

TOWN OF ESSEX
RETIREMENT PLAN

Summary Plan Description

November 2017

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GENERAL INFORMATION

On July 1, 1969, the Town of Essex (“Town”) established the Town of Essex Retirement Plan (the “Plan”). On July 1, 1991, the Plan was amended and restated and effective July 1, 2011, the plan was further amended and restated.

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 Town makes contributions to a Trust Fund in order to provide Participants with a definitely determinable benefit at retirement.

ELIGIBILITY AND PARTICIPATION

Employees of the Town, including appointed and elected Town officials are eligible to participant in this Plan. The following are not eligible to participant in this Plan: (i) those persons participating or eligible to participate in the State of Connecticut Teachers Retirement System; (ii) any employees who are eligible to participant in any other defined benefit plan contributed to by the Town or any defined contribution plan contributed to by the Town, including the Municipal Employees Retirement Fund as an employee of the Town; (iii) cafeteria employees of the Board of Education; (iv) para-educators at the Board of Education; (v) seasonal employees; (vi) temporary employees; and (vii) individuals employed by The Town of Essex Police Department as a police officer and any other individuals eligible to participate in the Town of Essex Employees’ Pension Plan (Police Retirement Fund). Participants who terminate employment with the Town and are subsequently rehired will be again be eligible to participate in this Plan.

You will become a Participant in this Plan as of the later of (i) your date of hire or (ii) your attainment of age twenty-one (21).

You will no longer be a Participant in this Plan if (i) you are a non-vested Participant who incurs a Break in Service in any Plan Year; (ii) you die prior to Retirement; or (iii) you retire under this Plan.

CONTRIBUTIONS TO THE PLAN

Participant Contributions

Participants do not make contributions to this Plan.

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. These contributions will be made at such times as the Town may determine, will be paid over to the Trust Fund and will be held and administered by the Trustee.

RETIREMENT

Normal Retirement Date

Your Normal Retirement Date is the first day of the month coinciding with or next following the date which you have attained age sixty-five (65) and completed five (5) 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 attain age fifty-five (55) and have completed fifteen (15) Years of Credited Service.

Disability Retirement Date

Your Disability Retirement Date is the date which you become disabled, attained age fifty-five (55) and completed as least fifteen (15) Years of Credited Service

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 forty (40) Years of Credited Service).

Rule of 90 Retirement Date

You may retire as if you attained your Normal Retirement Date when the sum of your age and Years of Credited Service equals ninety (90) or more.

In-Service Commencement Date

If you have attained the Normal Retirement Date and your regularly work less than thirty (30) hours per week you may elect to commence benefits while still working for the Town, even if you have not actually retired.

RETIREMENT BENEFITS

DEFINITIONS

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 Annual Compensation as of the date of determination multiplied by the number of Years of Credited Service (not to exceed forty (40) years) to the date of determination.

Annual Compensation means your wages, salaries, fees for services actually rendered during the calendar year in the course of employment with the Town (including, but not limited to overtime and longevity) as reported or to be reported on your Federal Income Tax Withholding Statement (Form W-2). The Form W-2 wages will then be subject to adjustment based on items as detailed in Schedule A. Schedule A items will be reviewed by the Retirement Board on a regular basis and updated as needed. Furthermore, Annual Compensation shall specifically not include amounts not paid by the Town (such as workers compensation), expense reimbursements, amounts paid for services not in the regular course of employment (i.e., compensation for services not included in the employees job description or services which have not been specifically permitted in writing by the First Selectman) or amounts which are imputed in income (See Schedule A). Annual Compensation shall not include Annual Compensation of an Employee in excess of \$270,000 (2017) (increased as permitted under Section 401(a)(17) of the Code to reflect cost-of-living adjustments).

Average Annual Compensation means your highest average Annual Compensation during the five (5) consecutive calendar years within your last ten (10) calendar years of employment with the Town.

In-Service Commencement Date is the date you elect to commence benefits while still working for the Town even if you have not actually retired, but only if you have attained the Normal Retirement Age and you are regularly scheduled to work less than thirty (30) hours per week.

Years of Credited Service means a Plan Year during which you completed not less than one thousand (1,000) Hours of Service; provided that if you became a Participant on or after May 1, 2012, you will be credited with a Year of Credited Service if during the Plan Year you completed not less than one thousand five hundred (1,500) Hours of Service. Notwithstanding the foregoing, if you became a Participant on or after May 1, 2012, and you are employed by the Essex Elementary Board of Education you will be credited with a Year of Credited Service if you are regularly scheduled to work at least 30 hours per week during the academic school year and you are employed during the entire academic school year. If you are not credited with a Year of Credited Service in the first or last year you are employed by the Town, you will receive credit for a pro rata Year of Credited Service based on the ratio of the number of completed months during such year to twelve (12).

Notwithstanding the foregoing, if you received a benefit on your In-Service Commencement Date you will be treated as if you became a Participant after May 1, 2012 with

regard to all Plan Years beginning on or after your In-Service Commencement Date. If your In-Service Commencement Date occurs on a date other than the last day of a Plan Year, your Years of Credited Service for such Plan Year shall be determined as follows:

- (a) with regard to the portion of the Plan Year occurring before your In-Service Commencement Date, you will receive credit for a pro rata Year of Credited Service based on the ratio of the number of completed months of such Plan Year occurring prior to your In-Service Commencement Date to twelve (12); and
- (b) with regard to the portion of the Plan Year occurring after your In-Service Commencement Date, you will receive credit for a pro-rata Year of Credited Service to the extent that your Hours of Service performed during the portion of the Plan Year occurring after your In-Service Commencement Date exceed one hundred twenty-five (125) times the number of completed months during such period.

Regardless of whether you elect to receive a Normal Retirement Pension, Early Retirement Benefit, Deferred Retirement Benefit or In-Service Commencement Benefit, in no event may the benefit you receive under this Plan exceed \$210,000 (2016) per year (adjusted by the Internal Revenue Service in future years for changes in the cost of living) and as adjusted in accordance with applicable rules to reflect commencement prior to or after your Normal Retirement Date.

Any benefits you receive from the Plan are in addition to any Social Security benefits you may receive.

You will not be entitled to receive benefits under this Plan until you have met the age and service requirements and have either retired or elected to receive a benefit on your In-Service Commencement Date.

Normal Retirement Pension

Your Normal Retirement Pension will be one-twelfth (1/12) of 1.4% of your Average Annual Compensation multiplied by your Years of Credited Service (not to exceed forty (40) years).

Early Retirement Benefit

Your Early Retirement Benefit is an amount computed in accordance with the formula for your Normal Retirement Pension but based on your Accrued Benefit, calculated using your Average Annual Compensation and Years of Credited Service to your actual retirement date and reduced in accordance with the following table:

Age	Reduction Accrued Benefit	Age	Reduction Accrued Benefit
64	6%	59	36%
63	12%	58	42%
62	18%	57	48%
61	24%	56	54%
60	30%	55	60%

Deferred Retirement Benefit

Your Deferred Retirement Benefit will be the amount of your Normal Retirement Pension calculated as of your Deferred Retirement Date.

In-Service Commencement Benefit

Your In-Service Commencement Benefit will be the amount of your Normal Retirement Pension or your Deferred Retirement Benefit, whichever is applicable, that you would have received had you opted to retire on your In-Service Commencement Date.

DISABILITY BENEFITS

Should you become injured while performing essential duties pertaining to your employment, you are eligible for a Disability Pension. The amount of Disability Pension is an amount computed in accordance with the Normal Retirement Pension formula but based on your Accrued Benefit, calculated using your Average Annual Compensation and Years of Credited Service to the Disability Retirement Date; provided, however, your Disability Pension Benefit shall be reduced by the amount of any Workers' Compensation benefits (except fixed statutory payments for the loss of any bodily member) payable to you with respect to your Disability to the extent that such benefits have been provided for the premiums or other payments paid by or at the expense of the Town; and further provided that deduction of such benefits shall be made only with respect to the period in which they are actually paid to you. In the case of a lump sum settlement under Workers' Compensation, the lump sum shall be divided by the weekly payment to which you are entitled to under Workers' Compensation in order to determine the period with respect to which Workers' Compensation benefits are payable.

Disability Pension benefits shall be terminated:

- (a) If you are retired and you engage in any regular gainful occupation or employment for remuneration or profit (except for purposes of rehabilitation);
- (b) If it is determined on the basis of a medical examination that you have sufficiently recovered to return to any regular work for the Town and you refuse an offer of employment by the Town; or
- (c) If you refuse to undergo a medical examination, provided that you may not be required to undergo a medical examination more often than semiannually.

On and after attainment of age sixty-five (65), the existence of Disability shall not be a factor in determining your rights under the Plan.

TERMINATION OF EMPLOYMENT

Except as otherwise provided below, for each Year of Vesting Service, your nonforfeitable percentage of your Accrued Benefit shall be determined as follows:

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

If you cease to be a Participant and your vesting percentage is greater than zero percent (0%) you shall be eligible for a Vested Deferred Pension 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 Annual Compensation and Years of Credited Service to the date you ceased to be a Participant.

If you are eligible for a Vested Deferred Pension benefit, and you have not attained the minimum age for early retirement at the time of separation from service but you have satisfied the Years of Credited Service requirement, you may elect to commence benefits on your Early Retirement Date.

If the value of your Vested Deferred 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 have no vested interest in your Retirement Benefit at the time you have a separation from service, you shall not be entitled to receive any benefits under the Plan.

DEATH BENEFIT

If you are married and have attained age fifty-five (55) and completed fifteen (15) Years of Credited Service and die prior to receiving benefits, a death benefit shall be paid to your Spouse provided you have been married for at least one (1) year prior to the date of death. The death benefit payable shall be a survivor annuity payable to your Spouse for life as if you had retired on the first day of the month in which you died.

If you are married and have not attained age fifty-five (55) but you have completed fifteen (15) Years of Credited Service, and you die before your Early Retirement Date, a death benefit will be paid to your Spouse starting on the first day of the month following the date you

would have attained age (55). The death benefit payable will be a survivor annuity payable to your Spouse for life as if you had separated from service on the date of death, survived to the Early Retirement Date and retired with the benefit on such date, and died on the day after the day on which you attained your Early Retirement Date, provided you had been married for at least one (1) year prior to the date of death.

If the present value of your vested Accrued Benefit is less than \$1,000, the Retirement Board shall direct the Trustee to pay the benefit in a lump sum distribution to your Beneficiary without your Beneficiary's consent in lieu of any other payments under the Plan.

If you are married and die while performing qualified military service (as defined in Code Section 414(u)) and you are eligible to receive a death benefit because you have fifteen (15) or more Years of Credited Service, you will be treated as if you had resumed employment and then terminated due to your death.

RETIREMENT BENEFIT PAYMENT OPTIONS

You must specify in your application whether you are applying for a Normal Retirement Pension, Early Retirement Benefit, Disability Pension, Deferred Retirement Benefit, Vested Deferred Pension or an In-Service Commencement Benefit.

Forms of Benefit

Joint and One-Half (50%) Survivor Option: An actuarially reduced pension shall be paid to you and continued each month for life with the provisions that after your death one-half of such reduced pension shall be continued to be paid monthly to your Beneficiary for life.

Joint and Full (100%) Survivor Option: An actuarially reduced pension shall be paid to you and continued each month for life with the provision that after your death such reduced pension shall be continued to be paid monthly to your Beneficiary.

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.

Lifetime Pension with 120 Payments Guaranteed Option: An actuarially reduced pension shall be paid to you and continued each month for life with the provisions that after your death and before 120 monthly payments have been received by you such reduced monthly pension shall be continued to your Beneficiary or Beneficiaries until the total number of pension payments on behalf of the Participant shall equal 120. In the event you die within the guaranteed pension payment period without leaving a surviving Beneficiary, or in the event the Beneficiary or Beneficiaries survive you but nevertheless have all died within the guaranteed pension payment period, then the Actuarial Equivalent of the then remaining guaranteed monthly payments shall be payable to the estate of the last surviving Participant or Beneficiary, as the case may be.

Lump Sum Option: If the present value of your Normal Retirement Pension is less than \$1,000, you will receive one lump sum payment in lieu of all other benefits payable under the Plan. You may elect to have this amount paid as a Direct Rollover to an IRA or another qualified plan or have it paid in cash. Unless you elect a Direct Rollover, twenty percent (20%) of the lump sum distribution amount will be subject to mandatory 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 Added back to W-2 Wages

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

Items to be Deducted from W-2 Wages

- Taxable portion of Workers Compensation
- Annual payout of sick time
- Payout of sick time at termination
- Payout of vacation time at termination
- Severance pay
- Paid suspension
- Payments in lieu of insurance

Imputed Income Examples

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