

EMPLOYEES RETIREMENT PLAN



SUMMARY OF PLAN PROVISIONS

TOWN OF NEWTOWN

EMPLOYEES RETIREMENT PLAN

(As amended and restated as of January 2, 2002)

Municipal Employees

Cyrenius H. Booth Library Employees

Board of Education Non-Certified Employees

Edmond Town Hall Board of Managers Employees

Newtown Health District Employees

Children's Adventure Center Employees

Newtown Youth and Family Services Employees

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INTRODUCTION

The Town of Newtown Retirement Plan is designed to supplement Social Security and personal savings to assist in providing financial security during your retirement years.

The cost of the plan is shared by you and the Town of Newtown. Participants contribute 2% of their base pay. The balance of the cost is paid by the Town.

This booklet has been written to help you understand how the Plan works. If you have any questions after reviewing this booklet, contact either Human Resources in the First Selectman's Office or the Town Pension Committee. The Pension Committee can be accessed through the First Selectman's Office or at one of their regular meetings. A schedule of Pension Committee meetings is available in the Town Clerk's Office or on the Town Website.

Please note that the Pension Plan document itself will be used as the official reference in case of any disputes.

In some instances this Plan is maintained under collective bargaining agreements. A copy of any such agreement may be obtained upon written request to the Office of Human Resources or the Town Clerk.

WHO CAN PARTICIPATE

You are eligible to join the plan if you are a full-time employee of:

The Town of Newtown

Cyrenius Booth Library

Board of Education (non-certified)

Edmond Town Hall Board of Managers

Newtown Health District

Children's Adventure Center

Newtown Youth and Family Services

and have completed at least six months of continuous service. The term "Town Employee" is used in this booklet to refer to any employee of these municipal agencies.

To join the Plan, you must complete an enrollment form and agree to contribute 2% of your base pay to the Plan. Overtime and other additional earnings are not counted towards this contribution.

Enrollment forms are available at the First Selectman's Office. In addition, you must enroll within 31 days of the date you become eligible in order to earn credit from your initial date of employment. Your participation in this Plan may affect your contribution to an Individual Retirement Account (IRA). You should consult your tax advisor to see if you are eligible for both the pension plan and an IRA.

WHEN CAN YOU RETIRE

You may retire and start to receive benefits from the Plan on your **Normal Retirement Date**, an **Early Retirement Date** or a **Late Retirement Date**. Benefits are payable after severance of employment and will be suspended if you are reemployed as a “Town Employee”.

1. **Normal Retirement Date:** Your Normal Retirement Date is the first day of the month following the earlier of your 65th birthday OR the completion of 30 years of credited service OR at the completion of five years of participation in the plan if later than age 65. If you retire on or after your Normal Retirement Date you will receive your full benefits earned under the Plan.
2. **Early Retirement Date:** If you have at least 20 years of service with the Town and have passed your 55th birthday, you may request retirement at an Early Retirement Date. Your request for Early Retirement must be approved by the Town. If you retire on or after your Early Retirement Date, but before your Normal Retirement Date, you may elect to receive benefits under the plan. However, each payment will be smaller because the same total will be given to you over a longer period of time. A Member who is eligible for Early Retirement and who also meets the eligibility requirements for Disability Retirement Benefits will receive benefits according to the provisions of the Disability retirement Benefits.

3. **Late Retirement Date:** With the approval of the Town, you may defer retirement and continue to work beyond your 65th birthday. In such cases, you will continue to contribute to the Plan and earn additional retirement benefits (up to the maximum of 30 years of credited service).

HOW BENEFITS ARE CALCULATED

When you retire, the monthly benefit under the Plan will be figured to the following formulas:

Regular Formula: The regular formula provides a benefit of 1.15% of your average earnings times your years and completed months of Credited Service (maximum of 30 years).

Alternate Formula: The alternate formula provides a benefit of 2% of your average earnings times your years and completed months of credited service (maximum of 30 years) minus 50% of your primary Social Security Benefit.

If you retire before your Normal Retirement Date, the amount calculated by these formulas will be reduced. If you retire on your Normal Retirement Date, prior to age 65, you will receive a Temporary Plan Benefit of 50% of your Primary Social Security Benefit. Your Primary Social Security Benefit will be based on your actual earnings up to your Normal Retirement and collection of your Social Security benefits beginning at your Social Security Normal Retirement Age (SSNRA). Such Temporary Plan Benefit shall cease the first day of the month in which you attain the age of 65.

No employee may continue working full-time and collect any benefit, including a temporary plan benefit. You must first terminate your employment as a full-time Town employee in order to receive retirement benefits.

Calculation of Average Earnings: Average Earnings are calculated by averaging your highest annual base pay received on any five consecutive July 1's while you were a participant in the Plan.

Calculation of Credited Service: Credited Service generally means the number of years and completed months you participated in and contributed to the Plan. It may be reduced by any leaves of absence which were unauthorized or more than two years long. Employees who joined the Plan when it first became effective on July 1, 1965 receive credit for service before that date. Employees who participate in the Plan when first eligible to do so will receive credited service from the initial date of full-time employment, i.e., the six-month waiting period will be converted to credited service.

Social Security Benefits: The Primary Social Security Benefit used in the Alternate Formula is the benefit payable directly to you and does not include benefits payable to your spouse or dependents. It is calculated based only on Town of Newtown earnings during your Service period with estimates of earnings from before your hire date and the assumption of no earnings after separation from the Town of Newtown. Your actual Social Security benefit is calculated by the Social Security Administration and could differ greatly from the benefit used for your Town of Newtown pension benefit.

Benefit Examples

1. **Normal Retirement Date:** Using your Normal Retirement Date, your pension will be the larger amount produced by either of two formulas. For example, suppose you retire at age 65 with 30 years of service and Average Earnings of \$1,250 per month. Here is how your monthly pension payments would be figured:

- a. Regular formula:

$$1.15\% \times \$1250 \times 30 \text{ years} = \$431.25/\text{mo}$$

- b. Alternate formula:

$$2.0\% \times \$1250 \times 30 \text{ years} = \$750/\text{mo}$$

$$\text{Less } 50\% \times \$554.90 = \$472.55/\text{mo}$$

In this case, the Alternate Formula would give you a higher monthly pension than the Regular Formula, so you would receive the higher benefit, \$472.55 per month, for the rest of your life. This amount will be changed if you select the Contingent Pension Option of payment. Now assume instead of age 65, you completed your 30 years of service and you are 60. You would receive the full monthly amount of \$750 until your 65th birthday. At that time, the plan benefit would drop to \$472.55 per month but you would also begin receiving benefits from Social Security as calculated by the Social Security Administration.

2. **Early Retirement Date:** If you choose early retirement, then your benefits are reduced. The reduction is a percentage based on the number of months until your

Normal Retirement Date (see Table 1 at the end of this booklet). The reduction is $\frac{1}{2}$ of 1% for each of the first 60 months and $\frac{3}{10}$ of 1% for each of the next 60 months between your Early Retirement Date and your Normal Retirement Date.

3. **Late Retirement Date:** If you choose late retirement, the amount of your benefit will be determined based on your Average Annual Compensation, Credited Service (up to a maximum of 30 years) and the Primary Social Security Benefit as of your Late Retirement Date. In addition, should your Late Retirement occur before your 65th birthday, you may be eligible to receive one-half of your Primary Social Security Benefit which will continue until the earlier of your death or 65th birthday.

HOW BENEFITS ARE PAID

Generally, benefits are payable on the first day of each month for your lifetime. If you should die prior to receiving benefits that are at least equal to your contributions plus interest up to the date of your retirement, the difference will be paid to your beneficiary.

The basic monthly pension benefit in the Plan for unmarried participants is a **Modified Cash Refund Annuity (MCRA)**. This benefit pays the Retiree for the remainder of his lifetime; however there is a guarantee that he (or his beneficiaries) will receive at least the amount of his contributions and interest (as of the date of his retirement).

If you are married, the normal benefit form payable to you is a **Joint and Survivor Annuity**. The Joint and Survivor Annuity is the actuarial equivalent of the MCRA annuity. Following the

members death, benefits will continue to the spouse at a rate equal to 50% of the benefit that had been paid to the member.

You may, however, choose to have your benefits paid under one of the following optional methods:

1. **Contingent Pensioner Option:** Under this option, your retirement benefit will be adjusted by the appropriate actuarial equivalent, and benefits will continue to be paid to your named beneficiary after your death and until your beneficiary dies. Your beneficiary receives a payment based upon his age and upon the option you select (100%, 66 2/3% or 50% of monthly benefit).
2. **Ten-Year Certain Option:** This option provides that if you should die before receiving benefits for at least 10 years, your beneficiary will receive the same benefits for the remainder of the 10-year period. If you live more than 10 years after retirement, you continue to receive benefits as usual.

If you choose one of these optional methods, normal Plan benefits will be adjusted actuarially to reflect the change in expected future payments. Actual adjustments will depend on your age and the age of your beneficiary (if applicable). Please refer to the pension plan document for full details, including other optional forms which are available.

IF YOU BECOME TOTALLY AND PERMANENTLY DISABLED

If you must cease work because of a total and permanent disability which prevents you from working at any job, and you have 10 or more years of service, you may be eligible for a disability benefit under the Plan.

The amount of your benefit will be determined by either the regular formula or the alternate formula using your years and months of credited service at your disability retirement date.

IF YOU DIE BEFORE RETIREMENT

If you should die before retirement and while a Plan participant, your beneficiary will receive a refund of your contributions, plus interest. Additionally, the spouse of a vested employee who dies prior to retirement maybe entitled to a spousal benefit in place of a return of contributions and interest.

IF YOU LEAVE BEFORE RETIREMENT

If you leave Town employment before retirement and are not vested, you will receive a refund of the contributions you made to the Plan, plus interest.

The annual rates of interest credited are:

| | |
|------------------------------------|------|
| Prior to July 1970 | 3.0% |
| July 1, 1970 through June 30, 1974 | 4.0% |
| July 1, 1974 and later | 5.5% |

However, if you have 10 or more years of service with the Town when you terminate, you may leave your contributions in the plan and receive the benefits earned up to your date termination. The distribution of these benefits would begin at your Normal Retirement Date or in a reduced amount at your Early Retirement Date, if applicable. **If you withdraw your contributions, you will forfeit your Town-funded benefits.**

SOCIAL SECURITY

You will receive Social Security payments in addition to your income from the Retirement Plan. Of course, in the case of the Alternate (2%) formula, a portion of these payments is used to calculate your retirement benefit. Since you and the Town share equally in the cost of Social Security, your retirement benefit is reduced by 50% of the Social Security payment you receive.

Full Social Security benefits are available at your Social Security retirement age; reduced amounts are payable as early as age 62.

In addition to retirement income, Social Security also pays disability and survivor's benefits to those who qualify. The local Social Security field office can give you full details.

PLAN CONTINUANCE

The Town of Newtown intends and expects to maintain this Plan on a permanent basis but reserves the right to amend or discontinue it, subject to any written agreements. No change, however, will adversely affect the payment of benefits then

being made to retired employees or their survivors from the assets of the trust underlying this Plan.

CLAIM PROCEDURE

You may request your retirement by advising Human Resources in the First Selectman's Office in writing. This office can also provide information regarding disability retirement as well.

If your claim for benefits is denied, either wholly or in part, you will be informed in writing about the specific reasons for the denial. You or your representative may then request a review, provided the request is in writing and made within 60 days of your receipt of the denial. You may also review pertinent documents and submit issues and comments in writing to the Pension Committee in care of the Office of the First Selectman.

The Pension Committee will give its decision within 60 days unless you are advised in writing that, because of special circumstances, additional time will be required. There is one important exception to the above review procedure. If you are covered by a collective bargaining agreement which provides for grievance and arbitration of pension benefit claims, including the determination of total and permanent disability, then the provisions of the collective bargaining agreement must be used to contest a decision.

OTHER INFORMATION

Plan Name: Town of Newtown Employees Retirement Plan

Type of Plan: Contributory Defined Benefit
Contributions are actuarially determined and the employer contributes the balance necessary after employees have made their contributions.

Legal Service: Town Clerk or First Selectman

Administration: This Plan is administered through a trust agreement. The trustees of the Plan are the Board of Selectmen.

Plan Records: The records for this Plan are kept on a fiscal year basis
(July 1 – June 30)

Payments of Benefits: Benefits of this Plan are paid from the assets of the trust

TABLE 1

| <u>Time until Normal Retirement</u> | <u>Percentage Reduction in Normal Benefit</u> |
|--|--|
| 10 yrs. (120 months) | 48.0% |
| 9 yrs. (108 months) | 44.4% |
| 8 yrs. (96 months) | 40.8% |
| 7 yrs. (84 months) | 37.2% |
| 6 yrs. (72 months) | 33.6% |
| 5 yrs. (60 months) | 30.0% |
| 4 yrs. (48 months) | 24.0% |
| 3 yrs. (36 months) | 18.0% |
| 2 yrs. (24 months) | 12.0% |
| 1 yr. (12 months) | 6.0% |