

TOWN OF ESSEX  
POLICE RETIREMENT PLAN

Summary Plan Description

November 2017

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## **General Information**

The Town of Essex Employees' Pension Plan was originally adopted and effective as of July 1, 1969. The Town of Essex ("Town") established the Town of Essex Police Retirement Fund (the "Plan") to provide retirement benefits to full-time, permanent members of the Town of Essex Police Department. Effective July 1, 2011, the plan was amended and restated in its entirety to reflect current laws and regulations.

This booklet serves as your Summary Plan Description of the Plan. The summary is intended to provide you with an easy-to-understand explanation of your retirement benefits. The Plan itself is set forth in a long legal document. Every effort has been made to make this Summary Plan Description of the Plan as complete and accurate as possible. However, if any conflict should arise between this explanation and the actual Plan, or if any provision of either is not covered in this description or is only partially covered, the terms of the actual Plan will govern in all cases.

The Plan Administrator has the power to construe and interpret the Plan and decide all questions that may arise with respect to any past or present Employees and their Beneficiaries in connection with the Plan.

## **Type of Plan**

The Plan is a defined benefit plan. It is intended to be a qualified plan under the terms of Section 401(a) of the Code. The Plan is meant to be a governmental plan, as defined in Section 414(d) of the Code. The Plan is maintained for the exclusive benefit of eligible employees and their beneficiaries. The Town makes contributions to a Trust Fund in order to provide Participants with a definitely determinable benefit at retirement.

## **Eligibility and Participation**

Any full-time, regular employees of the Town Police Department are eligible to participant in this Plan. The following are not eligible to participant in this Plan: (i) temporary employees, (ii) school guards, (iii) dog wardens/animal control officers, (iv) auxiliary police, (v) fire police, and (vi) police boat drivers. An individual is a "full-time" employee if he is regularly scheduled to work at least thirty (30) hours per week and is regularly employed twelve (12) months per year.

You are eligible to participate in this Plan if you are an eligible employee who was hired on or before June 30, 2001 and you became a Participant in the Plan as of that date. If you were hired on or after July 1, 2001, you will become a Participant in this Plan on the date you first performed an hour of service for the Town as a police officer unless you make an irrevocable election at the time you are hired not to participate in the Plan.

You will no longer be a Participant in this Plan if (i) you are a non-vested Participant and you cease to be an Eligible Employee; (ii) you die prior to Retirement; or (iii) you retire under this Plan.

## **Contributions to the Plan**

### *Participant Contributions*

Participants make a three percent (3%) contribution of their straight-time and overtime pay by payroll deduction each pay period which is “picked up” by the Town. In other words, such contributions are made by Participants on a pre-tax basis.

### *Town Contributions*

The Town plans and intends to contribute funds to the Trust Fund in an amount equal to what the Town’s actuary informs the Town is necessary to provide the benefits that have accrued to Participants of the Plan.

### *Contributions for Periods Spent in Military Service*

If you are absent from employment with the Town due to qualified military service, as defined in Section 414(u) of the Code, you shall have the option of making up the Participant Contributions that you would have made had you not been engaged in qualified military service upon your return to employment with the Town.

You shall have a period equal to the lesser of three times your length of service or five years to make-up your Participant Contributions as described above. Such period shall begin on the date you return to employment with the Town. You shall receive Credited Service for such period in which you engaged in qualified military service by making a three percent (3%) contribution of your Earnings during such period.

If you do not elect to make contributions to the Plan for periods during which you were engaged in qualified military service, you will not receive Credited Service for the period of qualified military service.

For determining the amount of your make-up contributions, “Earnings” shall be equal to the base pay of an Eligible Employee for that Plan Year who is employed at the same rank and on the same step as you would be if not engaged in qualified military service.

### *Special Participant Contributions*

You may purchase additional years of Credited Service for time spent in past service that qualifies as employment of a similar nature with any state, municipal, or Federal government (excluding qualified military service). To receive credit for such other past service, the following conditions must be satisfied:

- (a) no more than six (6) months may elapse between such prior qualifying service and service with the Town; and
- (b) you must become vested under this Plan with five (5) years of Credited Service.

You may purchase one (1) additional year of Credited Service for each continuing year of employment with the Town after becoming vested in your Accrued Benefit. You may not purchase more than ten (10) years of Credited Service.

Notwithstanding the foregoing, you may not purchase additional years of Credited Service for any past employment with respect to which you have acquired a vested pension right.

The Retirement Board shall determine in its sole discretion whether you are eligible to purchase additional years of Credited Service for time spent in past service.

The manner in which you shall be able to purchase such additional Credited Service shall be determined by the Retirement Board. The cost of any such purchase shall be determined by the Plan's actuary on a cost neutral basis.

## **Retirement**

### *Normal Retirement Date*

Your Normal Retirement Date is the first day of the month coinciding with or next following the earlier of your attainment of age fifty-five (55) or the date you complete twenty (20) Years of Credited Service. You will be fully vested on your Normal Retirement Date.

### *Early Retirement Date*

Your Early Retirement Date is the date which you terminate employment after you have completed five (5) Years of Credited Service.

### *Disability Retirement Date*

Your Disability Retirement Date is the date which you become disabled and terminate employment due to your disability.

### *Deferred Retirement Date*

You may continue to work beyond your Normal Retirement Date and continue to accrue Years of Credited Service (up to a maximum of twenty-five (25) Years of Credited Service). You may not work beyond age sixty (60).

## **Retirement Benefits**

### **DEFINITIONS**

*Accumulated Contributions* means your contributions as of any date based on your total contributions, plus interest. Interest on your contributions shall be compounded annually from the July 1 following the Plan Year for which the contribution was made to the date of determination. Interest shall be compounded annually each July 1 at the normal passbook rate paid by the Essex Savings Bank (or its successor) on such date compounded annually from the

end of the Plan Year in which each contribution was made up to the anniversary of the Plan immediately preceding the termination, disability, retirement or death of the Eligible Employee.

*Accrued Benefit* means the annual retirement pension (Normal Retirement Pension) payable to you on your Normal Retirement Date which you are deemed to have earned at any date prior to your Normal Retirement Date (hereinafter the “date of determination”) based upon your Average Earnings as of the date of determination multiplied by the number of Years of Credited Service to the date of determination.

*Average Earnings* means the annual salary or wage received from the Town as adjusted by those items listed on Schedule A. Average Earnings shall be calculated by adding your annual salary or wage, as determined above, over the last forty-eight (48) consecutive calendar months of employment prior to retirement and dividing that number by four (4). For purposes of determining Average Earnings, your annual salary or wages for any calendar year shall not include compensation in excess of \$270,000 (for 2017) increased as permitted under the Code to reflect cost-of-living adjustments.

*Credited Service* means the period of uninterrupted employment of a Participant with the Town. Credited Service with the Town shall not be interrupted in the event of: (a) absence with consent of the Town or absence from employment because of occupational injury or illness (during any period not in excess of twelve (12) consecutive calendar months, except that the Town may consent to extend the period of leave), and, to the extent not covered by the foregoing, any period of absence which constitutes leave permitted under the Family and Medical Leave Act of 1993; or (b) a lay-off whereby the Eligible Employee returns to active service with the Town within ten (10) days after he has been recalled. Any Participant whose employment terminates or is terminated shall lose all rights to benefits under this Plan, except as provided under the Retirement Benefit Payment Options. If a Disabled Employee returns to active employment with the Town, without, in the interim, having accepted any full-time employment elsewhere, he shall have his Credited Service restored upon his reemployment.

Notwithstanding any provision of this Plan to the contrary, Credited Service with respect to any Eligible Employee engaged in qualified military service will be provided in accordance with Section 414(u) of the Code.

#### *Normal Retirement Pension*

Your Normal Retirement Pension shall be an annuity for life using the following formulae to determine the amount of your Normal Retirement Pension:

- (a) If you complete less than twenty (20) years of Credited Service:
  - (i) 2.5% of your Average Earnings, multiplied by
  - (ii) your total number of years of Credited Service.
- (b) If you complete twenty (20) or more years of Credited Service:

(i) 2.5% of your Average Earnings for the first twenty (20) years of Credited Service plus 2% of your Average Earnings for each year of Credited Service over 20 years, multiplied by

(ii) your total number of years of Credited Service.

Your annual pension shall not exceed sixty percent (60%) of your Average Earnings at the time of your Normal Retirement Date.

#### *Early Retirement Benefit*

The monthly amount of your pension benefit when you retire on your Early Retirement Date shall be equal to:

(a) Your pension benefit as calculated using the applicable Normal Retirement Pension formulae reduced by

(b) 0.5% for each month by which your Early Retirement Date precedes your Normal Retirement Date.

#### *Deferred Retirement Benefit*

Your Deferred Retirement Pension is an amount computed in accordance with the applicable Normal Retirement Pension formulae but based upon Average Earnings and years of Credited Service at the Deferred Retirement Date.

### **Disability Benefits**

Should you be found, in the opinion of the Retirement Board, to suffer from any physical or mental condition that (i) originated while you were in the active service of the Town, (ii) you are expected to be disabled permanently, and (iii) you are prevented from performing your usual duties of employment, or such other duties as are acceptable to the Retirement Board, you will be eligible for a Disability Pension. The amount of Disability pension is an amount computed in accordance with the applicable Normal Retirement Pension formulae but based on your Average Earnings and years of Credited Service at the time of Disability. Notwithstanding the foregoing, if you retire as a result of your Disability incurred as a result of performing duties as a member of the Town Police you shall receive a Disability pension benefit of seventy-five percent (75%) of your Average Earnings at the time of your Disability.

(a) At the Retirement Board's discretion, if you are receiving Disability pension benefits you will be required to undergo a medical examination at such times as the board shall determine to be appropriate to verify the continuing nature of your Disability. If you are receiving Disability pension benefits and refuse to submit to such medical examinations, or submit any related information requested, the Retirement Board shall have the power to suspend or withhold the payment of any benefit until you submit to such examination or provide such information. If you are receiving Disability pension benefits and knowingly provide any false information or knowingly withhold any relevant information with respect to a claim for such benefits, your benefits shall immediately terminate.

(b) Upon the determination by the Retirement Board that a Participant receiving Disability pension benefits has recovered from such Disability sufficiently to have a percentage of his earning ability partially restored, the Participant's Disability pension benefits shall be reduced pro rata. No further reduction shall be made to the pension benefit of a Participant receiving reduced Disability pension benefits after the Participant's Normal Retirement Date but such reduced benefits shall continue after the Participant's Normal Retirement Date.

(c) If a Participant has reached his Early Retirement Date, in no event shall a Participant's reduced Disability pension benefit be less than the benefit that would be payable on his Early Retirement Date.

Notwithstanding the foregoing, your benefits may not exceed the limitations set forth in the Internal Revenue Code.

### **Termination of Employment**

Except as otherwise provided below, your nonforfeitable percentage of your Accrued Benefit shall be determined as follows:

<b>Years of Credited Service</b>	<b>Percentage of Accrued Benefit</b>
Less than 5	None
5 or more	100%

You will always be 100% vested in your Accumulated Contributions.

If you cease to be a Participant and your vesting percentage is greater than zero percent (0%) you shall be eligible for a pension benefit to commence on the Normal Retirement Date. The amount of your deferred monthly pension shall be based on the Plan as in effect on the last day on which you earned an Hour of Service and on Average Earnings and Years of Credited Service to the date you ceased to be a Participant.

If you are eligible for a pension benefit, and you have satisfied the years of Credited Service for early retirement at the time of separation from service, you may elect to commence benefits on your Early Retirement Date.

If the value of your pension benefit does not exceed \$1,000, the Retirement Board shall immediately distribute such benefit in a lump sum without your consent in lieu of any other payments under the Plan.

Upon termination of the Plan, your rights to your Accrued Benefit is one hundred percent (100%).

If you terminate employment, you may elect to receive a cash distribution of your Accumulated Contributions in a single lump sum payment at any time prior to the date payment

of your pension benefit begins in lieu of payment of any other benefit that you are entitled to under the Plan.

## **Death Benefit**

If you die while still employed by the Town, you shall have a death benefit paid to your Spouse. Your Spouse shall be entitled to a monthly pension with payment commencing on the first of the month coincident with or following death, equal to 100% of your Accrued Benefit calculated as though you had become Disabled and you were entitled to a pension due to Disability. The benefit is payable for the remainder of your Spouse's life.

If payment of benefits has not commenced and if the Actuarial Equivalent of your Spouse's benefit does not exceed \$1,000, the Retirement Board shall direct the Trustee to pay the benefit to your Spouse in a lump sum without your Spouse's consent.

No other death benefits shall be payable under the Plan.

## **Retirement Benefit Payment Options**

### *Forms of Benefit*

Straight Life Option: A pension shall be paid to you and continued each month for life with the provision that the last payment on your behalf shall be for the month in which death occurs.

If the value of your Accrued Benefit is less than \$1,000, the Retirement Board will direct the Trustee to distribute your Accrued Benefit in a lump sum without your consent in lieu of any other payment option under the Plan. Unless you elect a Direct Rollover, twenty percent (20%) of the distribution amount will be subject to Internal Revenue Service Income Tax Withholding.

## **Miscellaneous**

### *Can my benefits under the Plan be assigned?*

No pension or benefit payable at any time under this Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or encumbrance of any kind. Any attempt to otherwise alienate, sell, transfer, assign, pledge or otherwise encumber any such pension or benefit, whether presently or thereafter payable, shall be void. No pension or benefit, in any manner, shall be liable for or subject to the debts or liability of any Participant included in this Plan or of any designated Beneficiary. If any Employee included in this Plan or any Participant or designated Beneficiary shall attempt to or shall alienate, sell, assign, pledge, or otherwise encumber his rights, pension or benefits under this Plan or any part thereof, or if by reason of bankruptcy or otherwise the rights, pension or benefits of any Participant included in this Plan or of any designated Beneficiary would devolve upon anyone else or would not be enjoyed by him, then the Retirement Board, in its discretion may terminate his interest in any such right, pension or benefit and hold or apply it for his use or account or for the use or account

of his Spouse, children or other dependents or any of them in such manner as the Retirement Board deems proper.

*Can the Plan be amended or terminated?*

The Town intends to continue the Plan indefinitely; however, the Town reserves the right to amend or to terminate the Plan at any time. Upon termination of the Plan, all accrued benefits will be fully vested. In the case of termination, your benefit under the Plan will commence as provided under the Plan.

No such amendment or termination will make it possible for any part of the fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries, nor will any such amendment or termination adversely affect the rights of any Participant or Beneficiary with respect to contributions made before the date of such amendment. However, if the Plan is terminated and funds remain after all accrued benefits payable under the Plan have been paid, such remaining funds may revert to the Town.

*What can I do if I disagree with the amount of my benefit?*

Any person who has been denied a benefit under the Plan is entitled, upon request to the Town, to appeal the denial of his or her to the Town within sixty (60) days following the initial determination. Upon such appeal, the Town will, as soon as practicable, meet with and hear the position of the claimant. The Town will communicate a written decision to the claimant within sixty (60) days following such meeting.

*How is the Plan administered?*

The Retirement Board has the power to construe the Plan and to determine all questions that arise under it, including all questions relating to participation of employees in the benefits of the Trust. The decisions of the Retirement Board upon all matters within the scope of its authority are final.

The assets of the Plan are held in trust by the Trustee. The Town has the right to change the Trustee upon reasonable notice. The Trustee is responsible for the accounting of the Trust assets and may only make payments out of the Trust Fund upon written certification of the Town.

Except as otherwise noted earlier, the Town hopes to provide all funds required for the expenses of administering the Plan, including the fees and expenses of the Trustee. The Town pays all of the administrative expenses of the Plan.

## SCHEDULE A

### Items to be Included in “Average Earnings”

- Overtime
- Longevity
- Deferred Compensation Plan deductions
- Contributions to a cafeteria plan qualified under Section 125
  - Flexible Spending Account (FSA) deductions
  - Health & Dental Insurance premiums
- Contributions to Police Retirement Plan
- Elective contributions under Section 132(f)(4)
  - Qualified transportation deductions

### Items to be Excluded from “Average Earnings”

- Workers Compensation
- Private Duty Compensation
- Payments in lieu of insurance
- Reimbursement of business expenses
- Amounts paid for services not in the regular course of employment
- Imputed Income

### Examples of Imputed Income

*(list provides examples and should not be considered a complete list of imputed income items)*

- Taxable value of employer provided life insurance in excess of \$50,000
- Educational assistance above excluded amount
- Unsubstantiated employee business expense