calculations used in this handbook will include the 3 percent benefit adjustment. *ERFC Legacy* retirees also receive annual cost-of-living adjustments (COLAs), which are discussed in chapter 10.

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Retirement Benefit Formulas and Calculations

CALCULATING YOUR BENEFITS

In projecting your benefits, you may choose to use the **Estimate a Benefit** feature provided online at *ERFCDirect* at:

www.ercf.direct OR perform manual calculations using the formulas cited in this chapter.

With the exception of benefit payment types that require actuarial determinations, all of the manual formulas used to calculate your *ERFC Legacy* benefits are detailed in this chapter.

THE *ERFC LEGACY* CONCEPTUAL BENEFIT FORMULA

The traditional design of the *ERFC Legacy* Benefit Formula has two components: **(A)** a **Lifetime Benefit** that is paid from the commencement of benefit payments until death, and **(B)** a **Temporary Benefit** that is paid from the commencement of benefit payments until you reach the age of eligibility for full Social Security benefits (*See the Social Security Eligibility Table in the back of this handbook*). A third component, **(C)** the **Three Percent Benefit Increase Adjustment** is applied to all retirements commencing on or after July 1, 1995.

The **Lifetime Benefit** is determined by the following formula:

- X Multiply your Final Average Compensation (FAC) by 1.85%

- X Multiply this figure by your total years of *ERFC Legacy* Credited Service

- Subtract the VRS Adjustment from this figure (after multiplying the VRS Adjustment by your VRS Early Service Reduction Factor, if applicable)

The **Temporary Benefit** is determined by the following formula:

- X Multiply your Final Average Compensation (FAC) by 1%

- X Multiply this figure by your total years of *ERFC Legacy* Credited Service

The **Three Percent Benefit Increase Adjustment** is determined by the following formula:

- X Multiply the results obtained in Steps A & B (above) by 1.03 to reflect the adjustment applied to benefits commencing on or after July 1, 1995.

A. LIFETIME BENEFIT FORMULA

$$\begin{aligned} & \text{Final Average Compensation (FAC)} \times 1.85\% \times \text{ERFC Legacy Credited Service} \\ & \text{— MINUS} \\ & \text{VRS Adjustment} \times \text{VRS Early Service Reduction Factor (if applicable)} \\ & \text{= Lifetime Benefit} \end{aligned}$$

B. TEMPORARY BENEFIT FORMULA

$$\begin{aligned} & \text{Final Average Compensation (FAC)} \times 1\% \times \text{ERFC Legacy Credited Service} \\ & \text{= Temporary Benefit} \end{aligned}$$

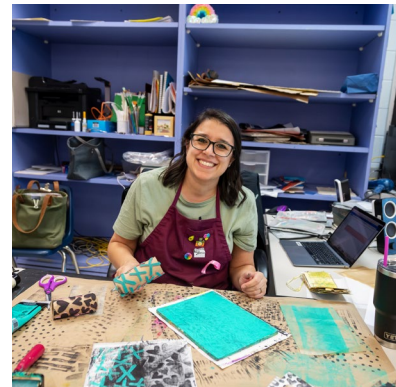
NOTE: An additional Early Service Reduction Factor is applied to both the Lifetime Benefit and the Temporary Benefit for members who are not eligible for Full Service retirement benefits from *ERFC Legacy*.

C. 3% BENEFIT INCREASE ADJUSTMENT

$$\begin{aligned} \text{Adjusted Lifetime Benefit} &= \text{Lifetime Benefit} \times 1.03 \\ \text{Adjusted Temporary Benefit} &= \text{Temporary Benefit} \times 1.03 \end{aligned}$$

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Retirement Benefit Formulas and Calculations



FORMULAS FOR CALCULATING YOUR FULL SERVICE BENEFITS

You are entitled to a Full Service Benefit under *ERFC Legacy* when you reach:

- Age 55 or older with 25 or more years Credited Service
- OR—
- Age 65 or older with 5 or more years Vesting Service credit.

This section provides the formulas used to calculate your *ERFC Legacy* Full Service Benefit. Each formula includes a sample calculation, beginning with the Full Service

Standard Benefit payment type, and followed by the Full Service Alternative “Guarantee” Benefit payment type (applicable only to members employed prior to July 1, 1988). Formulas for the Alternative Level “Guarantee” and the Level Lifetime Benefit payment types are not displayed here because these payment types are calculated using actuarial tables.

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Retirement Benefit Formulas and Calculations

SAMPLE 1: Full Service Retirement — Standard Benefit Formula

Sample Calculation Assumptions: A 55-year-old *ERFC Legacy* member retiring with 25 years of *ERFC Legacy* Credited Service which commenced after July 1, 1988, and 25 years of VRS Creditable Service, with a Final Average Compensation (FAC) of \$60,000.

STEP 1 Determine the VRS Adjustment
 (VRS FAC – \$1200) X 1.65% X VRS Creditable Service

$$(\$ 60,000.00 - \$ 1,200.00) \times 1.65\% \times 25 \text{ yrs} = \$ 24,255.00$$

STEP 2 Determine the annual *ERFC Legacy* Lifetime Benefit
ERFC Legacy FAC X 1.85% X *ERFC Legacy* Credited Service

$$\$ 60,000.00 \times 1.85\% \times 25 \text{ yrs} = \$ 27,750.00$$

Minus –
 VRS Adjustment X Table 1 Percentage Factor

$$- \$ 24,255.00 \times 70\% = - \$ 16,978.50$$

\$ 10,771.50

Then multiplied by 1.03

$$\times 1.03$$

\$ 11,094.65

STEP 3 Determine the *ERFC Legacy* Temporary Benefit payable annually until full Social Security Age
ERFC Legacy FAC X 1% X *ERFC Legacy* Credited Service

$$\$ 60,000.00 \times 1\% \times 25 \text{ yrs} = \$ 15,000.00$$

Then multiplied by 1.03

$$\times 1.03$$

\$ 15,450.00

STEP 4 Determine the *ERFC Legacy* benefit payable monthly prior to full Social Security Age
 (*ERFC Legacy* Lifetime Benefit + *ERFC Legacy* Temporary Benefit) ÷ 12

$$(\$ 11,094.65 + \$ 15,450.00) \div 12 = \$ 2,212.06$$

STEP 5 Determine the *ERFC Legacy* benefit payable monthly at full Social Security Age
ERFC Legacy Lifetime Benefit ÷ 12

$$\$ 11,094.65 \div 12 = \$ 924.56$$

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Retirement Benefit Formulas and Calculations



FORMULAS FOR CALCULATING YOUR REDUCED SERVICE BENEFITS

You are entitled to a Reduced Service Benefit under *ERFC Legacy* when you reach:

- Age 45 or older with 25 or more years of Credited Service

—OR—

- Age 55 or older with 5 or more years of Vesting Service credit.

This section provides the formulas used to calculate your *ERFC Legacy* Reduced Service Benefit under various years of service and age scenarios, with a sample calculation demonstrated for each. First, the formulas are applied for members seeking retirement between the ages of 45 and 54 who have at least 25 years of *ERFC Legacy* Credited Service. For those members seeking such early retirement and whose Eligible Employment commenced after July 1, 1988, the Reduced Service **Standard** Benefit formula will apply. Second, the formulas are shown for members who began

FCPS employment prior to July 1, 1988, and who had earned *ERFC Legacy* Credited Service on that date. Under these circumstances, members between the ages of 45 and 54 with at least 25 years of service are eligible for a Reduced Service Alternative “Guarantee” or Reduced Service Alternative Level “Guarantee” Benefit. And finally, the Reduced Service Benefit formula is detailed for *ERFC Legacy* members retiring between the ages of 55 and 64 with fewer than 25 years of Credited Service.

The Reduced Service Alternative Level “Guarantee” payment type is calculated using tables developed by the ERFC actuary. Therefore, the formulas cannot be detailed in this section.

Like the Full Service Benefit, the standard formula Reduced Service Benefit consists of two parts: **(A)** a **Lifetime Benefit** that is paid from the commencement of benefit payments until death, and **(B)** a **Temporary Benefit** that is paid from the commencement of benefit payments until you reach the age of eligibility for full Social Security benefits. A third component, **(C)** the **Three Percent Benefit Increase Adjustment**, is also applied to all Reduced Service Benefits commencing on or after July 1, 1995. (See page 11 at the beginning of this chapter).

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Retirement Benefit Formulas and Calculations

SAMPLE 3: Reduced Service Retirement — Standard Benefit Formula

(Member has at least 25 years of service.)

Sample Calculation Assumptions: A 52-year-old *ERFC Legacy* member retiring with 26 years of *ERFC Legacy* Credited Service which commenced **after** July 1, 1988, and 26 years of VRS Creditable Service, and a Final Average Compensation (FAC) of \$60,000.

STEP 1	<p>Determine the VRS Adjustment (VRS FAC — \$1200) X 1.65% X VRS Creditable Service</p> $(\$ 60,000.00 - \$ 1,200.00) \times 1.65\% \times 26 \text{ yrs} = \$ 25,225.20$
STEP 2	<p>Determine the <i>ERFC Legacy</i> Lifetime Benefit <i>ERFC Legacy</i> FAC X 1.85% X <i>ERFC Legacy</i> Credited Service</p> $\$ 60,000.00 \times 1.85\% \times 26 \text{ yrs} = \$ 28,860.00$ <p>Minus — VRS Adjustment X Table 1 Percentage Factor</p> $- \$ 25,225.20 \times 76\% = - \$ 19,171.15$ $\$ 9,688.85$ <p>Then multiplied by Table 3 Reduction Factor X 82% = X 0.82</p> $\$ 7,944.86$ <p>Then multiplied by 1.03</p> $\times 1.03$ $\$ 8,183.20$
STEP 3	<p>Determine the <i>ERFC Legacy</i> Temporary Benefit payable annually prior to full Social Security Age <i>ERFC Legacy</i> FAC X 1% X <i>ERFC Legacy</i> Credited Service</p> $\$ 60,000.00 \times 1\% \times 26 \text{ yrs} = \$ 15,600.00$ <p>Multiplied by Table 3 Reduction Factor X 82% = X 0.82</p> $\$ 12,792.00$ <p>Then multiplied by 1.03</p> $\times 1.03$ $\$ 13,175.76$
STEP 4	<p>Determine the <i>ERFC Legacy</i> benefit payable monthly prior to full Social Security Age (<i>ERFC Legacy</i> Lifetime Benefit + <i>ERFC Legacy</i> Temporary Benefit) ÷ 12</p> $(\$ 8,183.20 + \$ 13,175.76) \div 12 = \$ 1,779.91$
STEP 5	<p>Determine the <i>ERFC Legacy</i> benefit payable monthly at full Social Security Age <i>ERFC Legacy</i> Lifetime Benefit ÷ 12</p> $\$ 8,183.20 \div 12 = \$ 681.93$

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Retirement Benefit Formulas and Calculations

SAMPLE 4: Reduced Service Retirement — Alternative “Guarantee” Benefit

(ERFC Legacy member has at least 25 years of service commenced before July 1, 1988.)

If you were employed by FCPS before July 1, 1988, and you retire at age 45 or older with at least 25 years of Credited Service, you may elect a Reduced Service Alternative “Guarantee” Benefit. The Reduced Service Alternative “Guarantee” Benefit reflects the former provisions of the VRS benefit program that did not provide for early retirement benefits prior to age 55. The Reduced Service Alternative “Guarantee” Benefit provides for the highest level of ERFC Legacy benefit payments prior to age 55 by eliminating the VRS Adjustment during the benefit payment period prior to that age. However, benefits payment reductions are applied at age 55 and at full Social Security age. (See also: *Reduced Service Alternative Level “Guarantee” Benefit* later in this chapter.) The Reduced Service Alternative “Guarantee” Benefit must be elected at the time you retire from FCPS. The election may not be changed at a later date.

Sample Calculation Assumptions: A 52-year-old ERFC Legacy member retiring with 26 years of ERFC Legacy Credited Service which commenced prior to July 1, 1988, and 26 years of VRS Creditable Service, with a Final Average Compensation (FAC) of \$60,000.

STEP 1 Determine the VRS Adjustment
 (VRS FAC — \$1200) X 1.65% X VRS Creditable Service

$$(\$ 60,000.00 - \$ 1,200.00) \times 1.65\% \times 26 \text{ yrs} = \$ 25,225.20$$

STEP 2 Determine the ERFC Legacy Temporary Benefit payable annually prior to age 55
 (ERFC Legacy FAC X 2.85% X ERFC Legacy Credited Service

$$\$ 60,000.00 \times 2.85\% \times 26 \text{ yrs} = \$ 44,460.00$$

Then multiplied by Table 3 Reduction Factor X 82% =

$$\underline{\hspace{10em}} \times 0.82 =$$

$$\hspace{10em} \$ 36,457.20$$

Then multiplied by 1.03

$$\underline{\hspace{10em}} \times 1.03 =$$

$$\hspace{10em} \$ 37,550.92$$

STEP 3 Determine the ERFC Legacy Temporary Benefit payable annually from Age 55 to full Social Security Age

ERFC Legacy Temporary Benefit (Prior to age 55) \$ 37,550.92

Reduced by

VRS Adjustment X Table 1 Reduction Factor X 1.03

$$- \$ 25,225.20 \times 76\% \times 1.03 = - \$ 19,746.29$$

$$\underline{\hspace{10em}} =$$

$$\hspace{10em} \$ 17,804.63$$

Sample 4 continued on next page

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Retirement Benefit Formulas and Calculations

SAMPLE 4: Reduced Service Retirement — Alternative “Guarantee” Benefit (Continued)

STEP 4	Determine the ERFC Legacy Benefit payable annually at Full Social Security Age* (ERFC Legacy FAC X 1.85% X ERFC Legacy Credited Service)	
		\$ 60,000.00 X 1.85% X 26 yrs = \$ 28,860.00
	Minus —	
	VRS Adjustment X Table 1 Reduction Factor	
		— \$25,225.20 X 76% = — \$ 19,171.15
		<u>\$ 9,688.85</u>
	Then multiplied by Table 3 Reduction Factor	X 82% =
		<u>X 0.82</u>
		\$ 7,994.86
	Then multiplied by 1.03	X 1.03
		<u>\$ 8,183.20</u>

STEP 5	Determine the ERFC Legacy benefit payable monthly prior to Age 55 ERFC Legacy Temporary Benefit (Prior to age 55) ÷ 12	
		\$ 37,550.92 ÷ 12 = \$ 3,129.24

STEP 6	Determine the ERFC Legacy benefit payable monthly from Age 55 to full Social Security Age ERFC Legacy Temporary Benefit (Age 55 to full Social Security Age) ÷ 12	
		\$ 17,804.63 ÷ 12 = \$ 1,483.72

STEP 7	Determine the ERFC Legacy benefit payable monthly at full Social Security Age* ERFC Legacy Benefit at Full Social Security Age ÷ 12	
		\$ 8,183.20 ÷ 12 = \$ 681.93

* While there is also an alternative calculation for the benefit applied at full Social Security age, it seldom applies, and is beyond the scope of this handbook to detail.

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Retirement Benefit Formulas and Calculations

REDUCED SERVICE RETIREMENT—ALTERNATIVE LEVEL “GUARANTEE” BENEFIT

ERFC Legacy member has at least 25 years of service commenced prior to July 1, 1988.

Effective May 1, 1995, the Virginia General Assembly approved legislation that allowed members of the Virginia Retirement System (VRS) to retire as early as age 50, under the VRS’ reduced service provisions, with a minimum of 10 years’ service credit. Four years later, the legislature also established full service retirement benefits for VRS members retiring at age 50 with at least 30 years of service.

The *ERFC Legacy* benefit structure was designed to supplement the VRS benefits in order to provide members a relatively level flow of income throughout their retirement. In order to facilitate that level flow of benefits for members selecting either the 50/10 or 50/30 retirement options with VRS, the ERFC Board of Trustees developed an additional benefit payment type to complement the changes to the VRS system. This additional benefit payment type, termed the Reduced Service Alternative **Level “Guarantee”** Benefit, is available to *ERFC Legacy* Plan members who retire prior to age

55, with at least 25 years of Credited Service commenced prior to July 1, 1988. The benefit amount under the Reduced Service Alternative **Level “Guarantee”** payment type is calculated with tables developed by the ERFC actuary. These tables are updated periodically, as recommended by the actuary and approved by the Board of Trustees. As a result, the benefit amounts illustrated in the examples for the Alternative Level “Guarantee” Benefit may change accordingly over time.

Members who choose to retire under the *ERFC Legacy* Reduced Service Alternative “Guarantee” benefit payment type will be paid their highest combined *ERFC Legacy* and VRS benefit amounts *before* age 55. When retiring prior to age 55 under the *ERFC Legacy* Reduced Service Alternative “Guarantee” payment type, your benefit amount will *drop* once at age 55, and *once again* when you reach the eligible age for full Social Security benefits. In contrast, if you select the *ERFC Legacy* Reduced Service Alternative **Level “Guarantee”** benefit payment type, your benefit amount remains constant for a longer period of time, dropping only once when you reach the eligible age for full Social Security benefits. Your combined *ERFC Legacy* and VRS benefits will provide you a more consistent flow of income in the years prior to reaching full Social Security eligibility under the Reduced Service Alternative **Level “Guarantee”** payment type.

Your combined *ERFC Legacy* and VRS benefit is capped at 100 percent of your Final Average Compensation (FAC). If the combined benefit for any payment period (pre-55, 55 to full Social Security age, or at full Social Security age) exceeds this 100 percent cap, the *ERFC Legacy* benefit is reduced accordingly. However, because the Reduced Service Alternative Level “Guarantee” payment type is calculated based on the value of the Alternative “Guarantee” prior to the application of the benefit cap, it generally provides greater value than the other benefit payment types for long-service employees.

Both the Alternative “Guarantee” and the Alternative Level “Guarantee” benefit payment types are available to eligible *ERFC Legacy* Plan members who began their employment with Fairfax County Public Schools prior to July 1, 1988. The benefit payment type must be elected upon retirement and may not be changed at a later date.

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Retirement Benefit Formulas and Calculations

Compare the payment schedules for this sample *ERFC Legacy* member retiring under either the **Reduced Service Alternative “Guarantee” Benefit** or the **Reduced Service Alternative Level “Guarantee” Benefit** payment types.

Sample *ERFC Legacy* Plan Member

- Retiring at age 52
- 26 years’ *ERFC Legacy* Credited Service commenced prior to July 1, 1988
- 26 years’ VRS Creditable Service
- *ERFC Legacy* Final Average Compensation (FAC) = \$60,000
- VRS 5-Year Average Final Compensation = \$57,000
- Eligible for full Social Security benefits at age 66

REDUCED SERVICE ALTERNATIVE “GUARANTEE” BENEFIT PAYMENT TYPE

	Reduced Service Alternative “Guarantee” Monthly Benefit	VRS 50/10 Plan Monthly Benefit	Combined Total Monthly Benefit
At Retirement to Age 55	\$ 3,129.24	\$ 1,326.88	\$ 4,456.12
Age 55 to Full SS Eligibility	\$ 1,483.72	\$ 1,326.88	\$ 2,810.60
At Full Social Security Age	\$ 681.93	\$ 1,326.88	\$ 2,008.81

REDUCED SERVICE ALTERNATIVE LEVEL “GUARANTEE” BENEFIT PAYMENT TYPE

	Reduced Service Alternative Level “Guarantee” Monthly Benefit	VRS 50/10 Plan Monthly Benefit	Combined Total Monthly Benefit
At Retirement to Age 55	\$ 1,749.00	\$ 1,326.88	\$ 3,075.88
Age 55 to Full SS Eligibility	\$ 1,749.00	\$ 1,326.88	\$ 3,075.88
At Full Social Security Age	\$ 947.21	\$ 1,326.88	\$ 2,274.09

Note that the Reduced Service Alternative Level “Guarantee” Benefit remains constant from retirement until full Social Security eligibility. Also, the additional income from Social Security benefits is not included with these samples.

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Retirement Benefit Formulas and Calculations

SAMPLE 5: Reduced Service Retirement

(Member has fewer than 25 years of service)

In Sample 5, we demonstrate the benefit calculation for an *ERFC Legacy* Plan member taking a Reduced Service retirement with fewer than 25 years of service.

Sample Calculation Assumptions: A 60-year-old *ERFC Legacy* member retiring with 20 years of *ERFC Legacy* Credited Service and 20 years of VRS Creditable Service, with a Final Average Compensation (FAC) of \$60,000.

STEP 1 Determine the VRS Adjustment

(VRS FAC — \$1200) X 1.65% X VRS Creditable Service

$$(\$ 60,000.00 - \$ 1,200.00) \times 1.65\% \times 20 \text{ yrs} = \$ 19,404.00$$

STEP 2 Determine the annual *ERFC Legacy* Lifetime Benefit

ERFC Legacy FAC X 1.85% X *ERFC Legacy* Credited Service

$$\$ 60,000.00 \times 1.85\% \times 20 \text{ yrs} = \$ 22,200.00$$

Minus —

VRS Adjustment

$$- \$ 19,404.00$$

$$\underline{\$ 2,796.00}$$

Then multiplied by Table 4 Reduction Factor X 70% = X 0.70

$$\underline{\$ 1,957.20}$$

Then multiplied by 1.03

$$\underline{\times 1.03}$$

$$\underline{\$ 2,015.92}$$

STEP 3 Determine the *ERFC Legacy* Temporary Benefit payable annually prior to full Social Security Age

ERFC Legacy FAC X 1% X *ERFC Legacy* Credited Service

$$\$ 60,000.00 \times 1\% \times 20 \text{ yrs} = \$ 12,000.00$$

Multiplied by Table 4 Reduction Factor X 70% = X 0.70

$$\underline{\$ 8,400.00}$$

Then multiply by 1.03

$$\underline{\times 1.03}$$

$$\underline{\$ 8,652.00}$$

STEP 4 Determine the *ERFC Legacy* benefit payable monthly prior to full Social Security Age

(*ERFC Legacy* Lifetime Benefit + *ERFC Legacy* Temporary Benefit) ÷ 12

$$(\$ 2,015.92 + \$ 8,652.00) \div 12 = \$ 888.99$$

STEP 5 Determine the *ERFC Legacy* benefit payable monthly at full Social Security Age

ERFC Legacy Lifetime Benefit ÷ 12

$$\$ 2,015.92 \div 12 = \underline{\$ 167.99}$$

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Retirement Benefit Formulas and Calculations

LEVEL LIFETIME BENEFIT

As an *ERFC Legacy* member retiring on or after July 1, 2004, you may now elect to receive a Level Lifetime Benefit (LLB) that will provide a single, constant benefit amount throughout your retirement, regardless of when you will become eligible for full Social Security benefits. The Level Lifetime Benefit is calculated with tables developed by ERFC's actuary. As noted previously, these tables are updated periodically, as recommended by the actuary and approved by the Board of Trustees. As a result, the benefit amounts illustrated as calculation examples for the Level Lifetime Benefit may change accordingly with the actuarial table updates. The Level Lifetime Benefit will also vary slightly based upon the age at which you will reach eligibility for full Social Security benefits. For an *ERFC Legacy* member choosing to retire from FCPS well in advance of Social Security age, the LLB is designed to provide an amount that is generally equivalent to the two-tiered benefit shown at right. However, for someone opting to retire from FCPS near his or her eligible age for full Social Security, the value of the member's available benefits could total less than the value of his or her Accumulated Contributions. In that circumstance, ERFC recalculates the Level Lifetime Benefit to ensure that it will provide an equivalent value to the member's *ERFC Legacy* Accumulated Contributions.

In the box below, compare the *ERFC Legacy* **Standard Benefit** with the Level Lifetime Benefit using the following assumptions:

Sample *ERFC Legacy* Member

- Membership Date: 9/1/1994
- Date of Birth: 6/24/1964
- Retiring at age 55
- 25 years' *ERFC Legacy* Credited Service
- 25 years' VRS Creditable Service
- *ERFC Legacy* Final Average Compensation (FAC) = \$60,000

ERFC LEGACY STANDARD BENEFIT VS LEVEL LIFETIME BENEFIT

	Standard Benefit	Level Lifetime Benefit
At Retirement—Age 55	\$ 2,212.06 monthly	\$ 1,639.58 monthly
At Full Social Security Age	\$ 924.56 monthly	\$ 1,639.58 monthly

Under the Standard Benefit formula, the monthly *ERFC Legacy* benefit drops when the retiree reaches the age of eligibility for full Social Security benefits. Under the Level Lifetime Benefit, the monthly benefit remains constant from the effective date of retirement until death.

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Retirement Benefit Formulas and Calculations

BENEFIT LIMITATIONS

ERFC Legacy benefit payment amounts are subject to certain limits contained within the Plan Document. In general, if the sum of your benefits, as calculated under VRS formulas *and* combined with your *ERFC Legacy* benefits, exceeds 100% of your Final Average Compensation (FAC), your *ERFC Legacy* benefits will be reduced. In addition, as a supplemental retirement plan qualified under Section 401(a) of the Internal Revenue Code, certain limits also apply to payments from the ERFC Trust Fund.

Although such benefit limitations occur rarely under *ERFC Legacy*, the Board of Trustees established a Benefit Restoration Plan (BRP) in 2006, to ensure that all members receive the benefits established in the Plan Document, regardless of the limitations set under the Internal Revenue Code. These “excess” benefits are paid through a non-qualified plan that is permitted under Section 415(m) of the Internal Revenue Code.

It is beyond the scope of this handbook to illustrate calculations of the Internal Revenue Code benefit limitations. However, the **Estimate a Benefit** feature in *ERFCDirect* is programmed to consider these limitations as necessary, when calculating estimates. Members can also request a BRP pamphlet with details on the Internal Revenue Code benefit limitations by contacting ERFC at 703-426-3900 or erfcoffice@fcps.edu.

5 Benefit Payment Options

OVERVIEW

As a general rule, your retirement benefits cease when you die. Accordingly, if you die during retirement, neither your surviving spouse, nor any other beneficiary, will be eligible to assume any portion of an ongoing *ERFC Legacy* pension benefit.

If you would prefer to establish a continuing benefit for your spouse (or former spouse) after your death, you may elect an optional form of benefit payment that will provide a reduced benefit for you during your lifetime and a benefit for your surviving spouse after your death. These optional forms of benefits can also be used to provide a continuing benefit after your death to certain beneficiaries other than your spouse. You also may elect to receive a lump-sum payment when you retire in exchange for a reduced monthly retirement benefit.

Your benefit payment option must be elected *prior* to retirement. Once you begin your retirement, you will be unable to change your benefit payment option except under very limited circumstances, which are described later in this chapter.

Regardless of which *ERFC Legacy* benefit payment option you select, in the event you should die before receiving benefits equal to your Accumulated Contributions, ERFC will refund any remaining balance in your account with interest to your Named Beneficiary or to your estate (*if there is no Named Beneficiary*).

In the first pages of this chapter, you

will review each of the *ERFC Legacy* benefit payment options available to you in retirement. This section is followed by a list of important restrictions that may impact your selection of a benefit payment option. As you consider your options, you will also want to refer to the sample calculations featured in the latter pages of this chapter that display examples of benefit estimates providing for a surviving beneficiary or an optional lump-sum payment. You may wish to jot down notes, or highlight those sections that may have some specific impact on your personal situation.

FORMS OF BENEFIT PAYMENTS

BASIC BENEFIT OPTION

Under the Basic Benefit payment option, you will receive monthly retirement benefits for life. Upon your death, neither your surviving beneficiary nor your estate will receive a continuing pension benefit.

SURVIVOR OPTIONS

Option A— 100 Percent Survivor Option

Benefit payment Option A allows you to provide an ongoing survivor benefit for your spouse or former spouse (if provided for by an approved Domestic Relations Order) as an eligible Nominated Beneficiary (Survivor) upon your death. Under Option A, your monthly benefit payment during retirement will be reduced to a certain percentage of your Basic Benefit. This reduction in your *ERFC Legacy* monthly benefit

payment will vary based upon your age and the age of your Nominated Beneficiary (Survivor) as attained on each of your last birthdays, and is calculated in whole years as follows:

- If you and your Nominated Beneficiary (Survivor) are the **same age** on your effective date of retirement, your monthly benefit payment will be *reduced* to 85 percent of your Basic Benefit during your lifetime.
- If you are **older than** your Nominated Beneficiary (Survivor) on your effective date of retirement, your monthly benefit payment will be *decreased* (below the 85 percent) by an additional six-tenths of one percent for each year that you are older than your beneficiary.
- If you are **younger than** your Nominated Beneficiary (Survivor) on your effective date of retirement, your monthly benefit payment will be *increased* (above the 85 percent) by an additional six-tenths of one percent, up to a maximum of 94 percent of your Basic Benefit, for each year that you are younger than your beneficiary.

Upon your death in retirement under Option A, 100% of the reduced monthly benefit amount to which you would have been entitled had you lived shall be paid monthly to your surviving Nominated Beneficiary (Survivor) for the remainder of his or her life.

5 Benefit Payment Options

Under Option A, a Nominated Beneficiary (Survivor) must be one of the following:

- Your surviving spouse
- Your former spouse (if provided for by an approved Domestic Relations Order)

If you wish to elect another eligible dependent as your Nominated Beneficiary (Survivor), see benefit payment Option B.

Option B— 50 Percent Survivor Option

Benefit payment Option B allows you to provide an ongoing survivor benefit for an eligible Nominated Beneficiary (Survivor) upon your death. Under Option B, your monthly benefit payment during retirement will also be reduced to a certain percentage of your Basic Benefit, but by a lesser amount than the reduction calculated for Option A. This reduction in your *ERFC Legacy* monthly benefit payment will vary, based upon your age and the age of your Nominated Beneficiary (Survivor) as attained on each of your last birthdays, and is calculated in whole years as follows:

- If you and your Nominated Beneficiary (Survivor) are the **same age** on your effective date of retirement, your monthly benefit payment will be *reduced* to 91 percent of your Basic Benefit during your lifetime.

- If you are **older than** your Nominated Beneficiary (Survivor) on your effective date of retirement, your monthly benefit payment will be *decreased* (below the 91 percent) by an additional three-tenths of one percent for each year that you are older than your beneficiary.
- If you are **younger than** your Nominated Beneficiary (Survivor) on your effective date of retirement, your monthly benefit payment will be *increased* (above the 91 percent) by an additional three-tenths of one percent for each year that you are younger than your beneficiary, up to a maximum of 97 percent of your Basic Benefit.

Upon your death in retirement under Option B, 50 percent of the reduced monthly *ERFC Legacy* benefit to which you would have been entitled had you lived shall be paid monthly to your surviving Nominated Beneficiary (Survivor) for the remainder of his or her life.

Under benefit payment Option B, a Nominated Beneficiary (Survivor) must be one of the following:

- Your spouse
- Your former spouse
- A dependent child who is physically or mentally incompetent as determined by a court, or otherwise verified by the ERFC Retirement Office.
- Another person, 40 years of age or older, for whom you have provided more than 50 percent support for at least one year immediately prior to your retirement from FCPS.

Option C— 120 Payments Certain Option

Under Option C, your pension is reduced to 96 percent of your Basic Benefit. If you die before receiving 120 monthly pension payments, the reduced payments will be continued for the remainder of the period of 120 months, and will be paid in equal shares to the person or persons you nominated as your beneficiary. If you are predeceased by your Nominated Beneficiary (Survivor) or beneficiaries, you may nominate a successor beneficiary or beneficiaries. If no Nominated Beneficiary (Survivor) or beneficiaries survive you, the Reserve Value of the remainder pension payments shall be paid to your estate. If the last Nominated Beneficiary (Survivor) receiving pension payments dies before all such pension payments are made, the Reserve Value of the remainder pension payments shall be paid to the beneficiary's estate.

Option D—Lump Sum Payment of Member Contributions

Under Option D, you may opt to receive a partial lump sum distribution when you retire, plus an ongoing reduced monthly retirement benefit. The lump sum can be as small as \$1,000, or as large as your total Accumulated Contributions, less interest and Purchased Service Credit amounts. Under Option D, there is no provision for ongoing payments to a surviving beneficiary or to an estate after your death. If you select Option D, your reduced monthly retirement benefit, in combination with the lump sum payment, is designed to be actuarially equivalent to your Basic Benefit.

5 Benefit Payment Options

You may receive your lump-sum distribution directly, or you may have all or part of the distribution rolled over into an Individual Retirement Account (IRA), a Tax-Deferred Annuity (TDA), or to an eligible tax-deferred retirement plan that accepts the funds. If you receive your distribution directly, the payment will be subject to federal and state taxation, and federal withholding. If you receive the payment directly, before age 55, you will also have to pay an additional 10 percent federal tax.

Small Pensions

If your ERFC pension totals \$100 or less per month, it shall be paid to the member or eligible beneficiary in a single, lump-sum payment that is the Actuarial Equivalent of the total benefit due, in lieu of monthly benefit payments. Effective January 1, 2015, only the standard benefit payment type will be used to determine whether a small pension is payable. This one-time payment may be paid directly to you, or you may elect to have all or part of the payment rolled over into an IRA account, a TDA account, or transferred into another eligible tax-deferred retirement plan on your behalf. Whichever option you select, be aware that your choice may affect the taxes you owe for the year in which the distribution is made. You are encouraged to plan ahead, and seek the professional advice of a financial planner or tax specialist.

Note that the interest rate used to calculate small pension payments is reset annually, based on the rate for the 20-year Treasury note as of December 1.

CHANGE RESTRICTIONS AFTER RETIREMENT

The following section outlines important information and restrictions to consider when determining an *ERFC Legacy* benefit payment option that will best accommodate you in retirement.

CHANGE TO BENEFIT PAYMENT OPTION

As mentioned previously, your benefit payment option must be elected *prior* to retirement. Once you commence your retirement, you will be unable to change your benefit payment option, except under the following limited circumstances:

- If you elected Option A or B, and your Nominated Beneficiary (Survivor) dies, or if your marriage to a Nominated Beneficiary (Survivor) is dissolved after your effective retirement date, you may make a written election to cancel Option A or B and return to the unreduced Basic Benefit. The change in your benefit payment option would become effective the first day of the month following ERFC's receipt of your written election.
- If you elected Option C, and your Nominated Beneficiary (Survivor) or beneficiaries die, you may nominate a successor beneficiary or beneficiaries. Additionally, you may replace a Nominated Beneficiary (Survivor) or beneficiaries at any time for any reason. If no Nominated Beneficiary (Survivor) or beneficiaries survive you, the Reserve Value of the remaining

pension payments shall be paid to your estate. If the last Nominated Beneficiary (Survivor) receiving pension payments dies before all such pension payments are made, the Reserve Value of the remaining pension payments shall be paid to the beneficiary's estate.

- If you are receiving the Basic Benefit and marry after commencing retirement, you may elect Option B for the benefit of your new spouse, provided your new election is received by ERFC in writing within six months of your marriage. The change in your benefit payment option would become effective the first day of the month following ERFC's receipt of your written election.

5 Benefit Payment Options

DIVORCE AND RETIREMENT BENEFITS

Virginia law requires ERFC to honor certain Domestic Relations Orders (DROs) entered by Virginia courts. If you divorce in Virginia, the court may award some portion of your *ERFC Legacy* retirement benefit to the spouse you are divorcing, and thus could require ERFC to pay that determined portion of your monthly benefit during retirement directly to that former spouse.

ERFC will implement a court decision only upon receipt of a certified copy of an appropriate DRO. The language of the order must conform to the guidelines established by ERFC.

NOTE: ERFC guidelines differ from the rules that apply to Qualified Domestic Relations Orders (QDROs) under ERISA. ERFC guidelines also differ from the rules that apply to VRS benefits. A copy of the *Guidelines for the Development of Domestic Relations Orders*, and a model Domestic Relations Order can be found on the ERFC website: erfcension.org or you may request a copy by calling the ERFC office at 703-426-3900 or 1-844-758-3793.

It is your responsibility to ensure that the DRO, and any other divorce arrangements applicable to ERFC, comply with ERFC guidelines. ERFC staff cannot advise you about the terms of your divorce, nor can

they draft any legal language for you. ERFC staff will, however, review your Domestic Relations Order. It is strongly recommended that your attorney provide ERFC a draft of an order prior to filing it with the court, to ensure the language of the order will be acceptable to ERFC.

ERFC will not release information about your benefit entitlement to anyone other than you without your written consent. However, information may be secured by a subpoena without your authorization.

CHILD AND SPOUSAL SUPPORT AND RETIREMENT BENEFITS

If a member is receiving retirement benefits, ERFC will also comply with orders issued by a Virginia court or agency to enforce your obligation to pay support to a spouse or child. A certified copy of the child or spousal support order must be provided to ERFC.

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Benefit Payment Options



CALCULATING YOUR BENEFIT PAYMENT OPTIONS

In projecting your *ERFC Legacy* benefit payment options, you may choose to:

- Use the **Estimate a Benefit** feature provided online through *ERFCDirect* at: www.ercf.direct
—OR—
- Perform manual calculations using the formulas cited in this section.

The benefit estimator provided online with *ERFCDirect* allows you to project your benefits automatically. See Chapter 6 for more information and instructions. For general reference, however, the following example details a manual calculation for benefit payment Options A–C. The same calculations are then demonstrated as they would appear online using the **Estimate a Benefit** feature in *ERFCDirect*. You will note that the manual calculations for Benefit Options A–C follow the same methodology regardless of the benefit payment type or service eligibility.

It is beyond the scope of this handbook to demonstrate the manual calculation for benefit payment Option D. However, the actuarial tables required to compute the reduced monthly retirement benefit under payment Option D are built into the *ERFCDirect* benefit estimator, which will automatically calculate the maximum eligible lump sum payment.

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Benefit Payment Options

SAMPLE 6: Full Service Retirement—Standard Benefit Formula—Benefit Payment Options A–C

Sample Calculation Assumptions: A 55-year-old *ERFC Legacy* member retiring with 25 years of *ERFC Legacy* Credited Service which commenced after July 1, 1988, and 25 years of VRS Creditable Service, with a Final Average Compensation (FAC) of \$60,000; beneficiary is 2 years older than member.

STEP 1 Calculate the *ERFC Legacy* Basic Benefit Option (see benefit formulas in Chapter 4)

To Full Social Security Age	\$ 2,212.06
At Full Social Security Age	\$ 924.56

STEP 2 Calculate Benefit Payment Option A—100% Survivor Option (Available only to a surviving spouse or former spouse pursuant to an approved Domestic Relations Order)

Determine the Reduction Factor $85\% - (0.6\% \times \text{number of years older than member})$

$$85\% - (0.6\% \times 2) = 85\% + 1.2\% = 86.2\% = 0.862$$

Multiply Basic Benefit \times Reduction Factor

To Full Social Security Age	\$ 2,212.06 \times 0.862 =	\$ 1906.79
At Full Social Security Age	\$ 924.56 \times 0.862 =	\$ 796.77

STEP 3 Calculate Benefit Payment Option B—50% Survivor Option

Determine the Reduction Factor $91\% - (0.3\% \times \text{number of years older than member})$

$$91\% - (0.3\% \times 2) = 91\% + 0.6\% = 91.6\% = 0.916$$

Multiply Basic Benefit \times Reduction Factor

To Full Social Security Age	\$ 2,212.06 \times 0.916 =	\$ 2,026.25
At Full Social Security Age	\$ 924.56 \times 0.916 =	\$ 846.90

STEP 4 Calculate Benefit Payment Option C—120 Payments Certain

96% Reduction Factor $96\% = 0.96$

Multiply Basic Benefit \times Reduction Factor

To Full Social Security Age	\$ 2,212.06 \times 0.96 =	\$ 2,123.58
At Full Social Security Age	\$ 924.56 \times 0.96 =	\$ 887.58

Note: Manual calculations for all Benefit Options A-C follow the same methodology.

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Estimating Benefits with ERFCDirect

ERFC's online service, **ERFCDirect**, provides members, retirees, and other benefit recipients secure and direct online access to their individual retirement account information. Among its service features, ERFCDirect allows active members to track their salary history, verify their service credit, review their annual benefit statements and estimate their future benefits.

GETTING STARTED

HOW TO ENROLL IN ERFCDirect

If you are an active ERFC member, go online to www.ercf.direct and follow the instructions. You'll also find a link to ERFCDirect on the website at: ercfpension.org.

If you are an inactive, deferred or retired ERFC member and you do not remember your FCPS Employee ID number, contact the ERFC office and an ERFCDirect PIN code will be emailed to you. The ERFC Call Center is available to assist you during weekdays between 8 a.m. and 4:30 p.m. EST at 703-426-3900, 1-844-758-3793, or erfcoffice@fcps.edu.

Please note: In order to protect our members' privacy, ERFC personnel cannot provide this information or any other personal data by telephone, fax or email.

ACCOUNT SUMMARY SCREEN

The screenshot shows the ERFCDirect interface for Jane Doe. The page is titled "The Educational Employees' Supplementary Retirement System" and includes a user profile icon. The main content area is divided into several sections:

- Member Information:** A sidebar menu with options like Account Summary, Earnings History, Contact Information, Demographics, Named Beneficiaries, Create Your Own Estimate, and Estimate History.
- Employment:** A box showing Status: Active, Plan: ERFC Legacy, Employment Date: 9/1/1998, and Participation Date: 9/1/1998.
- Contributions:** A table showing the following data:

	Pre Tax	Post Tax	Interest	Total
Employee Current	\$23,097.39	\$0.00	\$9,079.58	\$32,176.97
Employer Matching	\$0.00	\$0.00	\$0.00	\$0.00
Grand Total	\$23,097.39	\$0.00	\$9,079.58	\$32,176.97
- Service:** A box showing Employment Service: 18.77492.

A callout box with a blue background and white text points to the Service and Contributions sections, stating: "When you log in to ERFCDirect, your account summary screen will display your service totals and your current contribution balance."

At the bottom of the page, there is a footer with copyright information: "©2007-2023, Levi, Roy & Shoup, Inc. All rights reserved. Disclaimers | Attributions | Privacy" and "Privacy & Security | Terms & Conditions | ERFC Website | Version: 3.10.207".

6 Estimating Benefits with ERFCDirect

ESTIMATE YOUR FUTURE ERFC BENEFITS IN ERFCDirect

Once you have enrolled with ERFCDirect, you can use the **Estimate a Benefit** feature to project your *ERFC Legacy* benefits. ERFCDirect will use data from your current ERFC records to calculate estimates based on the eligible retirement date(s) you enter.

For example:

INPUT SCREEN

The screenshot shows the ERFCDirect web interface. The header includes the ERFCDIRECT logo, the text 'The Educational Employees' Supplementary Retirement System', and the user name 'Jane Doe'. A left-hand navigation menu lists various account features, with 'Create Your Own Estimate' highlighted in yellow. The main content area is titled 'Create Your Own Estimate' and contains the following fields and options:

- Reduced Service Retirement:** 7/1/2032
- Service Retirement:** 7/1/2037
- Benefit Options:**
 - Type: Retirement (dropdown)
 - Benefit Type: Service Retirement (dropdown)
 - ERFC Termination: 6/30/2037 (calendar icon)
 - Benefit Effective: 7/1/2037 (calendar icon)
- Survivor Options:**
 - Name: John Doe
 - Relationship: Husband (dropdown)
 - Date of Birth: 5/31/1980 (calendar icon)

A note at the bottom of the form states: 'Note: Survivor date of birth is required to calculate Option A (100%) and Option B (50%) survivor options. Please see [Estimate Help](#) for limitations on Option A and Option B beneficiaries. You do not need to enter survivor information to receive the Option C calculation.' A green 'Generate' button is located at the bottom left of the form.

Three callout boxes provide additional information:

- Click here to estimate a benefit yourself.** (Points to the 'Create Your Own Estimate' menu item)
- Your earliest eligible full-service retirement date will appear automatically, but you can enter other eligible dates for comparison.** (Points to the 'Benefit Effective' field)
- If you wish to consider a survivor benefit payment option, enter the eligible beneficiary's name and birth date.** (Points to the 'Survivor Options' section)

At the bottom of the page, there is a footer with copyright information: '©2007-2025, Levi, Roy & Shoup, Inc. All rights reserved. Disclaimers | Attributions | Privacy' and 'Privacy & Security Terms & Conditions ERFC Website Version: 3.10.207'.

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Estimating Benefits with ERFCDirect

ERFCDirect BENEFIT ESTIMATE REPORT

STANDARD BENEFIT FORMULA— FULL SERVICE RETIREMENT


ERFC Legacy Plan member retiring at age 55 with at least 25 years' Credited Service commenced after July 1, 1988.

The following example demonstrates a benefit estimate report as it would be provided using ERFCDirect's **Estimate a Benefit** feature for an *ERFC Legacy* Plan member retiring

at age 55 with 25 years of Credited Service and VRS Creditable Service that commenced *after* July 1, 1988. The online estimate automatically applies a Final Average Compensation (FAC) rate based upon the member's *current* three-year final average salary to project the Basic Benefit payment. Refer to Sample 1 on page 14 for a demonstration of the manual calculation of this Full Service Benefit payment type.

On page 35, you will also find an example of a benefit payment estimate projected to determine the benefit payment options covering survivor beneficiaries.

OUTPUT SCREEN



Monthly Benefit Estimate Calculation Summary for:

Mary Smith (xxx-xx-1234)

*This is an estimate. Actual benefit amounts may vary.

Active

Run Date/Time:	7/17/2017 8:58:33 AM	Benefit Type:	Service Retirement
Estimate Created:	7/17/2017 8:57:00 AM	Plan Name:	ERFC

Membership Date:	09/1994	Retirement Date:	7/1/2019
Member's Date of Birth:	6/24/1964	Age at Retirement:	55.00
Full Social Security Date:	7/1/2031	Full Social Security Age:	67.00

Salary	Service Totals	25.00
3-Year Average Salary:	\$60,000.00	Employment Service: 25.00
		VRS Creditable Service: 25.00
		Sick Leave Conversion: 0.00
		Duty Death/Disability Projected Svc: N/A
Contributions		Purchased Service: 0.00
Member Contributions:	\$45,000.00	Military Service: 0.00
		ERFC Termination Date: 6/30/2019
		FCPS Termination Date: 6/30/2019

Payment Type (Benefits Paid Monthly)		
	Standard	Level Lifetime

Basic Benefit Option		
Age 55 to Full SS Age	\$2,212.06	\$1,639.58
Full Social Security Age	\$924.56	\$1,639.58

The Level Lifetime Benefit is based on the present value of the defined benefit payment options.

Note: The calculation of this estimate includes credit for unused sick leave projected to the end of the current fiscal year or retirement date, whichever occurs first. No change in current salary is assumed.

This is only an estimate of your monthly retirement benefits from ERFC. It is based on Fairfax County Public Schools records and information provided to ERFC by the VRS. You should provide us as much information as you can about your work history and about your participation in VRS, ERFC and any other retirement systems. This should not be interpreted as either a promise of or contract for a given level of benefits. If it is later determined that information used in the calculation of this estimate is incorrect, the amount of your ERFC benefits may differ from this estimate. This estimate does not include any reductions required by a domestic relations order or a child or child and spousal support obligation. In the event of any conflict between this estimate and the provisions of the ERFC plan at the time of retirement, as interpreted by the ERFC trustees, the latter will control.

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Estimating Benefits with ERFCDirect

ERFCDirect BENEFIT ESTIMATE REPORT

STANDARD BENEFIT FORMULA— REDUCED SERVICE RETIREMENT


ERFC Legacy Plan member retiring with Fewer than 25 years' Credited Service

The following example demonstrates a benefit estimate report as it would be provided using ERFCDirect's **Estimate a Benefit** feature for an ERFC Legacy Plan member

retiring at age 60 with 20 years of Credited Service. The online estimate automatically applies a Final Average Compensation (FAC) rate based upon the member's *current* three-year average salary to project the Basic Benefit payment. Refer to Sample 5 on page 22 for a demonstration of the manual calculation of this Reduced Service Benefit payment type.

On page 35, you will also find an example of a benefit payment estimate projected to determine the benefit payment options covering survivor beneficiaries.

OUTPUT SCREEN



Monthly Benefit Estimate Calculation Summary for: **Susan Jones (xxx-xx-3333)**

*This is an estimate. Actual benefit amounts may vary.

Active

Run Date/Time:	7/17/2017 8:43:40 AM	Benefit Type:	Reduced Service Retirement
Estimate Created:	7/17/2017 8:42:02 AM	Plan Name:	ERFC

Membership Date:	09/1999	Retirement Date:	7/1/2019
Member's Date of Birth:	6/23/1959	Age at Retirement:	60.00
Full Social Security Date:	5/1/2026	Full Social Security Age:	66.83

Salary	Service Totals		
3-Year Average Salary:	\$60,000.00	Employment Service:	20.00
		Sick Leave Conversion:	0.00
		Purchased Service:	0.00
		Military Service:	0.00

	VRS Creditable Service:	20.00	
	Duty Death/Disability Projected Svc:	N/A	
	ERFC Termination Date:	6/30/2019	
	FCPS Termination Date:	6/30/2019	

Payment Type (Benefits Paid Monthly)		
	Standard	Level Lifetime
Basic Benefit Option		
Age 55 to Full SS Age	\$888.99	\$446.17
Full Social Security Age	\$167.99	\$446.17

The Level Lifetime Benefit is based on the present value of the defined benefit payment options.

Note: The calculation of this estimate includes credit for unused sick leave projected to the end of the current fiscal year or retirement date, whichever occurs first. No change in current salary is assumed.

This is only an estimate of your monthly retirement benefits from ERFC. It is based on Fairfax County Public Schools records and information provided to ERFC by the VRS. You should provide us as much information as you can about your work history and about your participation in VRS, ERFC and any other retirement systems. This should not be interpreted as either a promise of or contract for a given level of benefits. If it is later determined that information used in the calculation of this estimate is incorrect, the amount of your ERFC benefits may differ from this estimate. This estimate does not include any reductions required by a domestic relations order or a child or child and spousal support obligation. In the event of any conflict between this estimate and the provisions of the ERFC plan at the time of retirement, as interpreted by the ERFC trustees, the latter will control.


6 Estimating Benefits with ERFCDirect

ERFCDirect BENEFIT ESTIMATE REPORT

SURVIVOR BENEFIT PAYMENTS AND OPTION D

The following example demonstrates a benefit estimate report as it would be prepared and presented in ERFCDirect to include all of the possible benefit payment types and options under the ERFC Legacy Plan structure.

OUTPUT SCREEN



Monthly Benefit Estimate Calculation Summary for:

Mary Smith (xxx-xx-1234)

*This is an estimate. Actual benefit amounts may vary.

Active

Run Date/Time:	7/17/2017 8:53:38 AM	Benefit Type:	Service Retirement
Estimate Created:	7/17/2017 8:20:04 AM	Plan Name:	ERFC

Membership Date:	09/1994	Retirement Date:	7/1/2019	Beneficiary Name:	Smith, John
Member's Date of Birth:	6/24/1964	Age at Retirement:	55.00	Beneficiary Date of Birth:	6/2/1962
Full Social Security Date:	7/1/2031	Full Social Security Age:	67.00	Beneficiary Age at Retirement:	57.00

Salary	Service Totals	25.00			
3-Year Average Salary:	\$60,000.00	Employment Service:	25.00	VRS Creditable Service:	25.00
		Sick Leave Conversion:	0.00	Duty Death/Disability Projected Svc:	N/A
Contributions		Purchased Service:	0.00	ERFC Termination Date:	6/30/2019
Member Contributions:	\$50,000.00	Military Service:	0.00	FCPS Termination Date:	6/30/2019

Payment Type (Benefits Paid Monthly)		
	Standard	Level Lifetime
Basic Benefit Option		
Age 55 to Full SS Age	\$2,212.06	\$1,639.58
Full Social Security Age	\$924.56	\$1,639.58
Option A: 100% Survivor		
Age 55 to Full SS Age	\$1,906.79	\$1,413.32
Full Social Security Age	\$796.97	\$1,413.32
Option B: 50% Survivor		
Age 55 to Full SS Age	\$2,026.25	\$1,501.86
Full Social Security Age	\$846.90	\$1,501.86
Option B: Potential to Survivor		
Age 55 to Full SS Age	\$1,013.12	\$750.93
Full Social Security Age	\$423.45	\$750.93
Option C: 120 Payments Certain		
Age 55 to Full SS Age	\$2,123.58	\$1,574.00
Full Social Security Age	\$887.58	\$1,574.00
Option D: Partial Lump Sum		
Age 55 to Full SS Age	\$2,046.69	\$1,474.22
Full Social Security Age	\$759.19	\$1,474.22
Lump Sum Amount:	\$32,422.00	

The Level Lifetime Benefit is based on the present value of the defined benefit payment options.

Note: The calculation of this estimate includes credit for unused sick leave projected to the end of the current fiscal year or retirement date, whichever occurs first. No change in current salary is assumed.

This is only an estimate of your monthly retirement benefits from ERFC. It is based on Fairfax County Public Schools records and information provided to ERFC by the VRS. You should provide us as much information as you can about your work history and about your participation in VRS, ERFC and any other retirement systems. This should not be interpreted as either a promise or a contract for a given level of benefits. If it is later determined that information used in the calculation of this estimate is incorrect, the amount of your ERFC benefits may differ from this estimate. This estimate does not include any reductions required by a domestic relations order or a child or child and spousal support obligation. In the event of any conflict between this estimate and the provisions of the ERFC plan at the time of retirement, as interpreted by the ERFC trustees, the latter will control.

6 Estimating Benefits with *ERFCDirect*

YOUR PRIVACY AND SECURITY

ERFC is committed to protecting the security and privacy of your information. We do not sell your information to anyone. Information is shared only with those authorized to administer benefits and services for ERFC members, beneficiaries and retirees. ERFC authenticates your identity through the online account creation process, during which you select your own username and password for access to *ERFCDirect*.

Important notice about

using email: Please do not send confidential or personal information, such as a Social Security number, via email. Email communication is not secure. To protect our members' privacy, ERFC does not provide personal data via telephone, fax or email, and will send only non-confidential email replies.

7 Disability Retirement Benefits and Death-in Service



The first five chapters of this handbook outline the core components of your *ERFC Legacy* benefits to help you plan your retirement. In addition, consideration must be given to addressing the unpredictable, such as a disabling accident, illness, or even death, prior to retirement. This chapter provides important information for members (and their dependents) regarding the benefits provided by ERFC in the event of such special circumstances.

DISABILITY RETIREMENT BENEFITS

After you complete at least five years of Vesting Service, you will be eligible for a disability retirement if you become permanently and totally disabled as the result of an injury or illness. If your disability is determined to be the result of an on-the-job injury or illness, you will qualify for disability retirement whether or not you have five years of Vesting Service. In either case, the amount of the *ERFC Legacy* benefit will be the same.

ELIGIBILITY REQUIREMENTS

ERFC will make the initial determinations of whether you are disabled, and subsequent periodic determinations of whether you are still disabled, taking into account your medical reports, and the decisions of the Virginia Retirement System and the Social Security Administration as to whether you are disabled. You may also be required to undergo periodic medical examinations to determine whether or not you are still medically unable to perform the job you were hired to do as an employee of FCPS. If you refuse to submit to medical examination, or return to FCPS employment, or if it is determined that you are no longer disabled, your disability benefits will cease.

Eligibility for service-connected disability retirement shall be determined by ERFC. Among the deciding factors for eligibility, ERFC may consider any ruling by the Virginia Workers' Compensation Commission (under the Virginia Workers' Compensation Act) concerning the injury or illness. A denial of either standard or service-connected disability may be appealed to the ERFC Board of Trustees.

Your application for an *ERFC Legacy* disability retirement must be made no later than 90 days after termination of your Eligible Employment. If you meet the eligibility requirements for a disability pension and you are also eligible for another form of *ERFC Legacy* benefit, such as a Reduced Service retirement, you must choose which benefit you want at the time of retirement. That election will be final unless you later recover from your disability.

CALCULATING THE STANDARD DISABILITY BENEFIT

The amount of your disability benefit will equal your highest average annual salary over three consecutive years (FAC) multiplied by 0.25 percent and multiplied by your years of Credited Service. Your Credited Service will be calculated as if you had remained in Eligible Employment from the effective date of your disability retirement until the date you would become eligible for a Full Service retirement benefit (the earlier of either age 55 with 25 years of Credited Service, or age 65 with at least 5 years of Vesting Service). The minimum disability benefit will be 2.5 percent of your FAC.

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Disability Retirement Benefits and Death-in Service

For example, if you are age 45 with 20 years of Credited Service, and your highest average annual salary over three consecutive years equals \$60,000, your service for the calculation of disability benefits would be 30 years. Under normal circumstances, you would have worked 10 additional years before reaching eligibility for Full Service retirement benefits at age 55 with 25 or more years of service. Your annual disability benefit from ERFC would be calculated as shown in the sample at right.

PAYMENT OPTIONS AND FORMS OF BENEFIT

You must elect your benefit payment option before the first day of the month in which your pension benefit payments will commence. See Chapter 5 in this handbook for detailed information on each of the *ERFC Legacy* benefit payment options.

EFFECT OF PURCHASED SERVICE CREDIT

If you purchased *ERFC Legacy* Credited Service and later determine that you must retire on a disability benefit, ERFC will refund that money to you with interest, upon written request. The refund from ERFC may be rolled over into an Individual Retirement Account (IRA), a Tax-Deferred Annuity Plan (TDA), or certain other qualified retirement plans. As with all issues involving your personal savings or investments, you are encouraged to seek professional advice from a tax specialist or financial planner.

SAMPLE 7: Calculation for a Standard Disability Retirement Benefit

Sample Calculation Assumptions: A 45-year-old *ERFC Legacy* member qualifying for a Disability Retirement with 20 years of Credited Service and a Final Average Compensation (FAC) of \$60,000.

STEP 1 Determine the annual *ERFC Legacy* disability benefit

FAC X 0.25% X 30 years	\$ 60,000.00 X .0025 X 30 =	\$ 4,500.00
Then multiply by 1.03		X 1.03
		\$ 4,635.00

STEP 2 Determine the monthly *ERFC Legacy* disability benefit

$$\$ 4,635.00 \div 12 = \$ \mathbf{386.25}$$

COST OF LIVING ADJUSTMENTS (COLAs)

Disability retirement benefits are provided annual cost-of-living adjustments (COLAs) in the same amount and schedule as those determined for standard *ERFC Legacy* retirement benefits. (See Chapter 10 for details on the ERFC COLA).

TERMINATION OF DISABILITY BENEFITS

Your *ERFC Legacy* disability retirement benefits may be terminated if:

- You refuse to permit or undergo a required medical examination
- You return to FCPS employment
- A determination is made that you are no longer disabled

If your *ERFC Legacy* disability retirement is terminated, and you are re-employed by FCPS within 90 days of recovery from your disability, you will be credited for

all the years of *ERFC Legacy* Vesting Service and Credited Service that had accrued prior to your disability retirement. If you received a refund of your purchased service credit when you retired on disability, you will be permitted to repurchase that service credit for the amount of the refund plus interest. If you are not re-employed by FCPS within the 90 day period, you will be entitled to receive the reduced service pension or deferred vested pension that otherwise would have been provided to you by ERFC upon the termination date of your active FCPS employment.

SUBSEQUENT DISABILITY

If you recover from your initial disability, become re-employed with FCPS, and subsequently become disabled again, your benefit will be recalculated. The amount of your subsequent pension will be no less than it would have been if you had not been re-employed and there had been no interruption of your disability pension.

7 Disability Retirement Benefits and Death-in Service

DEATH-IN-SERVICE BENEFITS

If you die while you are in FCPS Eligible Employment, a benefit or refund may be payable to the person or persons you have named as your beneficiary. The “Named Beneficiary” is an “Option A Eligible Beneficiary” if he or she is one of the following:

1. Your surviving spouse
2. Your former spouse (if provided for by an approved Domestic Relations Order).

The “Named Beneficiary” is an “Option B Eligible Beneficiary” if he or she is one of the following:

1. Your former spouse (when no approved DRO is on file).
2. Your dependent child who is physically or mentally incompetent as determined by a court, or otherwise verified by ERFC.
3. Another person, 40 years of age or older, for whom you have provided more than 50 percent support for at least one year immediately preceding your death.

IF YOU ARE VESTED

Your Eligible Beneficiary may receive a monthly benefit if you have completed five years of Vesting Service or if the cause of your death is service-related. Any other Named Beneficiary will receive a refund of your contributions, regardless of your years of service or cause of death. If you have not named a beneficiary, or if your Named Beneficiary predeceases you, the *ERFC Legacy* benefit or a refund of your Accumulated Contributions will

be payable to either your contingent Named Beneficiary or to your surviving spouse; if neither exists, a refund of your contributions will be payable to your estate.

IF YOU ARE NOT VESTED

If you die while in FCPS Eligible Employment, but prior to attaining five years of Vesting Service, your *ERFC Legacy* Accumulated Contributions will be payable in lump sum to your Named Beneficiary. If you do not name a beneficiary, or if you are predeceased by both your Named Beneficiary and your contingent Named Beneficiary, your Accumulated Contributions will be paid in a lump sum to your estate.

IF YOU ARE DEFERRED-VESTED

If you have retained your Accumulated Contributions on account with ERFC after terminating Eligible Employment with five years of Vesting Service, and you die before your benefit payments commence, a monthly pension benefit or a lump-sum refund of your *ERFC Legacy* Accumulated Contributions will be payable as follows:

- If you should die while employed by FCPS in a position not covered by ERFC, or *within* 90 days after terminating FCPS employment, your death shall be considered a “Death-In-Service,” with benefits payable as described on this page, in an amount calculated as though you had retired on your date of death. See *Calculating the Death-In-Service Benefit* on the next page.
- If you should die *more than* 90

days after terminating FCPS employment as a deferred-vested *ERFC Legacy* member, the potential for survivor benefits will depend upon whether or not you had reached eligibility for Full or Reduced Service benefits. If you were eligible for Full or Reduced Service benefits on the date of your death, a benefit will be payable to either:

- Your Option A Eligible Beneficiary, or to your surviving spouse if you had no Named Beneficiary, in the form of an annuity using Benefit Payment Option A;
- OR—
- Your Option B Eligible Beneficiary in the form of an annuity using Benefit Payment Option B.

- If you were **not eligible** for Full or Reduced Service benefits on the date of your death, your Named Beneficiary or your estate will be entitled to a lump-sum refund of your Accumulated Contributions.
- If you had neither a surviving Named Beneficiary nor a surviving spouse on the date of your death, a refund of your Accumulated Contributions would be payable to your estate.

IMPORTANT NOTE

ERFC Legacy benefits are *not* paid automatically; beneficiaries must apply in writing to the System to receive any benefits to which they are entitled. For death-in-service cases, a certified copy of a death certificate is required in addition to the application. If an application is delayed, the beneficiary may lose a portion of the benefit.

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Disability Retirement Benefits and Death-in Service

IF A DEATH IS SERVICE-CONNECTED

For an *ERFC Legacy* member, a death is considered “service-connected” when it is determined to have been the natural and proximate result of an accident or illness arising from FCPS Eligible Employment. This would include a death occurring while on leave from Eligible Employment, or within one year after commencing a service-connected disability retirement, provided the member did not select an optional form of benefit at the time of retirement. A service-connected death benefit will *not* be applied if the death occurs during such time that the member has rejoined active employment after retiring previously from FCPS.

Eligibility for a service-connected death benefit is determined by ERFC, taking into consideration any ruling by the Virginia Workers’ Compensation Commission. Any denial of service-connected death benefits may be appealed to the Board of Trustees.

The benefit amount provided for a service-connected death depends upon the eligibility of the Named Beneficiary. A Named Beneficiary who is an Option A or Option B Eligible Beneficiary (see page 48) will receive an annual benefit equal to the greater of the following:

A benefit calculated using a formula equal to 0.25% of the Member’s Final Average Compensation (FAC), multiplied by the years of Credited Service projected from the date of death to the date the member would have reached eligibility for a Full Service retirement benefit (the earlier of either age 55 with 25 years’ Credited Service, or age 65 with 5 years’ of Vesting Service) and then reduced in accordance with the provisions of either Option A or Option B benefit payment types. The minimum benefit will be 2.5% of the FAC;

—OR—

If the member had reached eligibility for either a Full or Reduced Service benefit at the date of the service-connected death, a benefit determined as though the member had retired on the date of death under the applicable Full or Reduced Service formula, and then reduced in accordance with the provisions of the Option A or Option B benefit payment type.

The Named Beneficiary may also elect to receive a refund of Accumulated Contributions in lieu of the benefit payment.

A sample calculation, determining the service-connected death benefit payable to an Option A Eligible Beneficiary, is shown on page 42.

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Leaving FCPS Employment Before Retirement



If you leave FCPS employment before retirement, you may elect one of two options: you may leave your Accumulated Contributions on deposit with ERFC or request that they be refunded to you. The effect of your selection depends on whether or not you are vested with ERFC when your employment terminates. As detailed in Chapter 3, you are vested after you complete five years of Vesting Service as a contributing member with ERFC.

If you transfer to an FCPS position that is not covered by ERFC, such as a part-time position, you may not receive a refund of your Accumulated Contributions until after you terminate FCPS employment. If your new position is covered by the Fairfax County Employees' Retirement System (FCERS), you may transfer your Accumulated Contributions to FCERS to purchase credit in that system for prior eligible service.

IF YOU ARE VESTED

If you leave FCPS as a vested employee and retain your Accumulated Contributions in *ERFC Legacy*, you will be eligible to receive a “deferred vested” *ERFC Legacy* retirement benefit beginning at age 55.* Your benefit amount is based on your Final Average Compensation (FAC) and Credited Service at the time of termination, and will be calculated in the same manner as an *ERFC Legacy* Reduced Service Benefit. (See Chapter 4 for details on the calculation of the Reduced Service Benefit payment types.) You may also elect any of the Benefit Payment Options A-D as described in Chapter 5.

**It is important to note that, while you may defer commencement of your ERFC Legacy retirement benefits as a vested Plan member, you may not defer your eligibility to enroll in FCPS-sponsored retiree health insurance coverage. For all related information regarding FCPS health and medical insurance coverage options in retirement, contact the FCPS Office of Benefit Services at 571-423-3200 or online at hrconnection@fcps.edu.*

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Leaving FCPS Employment Before Retirement

By leaving your Accumulated Contributions on deposit, you will preserve your Vesting Service and Credited Service in *ERFC Legacy*. If you later return to Eligible Employment, you will still be a member of *ERFC Legacy* and will resume earning Vesting and Credited Service, and will retain full credit for all of your service earned prior to your departure.

In lieu of a deferred vested retirement benefit, you may apply for a refund of your Accumulated Contributions any time after you terminate employment with FCPS. Upon withdrawing your contributions, all of your Vesting Credit and Credited Service will be cancelled, and you will relinquish your current rights to receive a retirement benefit from the *ERFC Legacy* Plan. If you relinquish these rights, and later return to FCPS Eligible Employment, you will be enrolled as a new employee under the *ERFC 2001 Tier 2* benefit structure (the retirement plan provided for members entering Eligible Employment on or after July 1, 2017).

Keep ERFC apprised of any changes in your address following your employment termination.

If you postpone your application for benefits beyond age 55, you will receive a modest increase in your monthly benefits based on the age at which you apply. The increase in monthly benefits may not make up for the benefit payments you will forego by not accessing your *ERFC*

Legacy benefit earlier. If you do not access your benefits by age 65, no additional increase in the monthly benefit will apply.

Federal law requires that you access your benefits no later than your “required beginning date,” which is April 1 of the calendar year following the later of: (a) the calendar year in which you attained age 73, or (b) the calendar year in which you retire. If you do not begin receiving your benefit by that time, onerous tax consequences will apply.

IF YOU ARE NOT VESTED

If you leave FCPS employment before you are fully vested with the minimum five years’ Credited Service, you may elect one of the following options with ERFC:

1. You may apply for a refund of your Accumulated Contributions and forfeit your *ERFC* Credited Service. If you choose this option and later return to Eligible Employment with FCPS, you will be enrolled as a new employee under the *ERFC 2001 Tier 2* benefit structure,

—OR—
2. You may elect to leave your Accumulated Contributions on deposit with ERFC for a maximum of 10 years. This option will also protect your Credited Service, Vesting Service, and

membership in *ERFC Legacy* in the event you return to FCPS Eligible Employment at a later time. However, if you do not return to Eligible Employment with FCPS, and you do not apply for a refund of your Accumulated Contributions *within 10 years* of your departure, all funds remaining on deposit will become the property of ERFC. If you return to Eligible Employment after that 10-year period, your Accumulated Contributions will be restored to your account but with interest applied only to the first 10 years after your termination of employment.

ROLLOVERS

If you elect a refund of your *ERFC Legacy* Accumulated Contributions, you may receive your lump sum refund directly, or you may have all or part of the refund rolled over into an Individual Retirement Account (IRA), a Tax-Deferred Annuity (TDA), or to an eligible qualified retirement plan that accepts the funds. If you receive your refund directly, it will be subject to federal and state taxation, and federal withholding. If you receive the refund directly before age 59½, you may have to pay an additional 10 percent federal tax.

9 Planning for Your *ERFC Legacy* Retirement

Retirement can affect people in many different ways. Just determining the right time to retire is a very personal and important decision. Ideally, you will set specific and realistic goals for the lifestyle you project in retirement, *and* begin targeting those plans long before you lock in the date. Taking the time to plan and prepare, while allowing for flexibility in your future, is surely your best retirement investment.

As an *ERFC Legacy* member, you have at least three sources of retirement income with which to plan your future. Upon reaching eligibility, you will receive benefits from the VRS and Social Security, plus the supplemental benefit provided by *ERFC Legacy*. You also may be planning to supplement your retirement income through personal savings or contributions to IRAs and defined contribution plans, such as FCPS' 403(b) and 457(b) plans. Only you can project what it will cost to fully enjoy the lifestyle you envision for your retirement, but *ERFC* offers a range of resources to assist you in the process:

- Every August, *ERFC* prepares personal benefit statements, which detail the current status of your retirement account with the System and provide you a record to help you keep track of your personal membership data over time. The benefit statement is posted to your *ERFCDirect* account and also includes an estimate of your future *ERFC Legacy* retirement benefit, as projected at your earliest full service retirement date.

- Recorded information sessions for all *ERFC* members are available 24/7 on MyPDE. Search for the keywords *ERFC Legacy* Information Session.
- *ERFC* provides you secure and direct online access to your retirement information, with features that allow you to monitor your records and project your future benefits. Register with *ERFCDirect* at: www.erfc.direct.
- *ERFC* retirement counselors are available year-round for Question Sessions with members. Members who are actively retiring will have priority in scheduling available sessions.

The following section provides a recommended timeline to guide you through the steps necessary to plan your *ERFC Legacy* retirement.

KEY MILESTONES FOR PLANNING YOUR RETIREMENT

DURING YOUR EARLY SERVICE YEARS

1. **Review the *ERFC Legacy* Handbook!**
By reading this far, you've already discovered that there is both a great deal offered and much to understand with your *ERFC Legacy* benefit plan. Review this handbook carefully and keep it as an important reference tool for planning your retirement.
2. **Update Your Beneficiary Information.** At the time you were hired by FCPS, you were

asked to complete a beneficiary form in the event of your death-in-service. You will want to make certain that this information is kept up-to-date throughout your career, especially when you experience any life changes, such as a new marriage or a divorce. If you are divorced from your Named Beneficiary, the divorce does not automatically change your beneficiary designation. You must change it yourself. Update your beneficiary information online using *ERFCDirect* at www.erfc.direct.

3. **Consider the Purchase of Service Credit.** You may wish to consider purchasing service credit from *ERFC Legacy* and VRS for prior eligible work experience that does not otherwise qualify for pension or retirement benefits. Although you cannot purchase service credit to attain vesting, it may help you qualify sooner for a Full Service Benefit. See Chapter 3 in this handbook for more information about purchasing service credit.

4. **Consider Supplementing your Savings with a Defined Contribution Plan.** FCPS offers employees options for both 403(b) and 457(b) plans, which allow contributions on a tax-deferred basis as savings toward retirement. The IRS sets limits for maximum contributions, which vary before and after age 50, but you may enroll in one or both plans at any time. Contact the FCPS Office of Benefit Services for more information about your defined contribution plan options.

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Planning for Your *ERFC Legacy* Retirement

5. **Project your Benefits Using *ERFCDirect* and/or myVRS Calculators.** Consider when you might like to retire and go online to estimate your defined benefit payments using the features provided with *ERFCDirect* and myVRS.

- To project your future *ERFC Legacy* benefits, use the “Estimate a Benefit” feature provided online with *ERFCDirect* at: www.erfc.direct.
- To project your future VRS benefits, go to the myVRS feature provided in the members’ section of the website at: www.varetire.org
- A copy of your Domestic Relations Order and/or divorce decree (*If applicable*).

6. **Watch a recorded *ERFC Information Session on MyPDE*.** *ERFC* has online information sessions available 24/7 on MyPDE. Search for the keywords *ERFC Legacy Information Session*.

WITHIN FIVE YEARS OF YOUR PROJECTED RETIREMENT DATE

1. **Estimate Your Benefits.** When you are within five years of your intended retirement date, it is time to seriously gauge how well your savings and accumulated benefits align with your projected plans. Go online to estimate your defined benefit payments using the features provided with *ERFCDirect* and myVRS. You may call the office to schedule a time to meet one-on-one with a retirement counselor, who can help you determine your own “right time” to retire. If you

wish, you may bring your spouse, a friend, or a financial advisor to the counseling appointment with you.

2. **Refresh your knowledge watching the *ERFC Information Session on MyPDE*.** If you have not done it, this is the perfect time to watch the *ERFC* online information sessions available 24/7 on MyPDE. Search for the keywords *ERFC Legacy Information Session*.

WITHIN TWO YEARS OF YOUR PROJECTED RETIREMENT DATE

1. **Meet with a Counselor and/or your Financial Advisor.** After running your own estimates with *ERFCDirect*, you can call to schedule a Question Session with our retirement counselors, and they can assist you with your *ERFC Legacy* benefit plan. For additional questions regarding financial concerns, investments, or personal decisions, you are advised to seek separate professional advice from a financial planner or tax specialist.

2. **Review Your *ERFC Legacy Benefit Payment Types and Options*.** *ERFC Legacy* offers two payment types, plus several benefit payment options to complement your individual lifestyle needs in retirement. (*See Chapters 4 and 5*.) You may want the Standard Benefit payment type, which provides you a higher benefit payment prior to full Social Security age. Or you may prefer the steadier income of the Level Lifetime Benefit (LLB), which pays a single, constant benefit amount throughout your retirement, regardless of when

you reach eligibility for full Social Security benefits. You won’t have to lock in your benefit payment selection until you actually apply for retirement, but it’s important that you familiarize yourself with all your options beforehand. Once you retire, you will no longer be able to switch your benefit payment type or option, so do your homework early!

WITHIN 12–18 MONTHS PRIOR TO RETIREMENT

1. **Choose a Retirement Date.** You may retire on the first day of any month during the calendar year.

2. **Gather Your Paperwork Early.** When you do officially apply for retirement, you will be asked to provide *ERFC* a variety of personal documents, including:

- Proof of age, which must be documented by submitting one of the following: birth certificate, REAL ID, Virginia driver’s license, government-issued identification card, or passport. *Married women should print their full name and Social Security number on the back of any documented proof of age before submitting it.*
- Your Military DD-214 discharge certificate (*If applicable*).
- Your Nominated Beneficiary’s (Survivor’s) Social Security card and proof of age, which must be documented by submitting one of the following: birth certificate, REAL ID, Virginia driver’s license, government-issued identification card, or passport. (*Applicable only if you choose a survivor benefit payment option*).

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Planning for Your *ERFC Legacy* Retirement

- A copy of your marriage certificate (*Applicable only if you choose a survivor benefit payment option and your Nominated Beneficiary (Survivor) is your spouse or former spouse.*)
- A copy of your Domestic Relations Order and/or divorce decree (*If applicable.*)

WITHIN 4–9 MONTHS PRIOR TO RETIREMENT

1. **Make it Official—Submit the HR-2 Form.** The *Notification of Resignation/Retirement* (HR-2) form is available on the employee intranet and at all work locations. Submit your completed HR-2 form directly to the ERFC office to officially begin your retirement process. Upon receipt, ERFC will also forward a copy of your completed HR-2 to the FCPS Office of Benefit Services.
2. **Complete the ERFC Forms.** Upon receiving your completed HR-2 form, ERFC will distribute your retirement paperwork to your ERFC*Direct* Account. Complete all associated documents and submit them along with supporting documentation to ERFCRetirement@fcps.edu or mail them to our office at least 30 days prior to your retirement date. If you are carrying benefits into retirement, please submit the benefit application form (HR461) to the HR Benefits office at least 90 days before the effective date of your retirement. For help filling out your forms, look for the *ERFC Legacy* Paperwork Videos on MyPDE.
3. **Meet with an ERFC Retirement Counselor.** It is a good idea to meet with an ERFC retirement counselor. If possible, bring your spouse or a friend with you to the meeting. The retirement counselor can answer your individual questions and will check to ensure that all of your paperwork is completed properly. ERFC counselors can also guide you about ancillary programs, such as the medical, dental and life insurance programs, which are available to FCPS retirees. Please call our office at 703-426-3900, Monday through Friday from 8 a.m. to 4:30 p.m., to schedule a paperwork session with a retirement counselor.
4. **Review Your Available FCPS Insurance Benefits.** The FCPS Office of Benefit Services provides materials detailing important information about medical and dental insurance, the medical insurance subsidy, unused sick leave, annual leave, and other benefit issues, which are also discussed during the ERFC pre-retirement workshops. You can review this information online at the FCPS benefits' website: www.fcps.edu/careers/retirees or contact the Office of Benefit Services at 571-423-3200.

Remember that when you retire, all FCPS Unused Sick Leave converts automatically to additional *ERFC Legacy* Credited Service unless you indicate otherwise prior to your departure. Although Unused Sick Leave cannot be used to meet the five-year vesting requirement, it will increase the amount of your

payable benefits. See Chapter 3 in this handbook for more information detailing how your Unused Sick Leave factors into your retirement benefit.

ERFC provides this handbook to outline your member benefits and to guide you through the pertinent details necessary for planning your retirement. As a very comprehensive benefit structure, you'll note there is a lot of information to absorb. Therefore, additional assistance is provided in the final section, which highlights responses to members' *Frequently Asked Questions*.

You are encouraged to bookmark this handbook for convenient reference. The Plan is amended from time to time by the School Board. Any such amendments that affect members' benefits will be announced in the ERFC newsletters and on the website. Remember to check these sites regularly for Plan news and updates. The ERFC Board and professional staff welcome your questions and comments.

10 Changes After Retirement



In this chapter, we review changes that may affect your *ERFC Legacy* benefits after retirement. We also discuss what occurs if you return to employment after retirement.

COST-OF-LIVING ADJUSTMENTS

A cost-of-living adjustment (COLA) will be applied to your *ERFC* benefit annually on March 31, beginning in the first full calendar year following your retirement. For example, if you were to retire in February 2030, your first COLA from *ERFC* would be applied to your benefit on March 31, 2031.

Under current plan provisions, your first COLA will equal 1.49 percent of your monthly *ERFC Legacy* retirement benefit, or roughly half of the full COLA amount. Thereafter, a minimum 3 percent COLA will be applied to your *ERFC Legacy* benefit annually on March 31.

TAXES AND YOUR RETIREMENT BENEFITS

Although there may be fewer *overall* deductions taken from your retirement income than those you must typically pay during your career, your *ERFC Legacy* retirement benefit is generally subject to both federal and state taxation. The portion of your benefit attributable to tax-paid contributions (contributions paid into the Plan prior to 1985 and some purchased service credit contributions) is tax free. However, the tax-free portion of your benefit is amortized in your monthly benefit payments over your expected lifetime. At the time of your retirement, *ERFC* uses tables provided by the Internal Revenue Service to determine the taxable and tax-free portions of your monthly benefit. *ERFC* will advise you regarding this calculation shortly after you retire.

Currently, the standard deductions withheld from your *ERFC Legacy* benefit payments include:

- Federal income taxes
- Virginia state income taxes
- Medical Insurance (optional)
- Dental Insurance (optional)

- Apple Federal Credit Union (optional)

If you opt to continue the available *FCPS* medical and/or dental insurance coverage in retirement, you may choose to have these costs deducted automatically from your *ERFC Legacy* benefit payments, assuming your monthly annuity is large enough to cover the withholding. You will make this selection at the time of retirement.

In certain other circumstances, *ERFC* may be required legally to withhold monies from your monthly benefit payments in order to comply with domestic relations orders, tax levies, garnishments or recovery of overpayments. Under such circumstances, *ERFC* will implement a court decision only upon receipt of a certified copy of an appropriate order.

When you retire, it is critical that you keep an updated tax form on file with *ERFC* to ensure accuracy in the amount withheld from your monthly *ERFC Legacy* benefit payments. If you do not have a completed tax form on file, *ERFC* is required by law to withhold federal income tax based on the rate for a married individual claiming three exemptions, plus Virginia state tax (if you reside in Virginia) for a single individual with zero exemptions.

10 Changes After Retirement

Remember, as any changes occur in your life after retirement, such as a marriage, a divorce or the loss of a spouse or other dependent, you may need to update your ERFC income tax withholdings. In retirement, you can make changes to your personal contact information directly online using *ERFCDirect* at:

www.erfc.direct. If you do not have access to a computer, you can call the ERFC office to request the necessary forms at 703-426-3900 or 1-844-758-3793.

RE-EMPLOYMENT AFTER RETIREMENT

If you retire and then return to Eligible Employment, your *ERFC Legacy* benefit payments will be suspended as long as your re-employment continues. If you return to a position that is covered by ERFC, you must email ERFC a Request Termination of Monthly Benefit (**ERFC 15**) the month prior to returning to eligible employment with FCPS. Both employer and member contributions will be reinstated. If you return to employment with FCPS in a position that is not covered by ERFC, your *ERFC Legacy* retirement benefits would continue without interruption during your period of re-employment. However, FCPS will not permit you to return to such employment until after a minimum break in service of six months if returning to part-time employment or a minimum 30-day break in service if returning to substitute. For additional information on re-employment, please consult **FCPS Regulation 4774**.

RETURNING TO RETIREMENT AFTER RE-EMPLOYMENT

When you retire again after a period of re-employment with FCPS during which your *ERFC Legacy* retirement benefit payments were suspended, your renewed benefit options will be limited to one of the following:

1. You may request a recalculation of the *ERFC Legacy* benefits you had been receiving prior to your period of re-employment, with cost-of-living adjustments provided for the interim, plus a refund of the member contributions accumulated throughout your re-employment,

—OR—

2. You may request a recalculation of your *ERFC Legacy* benefits based on your cumulative service and salary record, but payable only under the same benefit payment type and option, and multiplied by the same reduction factor, as applied to the type and option you selected originally prior to your period of re-employment.

The only changes permitted in your benefit payment option would be those resulting from a significant life change, such as a marriage, divorce, or the death of a Nominated Beneficiary (Survivor) as detailed specifically in Chapter 5 of this handbook.

SPECIAL NOTES

- These provisions will not apply if you have returned to FCPS employment after recovering from a disability for which you had been receiving a disability retirement benefit. In this circumstance, you could subsequently retire again and select any benefit payment option and payment type for which you are eligible. If you retire again on disability, your new disability benefit will be at least as much as the amount you would have received had you not returned to work.
- Death-in-service benefits are not payable to ERFC members who are re-employed after retirement. In the event you should die during a period of re-employment after retirement, your Nominated Beneficiary (Survivor) will receive the same benefit, under the same payment type that would have been paid if you had remained in retirement, plus a refund of the Accumulated Contributions made during your period of re-employment.

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Frequently Asked Questions



1. Who pays for the ERFC retirement program?

The ERFC retirement program is funded by three sources: member contributions, employer contributions, and investment income. At this time, ERFC members contribute 3 percent of their paid contract salary or base compensation. The exact share of FCPS contributions to ERFC is determined by the Fairfax County School Board as part of the budget process, upon the recommendation of the ERFC Board of Trustees and its actuary. Investment income, which comes from investing the Plan's assets, provides the major source of funding for the Plan.

2. I understand that *ERFC Legacy* is a Defined Benefit Plan. What does that mean?

A defined benefit retirement plan provides eligible members a specified monthly benefit at retirement. Under a defined benefit plan, a set formula is established and used to compute the retirement annuity. The amount of the benefit payments is not a function of the investment returns. *ERFC Legacy* is a defined benefit retirement plan, qualified under section 401(a) of the Internal Revenue Code.

3. Does Social Security affect my retirement benefits?

ERFC Legacy, which covers members hired prior to July 1, 2001, was designed specifically as an early retirement plan to supplement the benefits provided by VRS and Social Security. Under the *ERFC Legacy* benefit structure, members selecting the standard benefit payment type receive a lifetime benefit amount plus an additional

temporary benefit, which is paid only from the time of retirement until the member is eligible for **full** Social Security benefits. The temporary *ERFC Legacy* benefit payment is not paid if you retire after **full** Social Security eligibility.

Your date of birth is the factor that determines the age at which you will become eligible for full Social Security benefits. See the *Social Security Eligibility Table* featured in the back of this handbook.

Beginning in July 2004, *ERFC Legacy* plan members were offered an alternative benefit payment type that provides a Level Lifetime Benefit (LLB) with no change in benefit payments at full Social Security age. The LLB benefit payment type is designed to provide members a benefit that is the actuarial equivalent of the standard benefit payment, with an additional guarantee that the annuity will be at least as valuable as the member's contribution account.

4. How is interest credited to my *ERFC Legacy* member contributions account?

Interest is credited to your *ERFC Legacy* member contributions account (including payments for purchased service) each July. The interest paid is based on the balance of your Accumulated Contributions as of the end of the preceding fiscal year. The annual interest rate is currently 4 percent. Be aware that once you begin to receive *ERFC Legacy* retirement benefits, no further interest will be credited to your account.

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Frequently Asked Questions

5. When will I receive a statement of my accumulated contributions with ERFC?

Active and deferred *ERFC Legacy* members can verify their accumulated *ERFC Legacy* contributions directly and securely online using *ERFCDirect*. Go to:

www.erfc.direct.

ERFC also distributes member benefit statements annually in August. These individual statements are posted to your *ERFCDirect* account. Each benefit statement cites the member's account balance effective July 1 of the preceding fiscal year, noting changes during the fiscal year and interest credits. To ensure that you receive your annual benefit statements, make certain that you keep your *ERFCDirect* account active with your current personal email address. This is especially important for those members who may leave active FCPS employment while retaining contributions on account with ERFC. Any discrepancies in your benefit statement should be reported immediately to ERFC.

6. Can I retire at any time during the school year?

You may retire at any time during the school year. However, all benefit payments commence on the first of the month. Note, for example, that a school semester may end during the third week of the given month, but your official retirement date will be the first day of the following month.

7. Do I have to apply for retirement benefits or will I receive my benefits automatically?

ERFC Legacy benefits are not paid automatically; you must submit a retirement application and supporting documents to initiate your benefit payments. If you delay your application, you may lose a portion of your benefits because retroactive payments are limited to a 90-day window preceding the application date.

8. When should I apply for retirement with ERFC?

You should contact ERFC at least 120 days before you plan to retire. This will allow enough time for ERFC to prepare your final benefit estimate and to process your paperwork. You will also want to allow yourself plenty of time to review your options carefully before you must lock in your elections. Remember, once you are retired, most of your benefit options cannot be changed. Please also note that the 120-day allowance is especially important if you are planning to retire on July 1. This is the most popular retirement date and, therefore, spring is always the busiest time of the year at ERFC.

9. What documentation will I need to submit with my retirement application?

Upon applying for retirement, you will need to provide the following documents:

- Proof of age, which must be documented by submitting one of the following: birth certificate, REAL ID, Virginia driver's license, government-issued identification card, or passport. *Married women should print their full current name and Social Security number on the back of any documented proof of age.*
- Your Military DD-214 discharge certificate and service credit application *(If applicable)*.
- Your beneficiary's Proof of age, which must be documented by submitting one of the following: birth certificate, REAL ID, Virginia driver's license, government-issued identification card, or passport. *(Applicable only if you choose a survivor benefit payment option).*
- A copy of your marriage certificate *(Applicable only if you choose a survivor benefit payment option and your Nominated Beneficiary (Survivor) is your spouse or former spouse).*
- A copy of your Domestic Relations Order and/or divorce decree *(If applicable)*.

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Frequently Asked Questions

10. Can my Unused Sick Leave be applied to make me eligible for retirement?

If you retire under the *ERFC Legacy* Plan, your Unused Sick Leave is converted automatically to retirement service credit at the time of retirement, unless you make arrangements with FCPS Payroll Services, prior to termination of employment, to transfer it to another Virginia school district. Unused Sick Leave cannot be used to reach vesting or to make you eligible for early retirement. However, if you are a fully-vested FCPS employee, age 55 or older at the time you terminate employment, your Unused Sick Leave may be used to meet the 25-year service requirement for full *ERFC Legacy* benefits.

11. Can I continue my medical and dental insurance coverage when I retire?

For the most up-to-date information regarding FCPS medical and/or dental insurance coverage options in retirement and associated costs, visit the [FCPS Retiree Benefits page](#).

12. Can I continue to participate in the FCPS Flexible Spending Account and/or the Tax-Deferred Annuity programs after retirement?

No. Both the Flexible Spending Account (FSA) and Tax-Deferred Annuity (TDA) programs allow deductions from earned income only. Under current law, your retirement benefits are not considered “earned income” and, therefore, participation in these programs is not permitted after you retire.

13. How can I arrange to meet with an ERFC retirement counselor?

Members can contact our call center Monday – Friday from 8 a.m. – 4:30 p.m. at 703-426-3900 or email ERFCRetirement@fcps.edu regarding plan-specific questions. By contacting the call center, members can also set up a Question Session with a retirement counselor prior to committing to a retirement date.

14. What happens to my *ERFC Legacy* contributions if I die before taking retirement?

If you should die while in FCPS Eligible Employment or while on approved leave from FCPS Eligible Employment, but prior to attaining five years of Vesting Service, your *ERFC Legacy* Accumulated Contributions will be refunded in full to your Named Beneficiary or to your estate. If you are fully vested with ERFC and you die while in FCPS Eligible Employment, or during an approved leave of absence, ERFC will provide your eligible Named Beneficiary either a monthly pension benefit or a full refund of your Accumulated Contributions. The only Named Beneficiaries who can be eligible to receive a pension (rather than a refund of your Accumulated Contributions) are your spouse, former spouse, a disabled dependent child, or another person 40 years of age or older who received at least half of his or her support from you in the year immediately preceding your death.

It is important that you keep your beneficiary designations up to date with ERFC, and that you keep your potential beneficiaries informed of your various benefits.

15. If I have designated my spouse as my beneficiary and we are later divorced, is that beneficiary designation cancelled automatically?

No. Your beneficiary designation is not automatically cancelled by any changes such as a divorce or marriage, and it will *not* change automatically *even if a divorce decree says that it does*. Active employees can update beneficiaries directly online using [ERFCDirect](#). Retirees must make beneficiary updates by submitting a notarized Beneficiary Designation form (ERFC 1) to the ERFC office. This form is located on the ERFC website.

16. Can I designate my same-sex spouse as a survivor under option A or B?

Yes. Same-sex marriages are recognized in the Commonwealth of Virginia. Therefore, ERFC will allow the selection upon retirement of Option A or B for your same-sex spouse. If you are a retiree receiving a Basic

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Frequently Asked Questions

Benefit, you can elect Option B within six months of your marriage to a same-sex spouse.

17. Is there a limit to the benefit amount I can receive from *ERFC Legacy*?

There are a variety of legal limits that apply to the benefits that you may receive from the *ERFC Legacy* Plan.

- At retirement, your combined annual *ERFC Legacy* and VRS benefits, calculated under the Basic Benefit provisions of the *ERFC Legacy* Plan, cannot exceed 100 percent of your Final Average Compensation (FAC). In computing this limit, the amount of your VRS benefit is calculated based on the VRS benefit formulas, your age at retirement from ERFC, and your Creditable Virginia Service.
- If you are receiving a VRS disability benefit, your combined annual *ERFC Legacy* and VRS benefits cannot exceed 100 percent of your Final Average Compensation (FAC). The limit is generally calculated using the straight annual amount payable by VRS for the disability.
- Section 415(b) of the Internal Revenue Code requires certain limits in the amount of benefits provided to plan members in all qualified employer retirement plans. These limits apply to your combined benefits from ERFC and VRS. Additional information about these limits may be obtained by contacting the ERFC office or by reviewing Article XVII of the Plan Document.

18. Are retirement benefits taxable?

All or part of your *ERFC Legacy* benefit is subject to state and federal income taxation from the first month of retirement. At the time of your retirement, ERFC will provide you a detailed statement itemizing your taxable versus non-taxable monthly *ERFC Legacy* benefits. Any *ERFC Legacy* contributions you may have paid into the retirement system prior to July 1, 1985 have already been taxed, and are not subject to further taxation. A special calculation, designed by the Internal Revenue Service, is

used to determine which portion of your benefit if any, is not taxable.

19. What deductions are withheld from my monthly *ERFC Legacy* retirement benefits?

Currently, the standard deductions withheld from your *ERFC Legacy* benefit payments include:

- Federal income taxes
- Virginia state income tax
- Medical Insurance (optional)
- Dental Insurance (optional)
- Apple Federal Credit Union (optional)

If you opt to continue the available FCPS medical and/or dental insurance coverage in retirement, you may choose to have these costs deducted automatically from your *ERFC Legacy* benefit payments, assuming your monthly annuity is large enough to cover the withholding.

See Chapter 10 in this handbook for additional information regarding taxes and your retirement benefits.

20. Will I receive cost-of-living (COLA) adjustments with my *ERFC Legacy* benefit?

Yes. ERFC applies an annual cost-of-living adjustment (COLA) to retirement benefits. Under the current schedule, your first COLA will equal 1.49 percent of your monthly *ERFC Legacy* retirement benefit (*or approximately half of the full COLA approved for ERFC in a given year*), and will be implemented on March 31 in the first full calendar year following your effective date of retirement. For example, if you should retire during the first quarter of any given year, your initial *ERFC Legacy* COLA will not be applied until March 31 of the following calendar year. Thereafter, your *ERFC Legacy* benefit will increase by 3 percent annually on March 31.

21. What are my *ERFC Legacy* benefit payment options?

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Frequently Asked Questions

The *ERFC Legacy* Plan offers five different benefit payment options to accommodate your personal needs in retirement. Under the basic benefit payment option, you will receive monthly retirement benefits for life, but upon your death, no ongoing pension benefits are provided to your survivors or your estate.

There are two joint and survivor benefit payment options that provide a reduced benefit during your lifetime in order to provide an ongoing benefit to your spouse or certain other beneficiaries after you die. Under survivor benefit payment Option A, upon your death, 100 percent of your reduced *ERFC Legacy* benefit continues to be paid to your spouse (or former spouse) for the remainder of his or her life. Under survivor benefit payment Option B, upon your death, 50 percent of your reduced *ERFC Legacy* benefit continues to be paid to your eligible Named Beneficiary for the remainder of his or her life. Note that under benefit payment Option A, only your spouse or former spouse (if provided for by an approved Domestic Relations Order) may be elected as your Nominated Beneficiary (Survivor). Under benefit payment Option B, your Nominated Beneficiary (Survivor) must be either your spouse or former spouse, a dependent child who is physically or mentally incompetent as determined by a court or otherwise verified by ERFC, or another person age 40 or older for whom you have provided at least 50 percent support in the year immediately prior to your retirement from FCPS.

Option C provides you a lifetime benefit equal to 96 percent of what you would have received under the basic benefit option, with payments guaranteed for a minimum 120 consecutive months (10 years). You (the member) would continue to receive this *ERFC Legacy* benefit if you are still living after the minimum 120 month payment period has passed—and for the rest of your life. If the minimum 120 month payment period has been fulfilled at the time of your death, no further benefit payments will be provided to a surviving beneficiary. However, if you should die before receiving all 120 payments from ERFC, your designated beneficiary would receive the remaining balance of those payments.

Under benefit payment Option D (*available only to members employed prior to July 1, 2001 and covered under the ERFC Legacy Plan structure*), you may elect to receive a partial lump sum payment, plus an ongoing reduced monthly retirement benefit. The lump sum can be as small as \$1,000 or as large as your total Accumulated Contributions, less interest and Purchased Service Credit amounts. The reduced monthly benefit amount offers no provision for payments to a surviving beneficiary or to your estate after your death. It is important to note that your election to receive a direct lump sum payment under Option D may affect the taxes you owe for the year in which the distribution is made.

See Chapter 5 in this handbook for more information about your *ERFC Legacy* benefit payment options.

22. What happens to my *ERFC Legacy* retirement benefits when I die after taking retirement?

Your monthly *ERFC Legacy* benefit payments will cease when you die, unless you have elected one of the optional forms of payment that provides a benefit to your surviving spouse or to an Eligible Beneficiary. (*See the response to Question 21.*)

If you die before receiving benefit payments equal to the sum of your Accumulated Contributions, your surviving Named Beneficiary or your estate may apply for a refund of the balance of your residual Accumulated Contributions. Residual Accumulated Contributions is the difference between your Accumulated Contributions balance at the time of retirement and the sum of the pension benefits paid on your account.

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Accumulated Contributions

A member's contributions to *ERFC Legacy*, including any costs paid by the member for the purchase of service credit, plus the applicable interest paid on all such amounts.

Actuarial Equivalent

A benefit of equal Reserve Value.

Additional Temporary Benefit

A temporary *ERFC Legacy* benefit payment amount that supplements your *ERFC Legacy* lifetime benefit payments until you become eligible for full Social Security. Also called the “*Social Security Offset Benefit*.”

Alternative “Guarantee” Benefit

On July 1, 1988, changes were implemented in the calculation formulas to be used in subsequent *ERFC Legacy* benefit plans. *ERFC Legacy* members who were employed by FCPS on July 1, 1988, and who had earned service credit prior to that date, may elect to receive an alternative benefit amount to be paid upon reaching the age of eligibility for full Social Security benefits. These alternative benefits are called “guarantees” because they are calculated to preserve the income levels that the affected *ERFC Legacy* members could have reasonably expected to earn under the earlier plan formulas.

Beneficiary

In the event you should die before receiving benefits equal to your Accumulated Contributions, ERFC will refund any remaining balance in your account, with interest, to your surviving spouse or the person(s) named as your beneficiary,

or “recipient of funds.” You may designate your beneficiary online through *ERFCDirect* or by using the paper form ERFC-1. (Note: Beneficiary designations submitted in writing using form ERFC-1 must be notarized.) Eligibility for a survivor benefit payment restricts your selection of a beneficiary to one of the following:

1. Your surviving spouse
2. Your former spouse
3. A dependent child who is physically or mentally incompetent as determined by a court, or otherwise verified by ERFC.
4. Another person, 40 years of age or older, for whom you have provided more than 50 percent support for at least one year immediately prior to your retirement from FCPS.

(See Chapter 5 in this handbook for the rules and regulations regarding survivor benefit payment options.)

Benefit Restoration Plan (BRP)

An excess benefit plan, conducted through a non-qualified arrangement within the meaning of Section 415(m) of the Internal Revenue Code, that restores the portion of the total benefits due to a member that would otherwise be lost by application of the limitation on annual benefits, under Section 415(b) of the Internal Revenue Code, as applicable to governmental plans.

Cost-of-Living Adjustment (COLA)

An annual percentage increase granted to all ERFC retirees, starting on March 31 following the calendar year in which they retired. The first COLA paid after retirement equals

1.49 percent of the *ERFC Legacy* benefit payment. Thereafter, a minimum 3 percent COLA will be factored into the *ERFC Legacy* benefit annually on March 31.

Creditable Virginia Service

Creditable Virginia Service is a factor used exclusively for calculating the VRS Adjustment. It includes service for which you have been credited, or would have been eligible for credit under the VRS, plus all *ERFC Legacy* service credit purchased after January 1, 1989. Most service credit purchased prior to January 1, 1989 will *not* be included in your Creditable Virginia Service.

Credited Service

A factor used to calculate your *ERFC Legacy* benefit, which includes all periods of eligible FCPS employment for which you have made *ERFC Legacy* contributions, any credited pre-1973 service, Purchased Service Credit, accumulated Unused Sick Leave, and Military Service Credit.

Note: You may *not* be “re-credited” for any period of service for which you have received a refund of *ERFC Legacy* contributions.

Death-in-Service Benefits

Benefits payable to a designated beneficiary, if a vested *ERFC Legacy* member dies while in FCPS Eligible Employment, or while on an approved leave from such a position. The types and amounts of benefits depend on the member's relationship to the beneficiary. If the death-in-service is determined to be work related, the five-year Vesting Service requirement is waived. (See Chapter 7

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for more information regarding death-in-service benefits.)

Defined Benefit

With defined benefit plans, a set formula is established and used to compute your retirement benefit, based upon your compensation level and length of service. *ERFC Legacy* and *ERFC 2001* together constitute a defined benefit retirement plan, qualified under Section 401(a) of the Internal Revenue Code.

Disability Benefit

In the event a severe injury or illness permanently impedes the performance of FCPS employment duties, a fully vested *ERFC Legacy* member may be determined eligible for a disability retirement under the *ERFC Legacy* benefits structure. Contact ERFC directly for the application materials necessary to process and verify any request for a disability retirement.

(See Chapter 7 for more information about disability retirement benefits.)

Early Service Reduction Factors

Early service reduction factors are used to determine a benefit schedule of equivalent total value when you elect to begin drawing benefits *before* you are eligible for a full service retirement. See the *Table of Early Service Reduction Factors* detailed in the back of this handbook.

Eligible Employment

Refers to the periods of paid employment and/or approved leave with pay, in specific FCPS positions, throughout which contributions are paid to ERFC. “Eligible” FCPS positions include all full-time,

monthly-paid teachers and related educational personnel, instructional assistants, administrative, technical and support staff employees.

Final Annual Salary

The salary of the member for the 12 months immediately preceding termination of Eligible Employment.

Final Average Compensation (FAC)

The average of the member’s three highest consecutive years of salary during Eligible Employment, as defined by the Board of Trustees in uniform and nondiscriminatory regulations.

Full Service Benefit

Under the *ERFC Legacy* benefit structure, you are entitled to Full Service Benefits when you reach age 55 years or older with 25 or more years of Credited Service, OR at age 65 with 5 or more years of Vesting Service. The Full Service Benefit is comprised of two separate parts:

- The **Lifetime Benefit** pays benefits from the time you retire until you die.
- The **Additional Temporary Benefit** provides a supplement to your retirement income until you become eligible for full Social Security benefits.

Interest Credit

Interest is credited each fiscal year on all amounts that have been on deposit with ERFC for the full fiscal year.

The current rate is 4 percent. Based upon ERFC’s financial standings, the Board of Trustees may adopt a different rate for a particular year.

Level Lifetime Benefit (LLB)

Under the Level Lifetime Benefit (LLB), a member receives a level monthly *ERFC Legacy* benefit amount for life. The LLB is of equivalent actuarial value to the other payment types, but with a present value (in actuarial terms) at least equal to the member’s balance of Accumulated Contributions at the time of retirement.

Lifetime Benefit

The *ERFC Legacy* benefit paid from the time you retire until you die.

Purchased Service Credit

ERFC permits members under the *ERFC Legacy* benefit structure to purchase service credit for periods of prior Eligible Employment that do not otherwise qualify for retirement or pension benefits. Although members may not purchase credit to attain vesting, service credit may be purchased, within eligibility conditions, to help qualify for full or reduced service retirement benefits sooner than anticipated. *(See Chapter 3 for additional information regarding Purchased Service Credit.)*

Reduced Service (Early Service) Benefit

An option under the *ERFC Legacy* benefit structure, which allows a fully vested member to retire up to 10 years prior to reaching the eligible age for a full service retirement. The amount of the monthly benefit

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is reduced, because payments are initiated earlier and distributed over a longer period of time. *(See Chapter 4 for additional information regarding Reduced Service retirement benefits.)*

Reserve Value

The present value of all payments to be made on account of any benefit, using such reasonable rates of interest and tables of experience as the Board of Trustees shall adopt from time to time after consulting with the actuary.

Social Security Offset Benefit

An *ERFC Legacy* benefit amount that supplements your *ERFC Legacy* lifetime benefit temporarily, from the date you commence retirement until you become eligible for full Social Security benefits. Also called the “Additional Temporary Benefit.” *(See the Social Security eligibility table featured in the back of this Handbook.)*

Unused Sick Leave

Sick leave earned by the member prior to the effective date of retirement for which the member has received neither sick pay during employment, nor payment following employment termination. Unused Sick Leave will not be counted as Credited Service for the purpose of determining retirement eligibility, but only for the purpose of increasing the amount of the member’s benefit, under the *ERFC Legacy* Plan structure. *(See Chapter 3 in this handbook for additional information on the applications of Unused Sick Leave.)*

Vesting Service

The period of time in your FCPS career in which you are earning the right to receive a retirement benefit from *ERFC*. You are considered “fully vested” after you have completed five years of Vesting Service, working in an eligible position with FCPS as a contributory member of *ERFC*. Also includes Military Service Credit for such periods of time for which a member is entitled to credit under federal law. As long as you are a fully vested member, you can earn the right to receive a retirement benefit, even if you leave FCPS employment before you are eligible to retire.

VRS Adjustment

The VRS Adjustment is a factor in the *ERFC Legacy* benefit formula used to adjust the level of *ERFC Legacy* benefits necessary to provide an appropriate supplement to the corresponding amount of benefits you can expect to earn from the Virginia Retirement System (VRS).

VRS Average Final Compensation

The “average final compensation” used in calculating a member’s VRS benefits pursuant to applicable provisions of the Virginia Code.

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TABLE 1
CALCULATION TABLE FOR VRS ADJUSTMENT REDUCTION FACTORS*

The time remaining between your effective retirement date and the earlier of:

age 65

—OR—

30 years' VRS Creditable Service

Multiply the VRS Adjustment by:

0 year	100.0%
1 year	94.0%
2 years	88.0%
3 years	82.0%
4 years	76.0%
5 years	70.0%
6 years	65.2%
7 years	60.4%
8 years	55.6%
9 years	50.8%
10 years	46.0%

These percentages are prorated for partial years. For example, if you retire at age 62½ with 25 years of VRS Creditable Service, your percentage factor would be 85% .

* Used in the calculation of the Lifetime Portion of the Full Service benefit, the Reduced Service (25 or more years' Credited Service) benefit, and the Alternative Reduced Service "Guarantee" benefit when Credited Service equals 25 or more years.

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Calculation Tables

TABLE 2
CALCULATION TABLE FOR VRS ADJUSTMENT ADDITION
AMOUNT*

The time remaining between your effective retirement date and the earlier of:

age 65

—OR—

30 years' VRS Creditable Service

Multiply the VRS
Adjustment by:

0 year	0.0%
1 year	6.0%
2 years	12.0%
3 years	18.0%
4 years	24.0%
5 years	30.0%
6 years	34.8%
7 years	39.6%
8 years	44.4%
9 years	49.2%
10 years	54.0%

These percentages are prorated for partial years. For example, if you retire at age 62½ with 25 years of VRS Creditable Service, your multiplication percentage would be 15%.

* Used in the calculation of the Full Service Alternative "Guarantee" benefit amount after age 65.

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Calculation Tables

TABLE 3
CALCULATION TABLE FOR *ERFC LEGACY* REDUCED SERVICE
(25 OR MORE YEARS' CREDITED SERVICE) REDUCTION FACTOR*

If benefit payments begin before you reach age 55 by *(select from below)*: Multiply the *ERFC Legacy* benefit by:

1 year	94.0%
2 years	88.0%
3 years	82.0%
4 years	76.0%
5 years	70.0%
6 years	65.2%
7 years	60.4%
8 years	55.6%
9 years	50.8%
10 years	46.0%

These percentages are prorated for partial years. For example, if you retire at age 52½, your percentage factor would be 85%.

* Used in the calculation of the *Lifetime Portion* and the *Additional Temporary Portion* of the *Reduced Service (25 or more years' Credited Service)* benefit.

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Calculation Tables

TABLE 4
CALCULATION TABLE FOR THE *ERFC LEGACY* REDUCED SERVICE (FEWER THAN 25 YEARS' CREDITED SERVICE) BENEFIT*

If benefit payments begin before you reach age 65 by *(select from below)*: Multiply the *ERFC Legacy* benefit by:

1 year	94.0%
2 years	88.0%
3 years	82.0%
4 years	76.0%
5 years	70.0%
6 years	65.2%
7 years	60.4%
8 years	55.6%
9 years	50.8%
10 years	46.0%

These percentages are prorated for partial years. For example, if you retire at age 62½, your percentage factor would be 85%.

* Used in the calculation of the Lifetime Portion and the Additional Temporary Portion of the Reduced Service (Fewer than 25 years' Credited Service) benefit.

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Calculation Tables

TABLE 5
SOCIAL SECURITY ELIGIBILITY TABLE

Your date of birth is the factor that determines the age at which you will become eligible for full Social Security benefits, as shown in the table below.

Your Year of Birth	Eligible Age for Full Social Security Benefits
1937 or earlier	65 years
1938	65 years, 2 months
1939	65 years, 4 months
1940	65 years, 6 months
1941	65 years, 8 months
1942	65 years, 10 months
1943 – 1954	66 years
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 or later	67 years

Educational Employees'
Supplementary Retirement System
of Fairfax County (ERFC)
3110 Fairview Park Drive, Suite 300
Falls Church, Virginia 22042-4525

erfcension.org website
erfcoffice@fcps.edu email
703-426-3900 phone
1-844-758-3793 toll free

