

The City of Milford Pension Plan is a **Defined Benefit Plan**. In a defined benefit plan, the pension benefit is fixed or predetermined based on salary and length of service.

Eligibility

All permanent employees of the City of Milford who work a minimum of 20 hours per week are eligible to participate in the Pension Plan. Temporary Employees, seasonal employees, subsidized employees, and teachers are not eligible to participate.

Participation in the retirement system for all employees is a condition of employment.

Contributions

The Cost To You:

You are required to contribute 2.25% of the first \$4,200 of your salary and 5% on the amount over \$4,200 (each fiscal year). See Example 1 below:

Example 1:

Your salary:	Your annual contribution:
\$25,000	\$1,134.50
\$27,500	\$1,259.50
\$30,000	\$1,384.50
\$32,500	\$1,509.50

and so on. The contributions are made through payroll deduction.

If you leave before retirement:

A member who leaves after participating in the system may have the option of vesting. Vesting entitles a member to receive a pension once he has attained retirement age as provided in the union's Pension Agreement in effect at the time of vesting. For vesting eligibility, please consult your union's Pension Agreement. Forms for vesting may be obtained in the Pension Office.

In the alternative, if you leave the employment of the City and are not eligible to vest or choose not to vest, our accumulated contributions will be returned to you with interest. Applications for Withdrawal and Refund of Contributions may be obtained in the Pension Office or in your department. Applications for Withdrawal and Refund of Contributions should be submitted as soon as possible after the member leaves the service of the City.

TYPES OF RETIREMENT BENEFITS

To meet the varying needs of members, there are a number of different types of retirement benefits under your program. They are as follows:

- 1) Normal Retirement Benefit
- 2) Early Retirement Benefit
- 3) Service Connected Disability Retirement Benefit
- 4) Non Service Connected Disability Retirement Benefit

Normal Retirement Benefit

You are eligible for a Normal Retirement Benefit after you have:

- 1) Reached 60 years of age; and have at least the number of years of service with the City as provided by your union's Pension Agreement; or
- 2) Rule of 79. Combined age and service time total "79".

The normal retirement benefit depends upon your final average salary (based on your two highest fiscal years **or** last 24 months, whichever is higher) and your years of service with the City. You will receive an annual benefit of your final average salary multiplied by 2.25% times your years of service. See example 2 below:

Example 2:

If an employee had an average salary of \$25,000 and 20 years of service, his retirement benefit would be figured as follows:

$$\$25,000 \times 2.25\% = \$562.50$$

$$\$562.50 \times 20 \text{ years of service} = \$11,250$$

$$\text{Annual Pension} = \$11,250$$

This pension is, of course, in addition to your Social Security payments when the employee reaches the age requirement for Social Security.

Early Retirement Benefit:

You are eligible to retire with an Early Retirement Benefit after you have reached 50 years of age and have at least the number of years of service with the City as required by your union's Pension Agreement.

The amount of the Early Retirement Benefit is determined by computing the benefit to which the employee would be entitled to if he were eligible for Normal Retirement and reducing the amount by 4.5% for each year he is under the Normal Retirement eligibility.

See example 3 below:

Example 3:

Suppose an employee would be entitled to a yearly benefit of \$9,000 based upon his salary and years of service. If the employee retired at age 55, with 15 years of service, he would be 5 years under the Normal Retirement eligibility. Therefore, his early retirement penalty would be as follows:

$$\begin{aligned} 5 \text{ years} \times 4.5\% &= 22.5\% \text{ (Penalty)} \\ 22.5\% \times \$9,000 &= \$2,025 \text{ (Early Penalty Amount)} \\ \$9,000 - \$2,025 &= \$6,975 \text{ (Annual Pension)} \end{aligned}$$

This pension is, of course, in addition to your Social Security payments when the employee reaches the age requirement for Social Security.

Service Connected Disability Retirement:

Provides retirement benefits if an employee is permanently and totally disabled from any and all types of employment as a result of a work related injury occurring during the course of his employment with the City, regardless of age and length of service with the City. Retirement benefits for a Service Connected Disability are 66 2/3% of your base annual salary at the time of injury. See example 4 below:

Example 4:

If your annual rate of pay was \$25,000, you would receive:

$$\$25,000 \times 66.67\% = \$16,667.50 \text{ (Annual Pension)}$$

Non-Service Connected Disability:

Provides retirement benefits if an employee is permanently and totally disabled from any and all types of employment as a result of an injury which is NOT the result of his employment with the City. The amount of the benefit is computed in the same manner as the Normal Retirement Benefit. There is no reduction in the computed benefit because of age. TO be eligible for the benefit, you must be a current employee of the City and have at least the number of years of service with the City as required by your union's Pension Agreement.

To be considered **totally and permanently disabled from earning any compensation** under the Disability Retirement benefit (service or non-service), you must submit to an examination by at least two impartial physicians in the field of the nature of the disability.

PROTECTION FOR YOUR DEPENDENTS

In order to assist employees in protecting their dependents, there are two forms of survivor benefits:

- 1) Contingent Annuitant Option
- 2) Survivor's Benefits

Contingent Annuitant Option:

The purpose of this option is to protect one's dependents upon your death. If you elect this option, you will receive a reduced pension with the provision that a percentage of such reduced benefit will continue after your death to your named dependent (known as the Contingent Annuitant) during his/her remaining lifetime. The available options are as follows: (1) 100% CA Option. This pays a reduced amount to you for life and the same amount to your Contingent Annuitant; (2) 75% CA Option. This pays a reduced amount to you for life and 75% of the reduced amount to your Contingent Annuitant; and (3) 50% CA Option. This pays a reduced amount to you for life and 50% of the reduced amount to your Contingent Annuitant. See Example 5, next page:

Example 5:

Employee Age at Retirement: 60

Contingent Annuitant Age at Retirement: 58

I. FISCAL YEAR SALARY (Two Highest Years)

a.	\$37,750.00	99/00	Last day worked:	6/30/2001
b.	\$35,000.00	98/99	Date of Hire:	6/30/1981
	<u>\$72,750.00</u>		Retirement Date:	07/01/2001

Total Service: 20 yrs; 0 mos; 0 days

2. PREVIOUS 24 MONTHS: \$71,000.00

(USING #1)

\$72,750.00 divided by 2= \$36,375.00

AVERAGE ANNUAL SALARY

\$36,375.00 * 2.25% =

\$818.44	divided by 12 =	\$68.20	divided by 30 =	\$2.27
A/per year		B/per mo		C/per day

YEARS

\$818.44	20	\$16,368.75
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MONTHS

\$68.20	0	\$0.00
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DAYS

\$2.27	0	<u>\$0.00</u>
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RETIREE GETS (MONTHLY)	SURVIVOR GETS (MONTHLY)
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FULL BENEFIT	\$16,368.75		\$1,364.06	\$0.00
Reduced for 50% Contingent Annuitant	\$14,920.93	91.155%	\$1,243.41	\$621.71
Reduced for 75% Contingent Annuitant	\$14,289.10	87.295%	\$1,190.76	\$893.07
Reduced for 100% Contingent Annuitant	\$13,708.50	83.748%	\$1,142.38	\$1,142.38

The amount of the adjusted benefit under this option is actuarially determined based on your percentage election, your age and the age of your Contingent Annuitant. The 100% option has the largest reduction whereas the 50% option has the lowest reduction.

This option will take effect only if you and your Contingent Annuitant are both alive on the effective date (retirement date). If the Contingent Annuitant dies after you have retired, you will continue to receive the reduced pension for your lifetime. However, if the Contingent Annuitant dies prior to your actual retirement date, or in case of a spouse, either party is granted a divorce, the contingent annuitant option is automatically revoked, and upon your retirement you will receive your normal retirement benefit.

A request for the Contingent Annuitant option should be made at least one year prior to your retirement. Any requests submitted less than one year before your retirement date require a physician's note evidencing you are in good health. This option may be revoked or modified, with an acknowledgement of such revocation or modification from the Contingent Annuitant. However, any revocation or modification that is made less than one year before your

retirement date requires a physician's note evidencing that the Contingent Annuitant is in good health.

Survivor's Benefit:

If an employee has at least the number of years service with the City as required by their union's Pension Agreement, and dies prior to retirement and if on the date of death the employee is married, the surviving spouse shall receive a benefit for life. Said benefit shall be based on the 50% Contingent Annuitant. See Example 5 above.

HOW TO APPLY FOR BENEFITS

Once you have met the requirements for benefits, you should make formal application to the Pension & Retirement Board when you want to retire. The application must be made at least two months in advance of the day that you plan to retire. You can, of course, work right up to the day you retire. Your application must be submitted in order for the Pension & Retirement Board to process the application and calculate the benefit. Application forms may be obtained in the Pension Office.