

For the employees of the Metropolitan District

RETIREMENT PLAN

*Reflects Plan rules in effect on
July 1, 1999*

**Retirement Plan
For Employees of
The Metropolitan District**

Summary Plan Description

Reflects Plan Rules in Effect on July 1, 1999

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FOREWORD

THE METROPOLITAN DISTRICT

To Our Employees:

This booklet contains an up-to-date description of the Retirement Plan for Employees of The Metropolitan District (the "Plan"). The original Plan was effective January 1, 1944. Since that date, the program of benefits has been changed from time to time with the intent of providing you with an added measure of security after you have retired from active service with the District. This booklet summarizes the provisions of the Plan in effect on July 1, 1999 and contains the latest Plan improvements.

The amount of retirement benefit that you will receive at retirement varies according to your earnings and length of service with the District. In addition, death and disability benefits are available to eligible employees and their spouses.

You and the District share the cost of the Plan, although the District pays for the majority of the cost of the Plan. While this involves the expenditure of a considerable sum of money, we feel that the expense is fully justified by the benefits that will accrue to you in return for your services to the District.

This booklet is a brief description of those parts of the Retirement Plan that will be important to you. It is not burdened with the legal and technical language that is a necessary part of the Plan. Therefore, it should be understood that the statements in this booklet are governed by the language of the Plan, and should the booklet differ in any respect from the Plan, then the Plan will control.

DEFINITIONS

The definitions listed below apply throughout the booklet.

Whenever used, the singular form of any word includes the plural and whenever a pronoun in the masculine gender is used, it includes the feminine, unless the context indicates otherwise.

“Accumulated Contributions” means the sum of your Contributions to the Plan plus interest.

“Committee” means the Personnel, Pension and Insurance Committee, which is the administrator of the Retirement Plan, or any successor entity.

“Credited Service” means the number of full years and fractional parts of a year (months) (to a maximum of 32 years) completed by you from your date of hire to the earlier of your date of termination of employment, death, disability or your actual retirement date. Additional rules on crediting service are found in Section 5.

“Earnings” means your annual compensation from the District that is subject to income tax (W-2 wages) while you are eligible to participate in the Plan. Your Earnings also include your Participant Contributions contributed by the District on your behalf, amounts you defer under a 457 plan sponsored by the District or for your pre-tax contributions for health benefits. Earnings do not include overtime or worker’s compensation pay. If you become a Participant in the Plan after January 1, 1996, Federal law limits the amount of compensation that the Plan can consider in determining your pension benefit to \$150,000 (this amount may be adjusted by the Secretary of the Treasury).

“Eligible Employee” means any person regularly employed by the District who is scheduled to work at least 1,000 hours per year and who is not excluded from participation, as further described in Section 1.

“Final Average Earnings” is used to determine the amount of your retirement benefit. It means the highest annual Earnings for the 36 months of Earnings paid to you out of the last ten years, plus up to 50 days of accrued sick time and/or vacation time. You may elect to use only full calendar year Earnings unless you use the partial Earnings for the year you terminate or retire, in which case another year is used to take the remaining months necessary to make a full year. For example, if you retire on June 30th, you may elect to use six month’s Earnings from your final year and the last six months of Earnings from any prior year within the last ten years. However, you can only use those Earnings once in determining your benefit. Two other highest Earnings calendar years (out of the last ten years) will be used for a total of 3 years that would give you the highest Final Average Earnings.

“Hour of Service” is used to determine your Years of Service (for vesting). Hour of Service means each hour you receive pay from the District for actual work or non-work paid periods such as vacation, holidays, illness, or paid disability. In

addition, Hours of Service are also credited for certain periods of military leave and approved leave under the Family and Medical Leave Act. Any “Buy-back” service will count as Hours of Service.

“**Normal Retirement Age**” means the later of age 65 or the date you begin participation in the Plan.

“**Plan Year**” means each January 1st through December 31st.

“**Retirement Pension**” means a monthly payment to you upon retirement or your spouse after you are deceased.

“**Year of Service**” is used to determine your vested rights to a pension. You accrue a Year of Service when you complete 1,000 hours of service in a Plan Year. Years of Service are different than Credited Service in two ways: First, Years of Service are used to establish your right to a vested pension and are not used in calculating your pension benefit. Second, Years of Service unlike Credited Service, are credited for certain periods when you do not make the mandatory required contributions.

“**Vesting**” means your nonforfeitable right to a retirement pension. You will become 100% vested in a retirement benefit when you complete 10 years of Service, or turn age 65, whichever occurs first. You are always 100% vested in your own contributions to the Plan.

1. PARTICIPATION IN THE PLAN

Participation in the Plan is mandatory if you are an Eligible Employee. You will become a Participant immediately on your date of hire.

You are an Eligible Employee if you meet the following criteria:

- You are an employee regularly scheduled to work more than 20 hours a week;
- You are not a leased employee;
- You are not a temporary or seasonal employee;
- You do not participate in any other plan (with the exception of the District 457 Plan) that the District is required to contribute to on your behalf.

If you are a full-time employee who changes to part-time employment, your participation in the Plan will be suspended as of the first day of the month following your change to part-time employment. During the suspension period, you will not receive Credited Service for purposes of benefit accrual. In addition, you generally will not receive Years of Service for purposes of vesting unless you work over 1,000 Hours of Service in a Plan Year. You will be eligible to participate again on the first day of the month following your change back to full-time employment.

Termination of Participation

Your participation in the Plan will end when you terminate employment and receive a refund of your Member contributions.

2. RETIREMENT DATES

Normal Retirement Date

Your Normal Retirement Date is the first day of the month after you reach Normal Retirement Age. You may work past your Normal Retirement Date if you choose, but your pension benefits will not begin until you actually stop working and apply for a pension and you will not receive retroactive benefit payments.

Early Retirement Date

You may retire early, that is, before your Normal Retirement Date, if you are at least 55 years old and have at least 10 years of Credited Service, but your pension will be reduced to reflect the longer period over which payments will be made. You may also retire before you reach your Normal Retirement Age if the sum of your age plus your years of Credited Service equals at least 85 (Rule of 85). If you meet this requirement, your pension will not be reduced.

Disability Benefit

You may be eligible to receive a Disability Benefit if you are actively employed by the District when you become disabled, you have completed at least 10 years of

Credited Service, and you are certified by the District to be permanently and totally disabled. Your Disability Benefit will be payable as long as you remain totally and permanently disabled. You are not eligible for a Disability Benefit if your disability was the result of military service, your engagement in a felonious criminal enterprise, the use of illegal drugs, intentionally self-inflicted injury or by declared or undeclared acts of war. In addition, the Disability Benefit is not eligible for any Cost of Living Increases.

To be eligible for a Disability Benefit, you must file an Application for Benefits with the District along with supporting documentation of your disability by your physician(s). You are still considered an Active Employee while receiving your Disability Benefit; however, you do not earn Credited Service. When you reach your Normal Retirement Date, your Disability Benefit will be converted to a Normal Retirement Pension and you will have the option to elect a form of payment.

The District reserves the right to request a physical examination by one or more physicians selected and paid for by the District and the right to require that you periodically submit proof of your continued disability as well as submit to additional physical exams upon request. Failure to submit to a physical examination or provide proof of your continued disability upon request of the District will result in the termination of your disability benefits.

3. CONTRIBUTIONS TO THE PLAN

Your Contributions

As a Participant in the Plan, you are required to make contributions to the Plan equal to 5% of your Earnings. You are always 100% vested in the amount of your Accumulated Contributions.

Any contributions you made to the Plan before January 1, 1985 were made on an after-tax basis. Effective January 1, 1985, contributions you make to the Plan will be on a pre-tax basis. This means that your taxable wages will be reduced each year by the amount you contributed to the Plan and the contributions will not be taxed until you begin receiving your pension or a return of your contributions. However, those contributions will be included in your Final Average Earnings for purposes of determining your retirement benefit.

If you leave employment with the District before retirement and you are not vested you will be paid the amount of your Accumulated Contributions in one lump sum within 90 days after your termination, provided you file a Tax Withholding and Notification Form with the District. Once contributions are removed, you will no longer be entitled to any further benefit from the Plan. If you do not file a Tax Withholding Notification and Election Form when you terminate and you are not vested, the District will send you a check equal to your Accumulated Contributions, minus mandatory 20% federal income tax withholding on eligible rollover distributions. You will be notified what portion of your distribution is eligible for rollover and subject to the mandatory 20% federal income tax.

Interest Rate

The interest rate on your contributions is determined by the Personnel, Pension and Insurance Committee and is compounded annually. Currently, the interest rate is 5%. Contributions made prior to January 1, 1984 (for non-bargaining employees) and June 1, 1984 (for bargaining employees) were credited with 2% interest.

Loans and Withdrawals

Since this Plan is a defined benefit plan, it does not contain any provisions for in-service loans or withdrawals. You may not receive any loans, or withdraw, use for collateral or borrow against your contributions while you remain employed by the District and participate in the Plan. You may, however, withdraw your contributions, plus interest if you terminate employment with the District. **However, if you are vested and you withdraw your contributions at termination, you forfeit your future benefits and will no longer be entitled to any benefit from the Plan.**

The District Contributions

The Metropolitan District makes regular contributions to this Plan to help finance your Pension benefits. Each year, the District, through the aid of the Plan's actuary, estimates the amount of appropriation needed for the fiscal year to cover the funding of the Plan.

4. AMOUNT OF PENSION BENEFITS

In order to be eligible to receive a pension benefit, you must file an Application for Benefits with the District **at least 30 days** (but no more than 90 days) prior to the date you want benefits to begin. The District will not make retroactive payments back to your Normal Retirement Date if you failed to apply for benefits in a timely fashion.

Normal Retirement Pension

If you are an Active Employee after April 1, 1989, the monthly amount of pension payable to you for life on your Normal Retirement Date will be equal to 2% (two percent) of your Final Average Earnings multiplied by your years of Credited Service (including full months for partial years) with the District to a maximum of 32 years.

Calculation of Final Average Earnings

When determining your Final Average Earnings, the District will look at the highest 36 months of Earnings paid to you (based on full calendar years) out of the last ten years, or if higher, will use the 36 months immediately before your date of termination. Up to 50 days of accrued sick time and/or vacation time will be added to the calculation.

EXAMPLE

Assume your Earnings for the last 10 years before your retirement are as follows:

1991	\$ 26,500	1995	\$ 29,600	1999	\$ 35,100
1992	\$ 27,000	1996	\$ 31,200	2000	\$ 36,300
1993	\$ 28,300	1997	\$ 33,500		
1997	\$ 30,000	1998	\$ 34,700		

Assume you retire on July 1, 2001 and your Earnings to date are \$18,500. Since your highest Earnings are during your final 36 months, the District will calculate your Final Average Earnings this way:

January 1, 2001 to June 30, 2001 (6 months)	=	\$ 18,500
January 1, 2000 to December 31, 2000 (12 months)	=	\$ 36,300
January 1, 1999 to December 31, 1999 (12 months)	=	\$ 35,100
July 1, 1998 to December 31, 1998 (6 months)	=	<u>\$ 17,350</u>
Total months = 36		Total Earnings = \$107,250

Assume you also had 25 days of accrued sick time and 25 days of accrued vacation time. Based on your current salary, the District will calculate the value of these days and add it to your Earnings information. Assume for purposes of this example that the value of this time is \$8,000.

Your Final Average Earnings would be calculated as follows:

Total Earnings (36 months)	=	\$ 107,250
Plus accrued sick/vacation time		<u>8,000</u>
		\$ 115,250

This amount would be divided by three to get your "average"
 $\$115,250 \div 3 = \$38,416.67$

Your Final Average Earnings would be \$38,416.67.

Assume that all future calculation examples include accrued sick/vacation time.

Calculation of your Normal Retirement Pension

The calculation of your annual Normal Retirement Pension is made using the following formula:

$$\begin{aligned} & 2\% \text{ of your Final Average Earnings} \\ & \times \text{ years of Credited Service} \end{aligned}$$

EXAMPLE

Assume in this example that you are retiring on your Normal Retirement Date of Age 65. At retirement, your Final Average Earnings are calculated to be \$37,000 and you have earned 25 years of Credited Service. The monthly benefit you would receive as a Five-Year Certain and Life Benefit is calculated as follows:

$$\begin{aligned} &2\% \text{ of your Final Average Earnings} \times \text{Years of Credited Service} \\ &37,000 \times .02 = \$740; \$740 \times 25 = \$18,500 \\ &\$18,500 \div 12 = \$1,541.66 \end{aligned}$$

Your monthly benefit at normal retirement would be \$1,541.66

Early Retirement Pension

The amount of your Early Retirement Pension is determined the same way as your Normal Retirement Pension. However, if the sum of your age plus Credited Service is less than 85 the amount of your Early Retirement Pension is reduced by 5% for each full year and 0.42% for each month or fraction of a month that your Early Retirement Date precedes your Normal Retirement Date. Your pension is reduced because your payments started early and you would be expected to receive a benefit for a longer period of time.

EXAMPLE

Assume for this example you are age 57¹/₂ and decide to retire early with 15 years of Credited Service. At age 57¹/₂ you are 7 years and 6 months from your Normal Retirement Age of 65. At the time of your early retirement, your Final Average Earnings are calculated to be \$32,500. Your monthly benefit at early retirement is calculated as follows:

First, determine your Normal Retirement Pension:

$$\begin{aligned} &2\% \text{ of your Final Average Earnings} \\ &(\$32,500 \times .02 = \$650; \$650 \times 15 = \$9,750) \\ &\$9,750 \div 12 = \$812.50 \end{aligned}$$

Your Normal Retirement Pension would then be reduced to reflect the fact that you are retiring before age 65 (and your age plus service are less than 85):

$$\begin{aligned} &7 \text{ years} \times 5\% = 35\%; \text{ 6 months} \times .42\% = 2.52\% \\ &\text{Total Reduction } 35\% + 2.52\% = 37.52\% \end{aligned}$$

$$\begin{aligned} &\$812.50 \times 37.52\% \text{ (early retirement reduction)} = \$304.85 \\ &\$812.50 - \$304.85 = \$507.65 \end{aligned}$$

Your monthly benefit at early retirement would be \$507.65.

The following table shows some of the reduction factors at different ages of early retirement:

Retirement Date	Age	Reduction in Benefit
Normal	65	0%
Early	60	5% x 5 years = 25%
Early	57	5% x 8 years = 40%
Early	55	5% x 10 years = 50%

Vested Pension

If you terminate employment and you have completed at least ten (10) years of Service, you will be entitled to a Vested Pension on your Normal or Early Retirement Date.

The amount of a Vested Pension will be calculated in the same manner as a Normal Retirement Pension using the provisions of the Plan in effect on the date you terminated employment. If you elect to receive a return of your Accumulated Contributions, you will not be eligible for a retirement benefit.

If you retire on a Vested Pension, you will not be eligible for the medical coverage that is currently provided to employees retiring from active service with the District and going directly into pension status.

Maximum Pension Amount

Federal income tax regulations impose maximum limits on annual pension payments. Your benefit under this Plan may be reduced whether you are covered under this Plan alone or under this Plan together with any other Plans to which the District makes contributions on your behalf. The adjustment will be to the extent necessary to comply with regulations concerning maximum limitations on benefits and contributions. The formula for determining a maximum pension is very complex. You should know that very few participants are ever affected by the limits. If you are affected, you will be notified. If you want detailed information, you should request it from Human Resources.

5. DETERMINING YOUR CREDITED SERVICE

Credited Service is used in the calculation of your retirement benefit. You receive Credited Service from your date of hire to your date of termination or retirement while you are an Eligible Employee (that is you are eligible to participate in the Plan.) Generally, you must be receiving compensation from the District and you must be contributing to the Plan.

If you have an interruption in service of more than 90 non-paid days, you will not receive Credited Service unless you are eligible to purchase the service under the Service Buy-Back provisions described below.

Continuous Service

All service credited for pension purposes must be continuous service unless otherwise approved by the Personnel, Pension and Insurance Committee. Continuous Service shall not be considered interrupted by the following:

- Periods of absence of less than 90 days in any one year.
- Periods of absence of more than 90 days due to the disability of you or a member of your immediate family necessitating the regular attendance of a physician if waived by the Personnel, Pension and Insurance Committee.
- Periods of absence that are beyond your control as determined by the Personnel, Pension and Insurance Committee.
- Periods for which a leave of absence without pay has been granted and deemed by the Personnel, Pension and Insurance Committee to be advantageous to the District.
- Periods of absence, not in excess of 5 years, upon approval of the Personnel, Pension and Insurance Committee, provided that you had at least 2 years of continuous employment with the District before the absence began.

No such period of absence in excess of ninety (90) consecutive days shall be included in the period of service in determining the amount of the retirement allowance. The period of employment prior to such absence may be included in the period of service in determining the retirement allowance provided the employee elects to pay any amount due as employee contributions for such period.

Temporary Absence

A temporary absence due to sickness, accident, military service, or authorized leave-of-absence will not be considered a termination of Service.

- If your Earnings continue during such absence, your contributions will continue on the basis of such Earnings and you will continue to accrue benefits.
- If your Earnings cease, your contributions will cease and you will accrue no further benefits until your Earnings and contributions resume.
- If you are on a leave of absence due to military service, you will be credited with Years of Vesting Service. You will receive Credited Service provided you repay your Member contributions in accordance with the Military Buy-back section on the following page.

If your employment is terminated during a period of temporary absence, the provisions governing termination of Service will apply.

Break in Service

If you are not vested and you incur a break in service due to a termination in employment, your Accumulated Contributions will be returned to you with interest

and all years of Vesting and Credited Service will be forfeited unless you return to employment with the District and buy-back your service under one of the options that follow.

Service Buy-Back Options

You may purchase years and months of Credited Service under the following circumstances:

- for service with certain other municipalities that the District has a Reciprocity Agreement with;
- for periods of prior employment with the District for which you received a refund of your employee contributions, provided you had at least 2 Years of Service with the District prior to your termination date, and you return to the District within 5 years of your termination date.
- for periods of voluntary or involuntary military service in the armed forces of the United States, while you were a Participant in the Plan, to a maximum of 4 years, provided you return to employment or make yourself available to the District within 90 days after your military service ends.

The cost of purchasing the service depends on the type of service you wish to purchase.

Service Buy-Back Option from Another Municipality

The cost of this service is determined by the Plan's actuary and is based on the requirements of a Reciprocity Agreement, or any other agreement with the District. The purchase of this Credited Service must be approved by the Committee. You should notify Human Resources if you think you have time that qualifies for the Buy-Back Option.

Service Buy-Back Option for Military Service

You may purchase up to five years of Credited Service for qualified military service that occurs while you are a Participant in the Plan. Military Service prior to the date you became a Participant cannot be purchased. In order to qualify for the right to purchase your military service, you must have been honorably discharged from one of the branches of the armed forces of the United States of America and you must return to work with the District within the time frame described below. In addition, you must have been in military service for less than 5 years.

- 1 day after your military service ends (if such service was less than 31 days);
- 14 days after your military service ends (if such service was more than 30, but less than 181 days); and
- 90 days after your military service ends (if such service was more than 180 days).

- If you are hospitalized for or recovering from an illness or injury which was incurred or aggravated during military service, you must register for reemployment with the District as soon as you are recovered, but no later than two years from your date of discharge.

The cost to purchase the Credited Service for periods of military service is based on a contribution equal to 5% of your average Earnings (determined based on the previous 12 months of employment prior to your military service), multiplied by the number of years and months of military service you wish to purchase (to a maximum of 5 years), plus compounded interest at the rate of 5% per year.

You must make the contributions to purchase military service within a period of time which is no longer than three times the amount of time you were gone or 5 years, whichever is less. For example, if you were in the military for six months, you will have 18 months to repay the contributions for that military service. You can make payment in one lump sum check, or through equal pre-tax payroll deductions.

Service Buy-Back Option for Prior Periods of Employment with the District

If you had previous service with the District, terminated your employment and then became reemployed, you may be eligible to receive credit for the prior period of service if you pay back the employee contributions you received at termination, plus additional interest at the rate of 5%. You are eligible if you previously worked at least two years with the District and you become reemployed with the District (as an Eligible Employee) within 5 years of your initial termination date.

The option to purchase this Credited Service must be exercised within 60 days of your return to employment with the District and must be purchased in one lump sum payment, on a post-tax basis.

6. DEATH BENEFITS

When you die, before or after retirement, your spouse or beneficiary may be entitled to a survivor death benefit.

Death Benefits Before Retirement Modified Cash Refund

If you die before your retirement benefits begin, your beneficiary will receive the amount of your Accumulated Contributions to the Plan, in a lump sum unless you are married and you qualify for the Pre-Retirement Spouse's Death Benefit described in the next paragraph.

Pre-Retirement Spouse's Death Benefit

If you meet the following conditions, your spouse will receive a monthly benefit upon your death. **Important Note: You must name your spouse as primary beneficiary for your spouse to be entitled to this benefit.**

- You are an active member in the Retirement Plan and making your necessary contributions;
- You have not actually retired;
- You have reached age 40 and have completed at least 10 years of Service;
- You have been married for at least one (1) year prior to your death;

Your spouse's Death Benefit will be based on your accrued benefit determined as of your date of death. The accrued benefit will be reduced if you had not yet reached your Normal Retirement Age. The amount of reduction is 2% for each complete year and 0.17% for each month (or partial month) that your death preceded either your Normal Retirement Age or the date when your age plus service would have equaled 85, whichever is less.

The benefit amount is then adjusted as if you had retired and elected the 100% Joint and Survivor Benefit Option. Your spouse will then receive 100% of that amount for his or her life. Benefits to your spouse would begin immediately.

EXAMPLE

Assume a Participant dies at age 52 and leaves a surviving spouse who is age 50. At the time of the Participant's death his Final Average Earnings were calculated to be \$35,000 and he had earned 18 years of Credited Service. The monthly death benefit his spouse would receive would be calculated as follows:

First, calculate the Normal Retirement Pension:

$$\begin{aligned}
 & \$35,000 \times .02 = \$700 \\
 & \$700 \times 18 \text{ (years of Credited Service)} = \$12,600 \\
 & \$12,600 \div 12 = \$1,050 \text{ per month}
 \end{aligned}$$

Then, calculate the reduction for early retirement based on the Participant's age when he died:

First, determine whether to use a reduction based on years before Normal Retirement Age or the number of years the Participant's age plus service is less than 85. The Participant died at age 52 that is 13 years before Normal Retirement Age. His age plus service is 70. 85-70 equals 15. The District would use 13 years to calculate the reduction for early retirement because it will result in less of a reduction.

$$\begin{aligned}
 & 13 \times .02 = 26\% \\
 & \$1,050 \times .26 = \$273 \\
 & \$1,050 - \$273 = \$777
 \end{aligned}$$

Next, the reduced pension amount of \$777 is actuarially adjusted for the 100% Joint and Survivor Benefit Option. Based on actuarial tables used by the Plan and the ages of the Participant and spouse, the monthly pension would be 85% of \$777. The amount of reduction depends on the age of the Participant and spouse.

$$\$777 \times .85 = \$660.45$$

The spouse would receive \$660.45 per month for life.

Death Benefits after Retirement

If you die after you retire, the death benefit payable to your beneficiary or spouse will be determined based on the payment form you elected at retirement.

For example, if your benefit was payable as a Five-Year Certain and Life Option and you died three years after your benefit began; your beneficiary would receive the remaining two years of payments. If the amount of your Accumulated Contributions is more than the benefits owed to your beneficiary (plus any benefits previously paid to you), your beneficiary would receive your Accumulated Contributions in a lump sum payment instead of the remaining two years of payments under the Five-Year Certain and Life Benefit.

The payments continuing to your spouse or beneficiary are discussed in detail in Section 7, “**Benefit Payment Forms**”.

7. BENEFIT PAYMENT FORMS

It is important to note that all the benefit options offered under the Plan contain a Modified Cash Refund. This means that if you and/or your beneficiary die before the amount of payments made under the Plan exceed your Accumulated Contributions, your beneficiary will receive the difference in a lump sum payment.

Normal Form of Benefit

The normal form of payment of your pension under this Plan is a Five-Year Certain and Life Benefit. The Five-Year Certain and Life Benefit is payable for your life, with a guarantee that if you die before receiving 60 payments, that your named beneficiary would receive the remaining payments. This form of benefit applies to regular, early or vested pensions, but not Disability Benefits.

Instead of the normal form, you may elect any of the optional forms listed below if you retire on an Early or Normal Retirement Pension.

Optional Forms of Pension Payments

Joint and Survivor Benefit Option (Straight)

You may elect a Joint and Survivor Benefit Option in lieu of the Normal Form. The Joint and Survivor Benefit Option provides a reduced monthly pension to you and, when you die, payments will continue to a joint payee named as the beneficiary for the remainder of his or her life. Usually the joint payee is your spouse, but anyone may be named. You may choose a 10%, 25%, 50%, 66 2/3%, 75% or 100% continuation in your monthly benefit to your joint payee. It is important for you to know that your monthly pension amount will be reduced to accommodate for this option. The amount your pension is reduced depends on the age of you and your joint payee and which level of continuation you choose. If the age of your joint

payee (generally a child), would require an actuarial reduction of more than 50% of your pension benefit, you will not be allowed to name the beneficiary under this option.

If you and your joint payee die before receiving total Pension payments at least equal to your Accumulated Contributions, the balance will be paid to the beneficiary that had been named by you.

EXAMPLE

The following examples illustrate your estimated pension amount and the amount payable upon your death under each of the Joint and Survivor Benefit Options. The Plan uses actuarial factors to determine this amount which varies based on your age and the age of your joint payee when you retire. **In these examples, we assumed that both you and your joint payee are age 65 and that your Normal Retirement Pension is calculated to be a monthly amount of \$1,541.66.**

Option	Your Benefit If Option is Elected	Joint Payee's Benefit Upon Your Death
100% Joint and Survivor Benefit	\$ 1,204.04	\$1,204.04
75% Joint and Survivor Benefit	\$ 1,273.41	\$ 955.06
66 2/3% Joint and Survivor Benefit	\$ 1,298.08	\$ 865.43
50% Joint and Survivor Benefit	\$ 1,352.04	\$ 676.02
25% Joint and Survivor Benefit	\$ 1,439.91	\$ 359.98
10% Joint and Survivor Benefit	\$ 1,500.04	\$ 150.00

It is important to note that federal law places limits on the amount of death benefit that can be paid to a joint payee other than your spouse. If you are naming a young beneficiary to receive benefits upon your death, your choices may be limited. The District will notify you if this situation occurs.

Joint Pop-Up Benefit Option

You may elect a Joint Pop-Up Benefit Option in lieu of the Normal Form. The Joint Pop-Up Benefit Option is similar to the Joint and Survivor Benefit Option in that it provides a reduced monthly pension to you and, when you die, payments will continue to a joint payee named as the beneficiary for the remainder of his or her life. However, with the Joint Pop-Up Option, if your joint payee dies before you do, your pension will be prospectively increased to the amount that would have been paid under the Normal Form (a Five-Year Certain and Life Benefit), without the guarantee of 60 payments to another beneficiary. **You may only select your spouse as your joint-payee under this option.**

You may choose a 10%, 25%, 50%, 66 2/3%, 75% or 100% continuation in your monthly benefit to your spouse. The amount your pension is reduced depends on the age of you and your spouse and which level of continuation you choose.

If you and your spouse die before receiving total Pension payments at least equal to your Accumulated Contributions, the balance will be paid to a beneficiary named by you.

EXAMPLE

The following examples illustrate your estimated pension amount and the amount payable upon your death under each of the Joint Pop-Up Benefit Options. The Plan uses actuarial factors to determine this amount which varies based on your age and the age of your spouse when you retire. **In these examples, we assumed that both you and your spouse are age 65 and that your Normal Retirement Pension is calculated to be a monthly amount of \$1,541.66.**

Option	Your Benefit If Option is Elected	Spouse's Benefit Upon Your Death	Your Benefit If Spouse Dies First
100% Joint Pop-Up Benefit	\$ 1,160.87	\$ 1,160.87	\$ 1,541.66
75% Joint Pop-Up Benefit	\$ 1,237.95	\$ 928.46	\$ 1,541.66
66 2/3% Joint Pop-Up Benefit	\$ 1,265.70	\$ 843.84	\$ 1,541.66
50% Joint Pop-Up Benefit	\$ 1,324.29	\$ 662.14	\$ 1,541.66
25% Joint Pop-Up Benefit	\$ 1,424.49	\$ 356.12	\$ 1,541.66
10% Joint Pop-Up Benefit	\$ 1,492.33	\$ 149.23	\$ 1,541.66

Ten Year Certain and Life Option

You may elect a reduced pension which will be paid for a minimum of at least 120 months and continue for your lifetime. If you die before receiving at least 120 monthly pension payments, the remainder of the 120 payments will be made to your beneficiary. If you live beyond the 120-month period, payments will continue to be paid to you for as long as you live. If you and your beneficiary die before receiving a total of 120 pension payments, the value of any remaining unpaid payments will be paid in a lump sum to a beneficiary named by you. If you die after receiving 120 payments and the total paid to you does not exceed your Accumulated Contributions, then your beneficiary will receive a lump sum payment equal to the difference between the total benefits paid to you and your Accumulated Contributions.

EXAMPLE

The following example illustrates your estimated pension amount and the amount payable upon your death under the Ten Year Certain and Life Option. The Plan uses

actuarial factors to determine this amount which varies based on your age when you retire. **In this example, we assumed that you are age 65 and that your Normal Retirement Pension is calculated to be a monthly amount of \$1,541.66**

If you elect a Ten Year Certain and Life Option, your monthly pension would be reduced to \$1,444.54. Upon your death, your beneficiary's monthly payment would be \$1,444.54.

Note: Your benefits are payable for your life only. However, benefits are payable to a beneficiary until a total of 120 payments have been made collectively between you and the beneficiary. If you die after receiving 120 or more payments, **no** death benefits are payable to your beneficiary.

Social Security Adjustment Option

You may elect the Social Security Adjustment Option if you retire earlier than age 65. **If you elect this option, you receive a higher pension benefit from the District initially before social security payments begin, and a reduced pension (or no pension) after your social security retirement date, depending on the amount of your social security benefit.** The intent is to make your total retirement income (including social security) fairly uniform throughout your retirement. If you die before receiving an amount at least equal to your Accumulated Contributions the balance will be paid to your beneficiary. In order to elect this option, you must be retiring before the age when social security benefits are expected to begin (either age 62 or 65). **It is important to note that no death benefit is payable to a spouse or beneficiary under this option.**

EXAMPLE

The following example illustrates your estimated pension amount under the Social Security Adjustment Option. **In this example, we assumed that you are age 57 and that your Normal Retirement Pension is calculated to be a monthly amount of \$1,541.66. We also assumed that your age and service equal 85, so there would be no early retirement reduction to your pension. In this example we have also assumed that you will receive social security benefits of \$1,019 per month beginning at age 62.**

The following steps illustrate how the Social Security Adjustment Option is calculated:

Step 1. Determine whether you want your social security benefits to begin at age 62 or age 65.

Step 2. Get an estimate of your social security benefit from the Social Security Administration for the age you want to begin receiving social security benefits. Provide this information to Human Resources so that your benefit under the Social Security Adjustment Option can be calculated.

Step 3. Using actuarial factors in the Plan, your District pension is increased by a percentage of your estimated social security benefits. The actuarial factors take into account the number of years you are retiring early and the age at which you want social security benefits to begin.

EXAMPLE

Your social security benefits are estimated to be \$1,019 at age 62 and you are retiring at age 57. Using the plan factor of 66.7%, your District pension is increased as follows:

$$\begin{aligned} \$1,019 \times 66.7\% &= \$679.67 \\ \$1,541.66 + \$679.67 &= \$2,221.33. \end{aligned}$$

You would receive from the District a pension of \$2,221.33 beginning from age 57 until you reach age 62. The first day of the month following your 62nd birthday, your District pension would then be reduced by the amount of your original estimated social security benefit of \$1,019 as follows:

$$\$2,221.33 - \$1,019 = \$1,202.33.$$

Your new pension amount from the District beginning at age 62 would be \$1,202.33. You would also begin receiving social security benefits of \$1,019 for a total monthly benefit of \$2,221.33. As you can see, the result is that you would have a level income over your retirement.

If you did not choose the Social Security Adjustment Option, your retirement income would be illustrated as follows:

Retirement Income From Age 57 to 62

the District Pension:	\$ 1,541.66
Social Security:	0
Total	\$ 1,541.66

Retirement Income Beginning at Age 62

the District Pension:	\$ 1,541.66
Social Security:	1,019.00
Total	\$ 2,560.66

Important: Once you elect this option, and begin receiving payments, it cannot be changed, even if you work elsewhere and your social security income goes up, the calculation and benefit will not change. You do not get to elect a new payment option when you reach age 62 or 65. Even if you later change your mind about when you want social security benefits to begin (for example, you originally said age 62 but later changed your mind to age 65), your benefit from the District will still be reduced beginning at age 62. Additionally, there are no death benefits payable under this option.

General Information Regarding Benefit Options

If the amount of any payment option you elect is \$20 a month or less, you will receive your benefit as a lump sum payment.

You should discuss with Human Resources the differences in benefit options and how they may affect your monthly benefit and that of your spouse or beneficiary.

Prior to your Normal Retirement Date, you will be requested to complete a form indicating how you wish to receive your pension payments. Before your pension payments begin, you may revoke any form of pension payment you have elected. **However, once payments start, you can never change your election.**

8. GENERAL PROVISIONS

Plan

Your rights and benefits under the Plan outlined in this booklet are subject to the terms of the Plan. A copy of the Plan is available in the Human Resources Department for inspection at any time during the business day.

Assignment and Claims of Creditors

Pension and other benefits are nonassignable and are exempt from the claims of creditors to the maximum extent permitted by law. The only exceptions to this rule are IRS tax liens and Approved Domestic Relations Orders. Domestic Relations Orders are court documents that require the Plan to pay a portion of your retirement benefit to a spouse or child. The District maintains written procedures that govern the administration and approval of Domestic Relations Orders. If you and your spouse are contemplating divorce, you should contact Human Resources and request a copy of the applicable procedures.

Loans

You may not receive loans, hardship distributions or withdrawals under the Plan while you are a Participant. You may not use your contributions as collateral.

Mandatory Distributions

If you are age 65 and no longer an active Employee of the District, you must begin receiving your pension on the first day of the month following your 65th birthday. If you are still an active Employee of the District and you are older than 65, your benefits will begin as soon as you leave employment with the District.

Notice and Facts

You will promptly furnish information and proof to the District as to any and all facts that may reasonably be required concerning any person affected by the terms of the Plan (including, among other things, proof of date of birth, proof of marriage or divorce).

Small Pensions

If the actuarial present value of your pension is less than \$5,000, the District will pay your benefit in one lump sum upon your termination, even if you are vested.

Change of Beneficiary

You may change your beneficiary at any time prior to retirement by filing with Human Resources a written request on forms furnished by Human Resources.

Rights to Employment

The Plan does not give you any right to be retained in the service of the District or any rights to benefits except those to which you are specifically entitled by the terms of the Plan.

Taxes on Pension Benefit

There may be a federal tax due on your Pension benefit. The part of the Pension benefit which represents the amount you contributed before January 1, 1985 is **not** taxable, because your contributions to the Plan were made on an after-tax basis; however, the amount represented by your contributions on and after January 1, 1985 and by all District contributions and interest is taxable. Federal law requires that a portion of each Pension payment will be treated as a return of your contributions and will **not** be taxed; however, the remaining portion will be treated as taxable income at the end of each calendar year when you file your federal income tax form. When you retire, you will be provided with information on the taxable and nontaxable portion of your Pension benefit. Your Pension benefit may also be subject to Connecticut State income tax.

9. APPLICATION FOR BENEFITS

When you are eligible to retire, you must complete an Application for Benefits to Human Resources at least 30 days, but no more than 90 days before your retirement date. This gives the District time to process your application before payments are to start. Forms will be furnished for your application, and you are asked to fill out the forms completely and properly. You will also be required to submit proof of your age by furnishing a birth certificate or other evidence acceptable to the District.

If you are applying for a Disability Benefit, you must provide proof of disability and certification from your physician before the District will consider your request.

If you are electing a Joint and Survivor or Joint Pop-Up Benefit Option, you will also need to supply the birth certificate of the joint payee and a marriage certificate (if applying for the Joint Pop-Up Option).

10. FUTURE OF THE PLAN

The District intends to continue the Plan indefinitely. However, the District and the Personnel, Pension and Insurance Committee reserve the right to change, suspend or terminate the Plan at any time.

No change in the Plan will affect in any way pensions already provided except as may be made in accordance with an applicable law. Also, no suspension or termination of the Plan will affect in any way the pensions already provided, except as may be necessary for the purposes of meeting the qualification or other requirements of the Federal Internal Revenue Code, or any other applicable law.

If the Plan is terminated, your contributions with interest will be applied to purchase a Pension for you with payments beginning on your Normal Retirement Date. If your employment ends after the Plan is terminated, you may elect to withdraw your contributions with interest, and the Pension which could have been provided by such amounts will be canceled.

The benefits under the Plan are not covered under the Pension Benefit Guaranty Corporation. The coverage provided by the Pension Benefit Guaranty Corporation does not apply to governmental plans.

ESTIMATING YOUR RETIREMENT BENEFIT

This worksheet will help you estimate your retirement benefits at both normal and early retirement. **It is important to note that these calculations are based on the Normal Form of benefit. If you elect another form of benefit, your benefit will be actuarially adjusted to reflect the optional form you choose.**

1. Determine your Final Average Earnings (FAE):

Add together your consecutive highest three years of Earnings (or most recent 36 months) out of the last 10 years. Be sure to include up to 50 accumulated sick days or vacation days in the calculation). To determine the value of your accumulated sick days or vacation days, multiply your current hourly rate by 8 (or 7.5 if applicable), then by the number of accumulated days you have (up to 50). Example: $\$15.00 \times 8 = \120 ; $\$120 \times 50 = \$6,000$. \$6,000 would be added to your FAE.

_____ (1)
_____ (2)
_____ (3)
_____ (4) = _____
Total

Divide the total by 3 to get your FAE

_____ (FAE)

2. Multiply your FAE by 2%

_____ (FAE) $\times .02 =$ _____ (a)

Divide the result (a) by 12

_____ (a) $\div 12 =$ _____ (b)

3. Multiply the result (b) by your years of Credited Service (CS)

(Note: you cannot use more than 32 years in this calculation.)

_____ (b) \times _____ (CS) = _____ (c)

The result (c) is your monthly Normal Retirement Pension.

If you are determining your Early Retirement Pension, perform steps 1 through 3 above, then continue with step 4.

4. First, add your age in full years and months with your Credited Service using full years and months. For example, if you are age 58 and 4 months and you have 18 years and 3 months of Credited Service, you would add 58 plus 18 = 76 plus 4 months plus 3 months = 7 months for a total of 76 years and 7 months. If the result is 85 or higher, your pension will not be reduced for early retirement. If the result is less than 85, continue with the rest of this section.

Determine the number of whole years your early retirement date is before age 65: _____ (d)

Multiply the result (d) by 5%:

$$\text{_____ (d)} \times .05 = \text{_____} \% \text{(e)}$$

Then determine the months (fractions count as whole months) for partial years: _____ (f)

Multiply the result (f) by 0.042%

$$\text{_____ (f)} \times .0042 = \text{_____} \% \text{(g)}$$

Add (e) and (g)

$$\text{_____} \% \text{(e)} + \text{_____} \% \text{(g)} = \text{_____} \% \text{(h)}$$

The result (h) is the percentage your pension will be reduced.

5. Multiply your Normal Retirement Pension Amount (c) by this percentage (h):

$$\text{_____ (c)} \times \text{_____} \% \text{(h)} = \text{_____} \text{ (i)}$$

The result (i) is the dollar amount your pension will be reduced each month.

Subtract (i) from your Normal Retirement Pension (c).

$$\text{_____ (c)} - \text{_____ (i)} = \text{_____}$$

The result is the amount of your Early Retirement Pension.

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