

# AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

## GUIDE TO CHOOSING A RETIREMENT ANNUITY OPTION

### GENERAL:

#### 1. What are my options in choosing a retirement annuity?

The Fund offers a Joint and Survivor (75%) Annuity as the standard form of retirement benefit (the “Normal Retirement Annuity”). The Normal Retirement Annuity provides for a monthly annuity benefit payable to you for your lifetime and a reduced survivor benefit payable to your spouse, dependent children, or designated beneficiary after your death. The Normal Retirement Annuity may be paid under Option 1 or Option 2. Option 2 will guarantee that you or your survivor will receive full annuity payments for a period of 10 years. See below for more information.

Alternatively, the Fund offers the Single Life Annuity as an optional form of retirement benefit (the “Single Life Annuity”). The Single Life Annuity provides for an increased monthly annuity benefit (as compared to the Normal Retirement Annuity) payable only to you during your lifetime. The Single Life Annuity may be paid under Option 1 or Option 2. Option 2 will guarantee that you or your survivor will receive annuity payments for a period of 10 years. See page 3 for more information.

You may elect to participate in the Deferred Retirement Option Program (“DROP”) whether you elect a Normal Retirement Annuity or a Single Life Annuity.

#### 2. When and how do I make a retirement annuity election?

When you retire, you will meet with the Administrative staff at the Pension Office to make your retirement election. If you elect a Normal Retirement Annuity, you will need to complete and sign **Form NRA**. If you elect a Single Life Annuity, you will need to complete and sign **Form SLA**, and you will need to obtain your spouse’s consent if you are married. If you want to participate in the DROP, you will also make your DROP election at that time.

#### 3. When am I eligible to retire?

You are eligible to retire when you (1) reach the age of 50 and have at least 10 years of service credit in the Fund or (2) you have at least 25 years of service credit in the Fund, regardless of your age.

The Fund also offers early retirement to Members who have (1) reached the age of 45 and have at least 10 years of service credit in the Fund or (2) have at least 20 years of service credit in the Fund, regardless of age.

#### 4. Once I make a retirement annuity election, can I change my election?

No, your election is irrevocable. Once you have made your annuity election, you may not change it after retirement, regardless of a change in your marital status or other life events.

### NORMAL RETIREMENT ANNUITY

#### 5. What is a Normal Retirement Annuity?

A Normal Retirement Annuity is the Fund’s standard form of retirement benefit. The Normal Retirement Annuity is a Joint and Survivor (75%) Annuity which provides for a monthly annuity benefit payable to you for your lifetime and a reduced monthly annuity benefit equal to 75% of the benefit that you were receiving upon your death payable to your spouse, dependent children, or designated beneficiary, as applicable, after your death. For a designated beneficiary, the survivor benefit will typically be 75% of the benefit that you

were receiving upon your death, but may be actuarially reduced based on the difference in age between you and your designated beneficiary.

**6. How is my benefit calculated under a Normal Retirement Annuity?**

The Normal Retirement Annuity is a monthly payment equal to 3.3% of your average monthly compensation multiplied by your years of service. Your average monthly compensation is the average of your 36 months of highest compensation during your credited service. Please contact the Pension Office for more information on the calculation of your retirement benefit.

**7. What is a survivor benefit?**

A survivor benefit is a benefit that is paid to your spouse, dependent children, or designated beneficiary, as applicable, after your death. The survivor benefit is equal to a percentage of the benefit that you were receiving before your death. Your surviving spouse or dependent child will receive 75% of the benefit you were receiving before your death regardless of their age. For a designated beneficiary, the survivor benefit will typically be 75% of the benefit that you were receiving upon your death, but may be actuarially reduced based on the difference in age between you and your designated beneficiary.

**8. Who is entitled to the survivor benefit?**

The answer depends on your marital status and whether or not you have dependent children.

*Fire Fighters Who Are Married and/or Have Dependent Children*

- If you are married at your death, your spouse is entitled to receive a survivor benefit for life. You may not designate anyone other than your spouse to receive this benefit.
- If you are not married and have dependent children at your death, your dependent children are entitled to receive a survivor benefit until they reach age 22 or marry before age 22. You may not designate anyone other than your dependent children to receive this benefit.

*Fire Fighters Who Are Not Married and Have No Dependent Children*

- If you are not married and do not have dependent children, you are eligible designate a beneficiary to receive a survivor benefit for life pursuant to Section 7.09 of the Fund's statute.

For more information on designating a beneficiary to receive your survivor benefit under a Normal Retirement Annuity, please see the "Guide to Completing a Beneficiary Designation Under Section 7.09." This guide is available on the Fund's website or by contacting the Pension Office.

**9. Do I need my spouse's consent to elect a Normal Retirement Annuity?**

No. You may elect either the Normal Retirement Annuity Option 1 or Option 2 without your spouse's consent. Your spouse will automatically be entitled to the survivor benefit.

**10. What is the Normal Retirement Annuity--Option 2?**

Option 2 guarantees that someone will receive 100% of the monthly annuity benefit you were receiving at your death, or were entitled to receive at your death, for the 10-year period beginning on your retirement date from the Fire Department or your DROP retirement date, as applicable. Because of the guaranteed 10-year period, the amount of the benefit that you are entitled to receive under Option 2 of the Normal Retirement Annuity will be actuarially reduced as compared to the amount of the benefit under Option 1.

**11. What will happen if I die during the guaranteed 10-year period under Option 2?**

If you die during the 10-year period following your retirement date, your surviving spouse, dependent children, designated beneficiary, or your estate, as applicable, will receive 100% of the monthly annuity benefit you were receiving for the remainder of the 10-year period. After the 10-year period, any survivor benefits will be paid as described under Option 1, including the reduced amounts of such benefits.

Upon your death within the 10-year period following your retirement date, the guaranteed payments during the 10-year period that are equal to 100% of your monthly annuity benefit will be paid as follows:

- If you are married at the time of your death, the payments will be made to your surviving spouse. If your spouse dies during the 10-year period after your retirement, any remaining payments will continue to any dependent children, or if no dependent children exist, to your wife's estate.
- If you are not married at the time of your death, but have dependent children, the payments will be made to any dependent children. If your dependent children die during the 10-year period, any remaining payments will be made to their estate.
- If you are not married and have no dependent children at the time of your death, the beneficiary that you have designated under a Form 500A or Form 500R (the beneficiary designation form used following retirement) will receive any payments. If the designated beneficiary dies during the 10-year period following your retirement, any remaining payments will be made to the estate of the designated beneficiary.
- If you are not married, have no dependent children, and did not designate a beneficiary on a Form 500A or Form 500R, any remaining payments will be made to your estate.

**12. What will happen if I die after the guaranteed 10-year period under Option 2?**

If you die after the 10-year period following your retirement date, survivor benefits will be paid as described in Option 1, including the reduced amounts of such benefits.

**SINGLE LIFE ANNUITY****13. What is a Single Life Annuity?**

The Single Life Annuity will provide you with a monthly annuity benefit that is payable only during your lifetime. There is no survivor annuity benefit with a Single Life Annuity.

**14. How is a Single Life Annuity different than a Normal Retirement Annuity?**

A Single Life Annuity does not provide for a survivor benefit. With a Single Life Annuity, all annuity benefits end at your death. However, because there is no survivor benefit, the amount of the Single Life Annuity monthly payment will be greater than the monthly payment amount under a Normal Retirement Annuity.

**15. How is my benefit under a Single Life Annuity calculated?**

The amount of your Single Life Annuity will be calculated in the same way as the Normal Retirement Annuity, based on a percentage of your average monthly compensation multiplied by years of service. However, the calculated benefit will then be actuarially increased, based on your age at retirement, to reflect that there is no survivor benefit.

**16. Why would I pick a Single Life Annuity?**

If you do not have a spouse, dependent children, or other beneficiary that would need additional income after your death, the Single Life Annuity would provide you with more income during your lifetime.

**17. Do I need my spouse's consent to elect a Single Life Annuity?**

Yes. If you are married, you must obtain your spouse's consent to elect a Single Life Annuity (Option 1 or Option 2). Your spouse's consent must be in writing and notarized. If you do not obtain your spouse's consent, you will not receive a Single Life Annuity, and your retirement benefit will be paid as if you had elected the Normal Retirement Annuity Option 1.

**18. What is the Single Life Annuity--Option 2?**

Option 2 under the Single Life Annuity guarantees that someone or your estate will receive 100% of the monthly annuity benefit for the 10-year period beginning on your retirement date from the Fire Department or your DROP retirement date, as applicable. Because of the guaranteed 10-year period, the amount of the monthly annuity benefit that you are entitled to receive under Option 2 will be actuarially reduced as compared to the amount of the benefit under Option 1 of the Single Life Annuity.

**19. What will happen if I die during the guaranteed 10-year period under Option 2?**

If you die during the 10-year period following your retirement date, your surviving spouse, dependent children, designated beneficiary, or your estate, as applicable, will receive 100% of the monthly annuity benefit you were receiving for the remainder of the 10-year period. All payments will stop at the end of the 10-year period.

Upon your death within the 10-year period following your retirement date, the guaranteed payments during the 10-year period will be paid as follows:

- If you are married at the time of your death, the payments will be made to your surviving spouse. If your spouse dies during the 10-year period after your retirement, any remaining payments will continue to any dependent children, or if no dependent children exist, to your wife's estate.
- If you are not married at the time of your death, the payments will be made to any dependent children. If you are not married and have no dependent children at the time of your death, the beneficiary that you designate on Form SLA will receive any payments. If either your dependent children or designated beneficiary who begin receiving the guaranteed payments die during the 10-year period following your retirement, any remaining payments will be made to the estate of the individual(s) who were receiving the payments.
- If you are not married, have no dependent children, and did not designate a beneficiary on this election form, any remaining payments will be made to your estate.

**20. What will happen if I die after the guaranteed 10-year period under Option 2?**

If you die after the 10-year period following your retirement date, no survivor benefit will be available, and your benefit payments will stop upon your death.

**IMPACT OF MY ANNUITY ON DROP**

**21. What is the DROP?**

The Deferred Retirement Option Plan, or DROP, is an additional form of benefit that you may elect once you are eligible for retirement. The purpose of the DROP is to provide greater financial planning flexibility upon retirement by providing you with a reduced monthly annuity benefit and a lump-sum benefit, as opposed to only a monthly annuity benefit. Please contact the Pension Office for more information regarding the DROP.

**22. How does my annuity election affect the amount of my DROP balance?**

Your DROP balance will be based on the annuity option you select. If you select the Normal Retirement Annuity form of benefit, your DROP balance will be based in part on your Normal Retirement Annuity benefit amount under either Option 1 or Option 2 that you would have accumulated during the DROP period. If you select the Single Life Annuity form of benefit, your DROP balance will be based in part on your Single Life Annuity benefit amount under either Option 1 or Option 2 that you would have accumulated during the DROP period.

**23. How does my participation in DROP affect the 10-year period under Option 2?**

If you elect Option 2 under either the Normal Retirement Annuity form of benefit or the Single Life Annuity form of benefit, the 10-year period of guaranteed payments will commence at your DROP retirement date and not your date of retirement from the Fire Department. For example, upon retiring from the Fire Department, if you select a “reverse” or “back” DROP for the maximum of 7 years, you will only have 3 years left in the guaranteed 10-year period after you terminate from active service.