

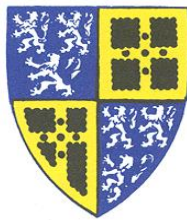


# Defined Benefit Retirement Plan

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*Summary Plan Description*

**Town of Old Saybrook**



This booklet is the summary plan description to assist employees in understanding their retiree benefit. It is not the Plan document and does not include every limitation or detail of the Plan. The booklet contains a summary of the Plan's main provisions and every attempt has been made to ensure that it is concise and accurate. In the event that a discrepancy is found between this booklet and the official Plan document, the Plan document shall control.

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## Your Defined Benefit Plan

Regardless of your age, you should start thinking about retirement now. You will need money to enjoy your retirement years, and that takes careful planning.

Maintaining your pre-retirement living standard usually requires income from several sources. Your own personal savings is one. Social Security is a second. Another significant source is furnished by your employer who is providing retirement benefits for you through the Town of Old Saybrook Defined Benefit Plan (“the Plan”).

A defined benefit plan is a type of pension plan in which an employer promises a specified pension payment at retirement that is predetermined by a formula based on the employee’s earnings history, tenure of service and age, rather than depending directly on individual investment returns. The cost of the Plan is shared by you and the Town, although cost estimates show that the Town is paying for a major portion of the Plan. While this involves the expenditure of a considerable sum of money, the expense is fully justified by the benefits that you will receive.

This booklet describes the main provisions of the Plan for eligible individuals actively employed by the Town from January 1, 2008 through July 1, 2017 with the exception of certified police officers who at present may still enter the defined benefit plan as provided for within their collective bargaining agreement (“CBA”) Please refer to prior documents/booklets for a description of pension benefits if you became an employee of the Town of Old Saybrook before January 1, 2008.

The booklet explains when you are eligible for benefits under the Plan and how those benefits are determined. In addition to pension income at retirement, there are several other benefits from the Plan. Benefits may be payable to you if you become disabled or to your beneficiary if you die. Also, you may be eligible for pension benefits even if you do not work for the Town until retirement age.

Please read this booklet carefully so that you understand what benefits are available to you. Pension plans are, by necessity, complicated. We have taken care to eliminate legal words whenever possible and to use everyday language. Also, you will find a number of examples throughout this booklet to help you understand how the Plan works. **Please note, however, that in the event there is an inconsistency between the terms of this booklet and the terms of the Plan document the terms of the Plan document shall govern.**

If you have any questions about the Plan after reading this booklet, please use the contact information at the end of this booklet to access answers.

## Eligibility

### Who Is Eligible?

Any person hired before July 1, 2017 or who has a CBA that provides for a defined benefit plan and is regularly employed by the Town on a permanent basis, including Board of Education employees other than professional employees described below, is covered by the Plan. Temporary employees working less than 10 months and part-time employees working less than 1,200 hours (1,500 prior to July 1, 2008) per year are excluded.

### What Groups of Employees Are Not Covered By This Plan?

Professional employees of the Board of Education who are covered under the State Teachers' Retirement System, employees appointed by the General Assembly or by the Governor of the State of Connecticut, and employees of the Town that meet the eligibility criteria for the defined contribution plan are not covered by this Plan.

### Becoming a Participant

Those employees hired on and after January 1, 2008 shall become members of the Plan on the date that they meet the criteria of working 1200 hours or more. After the completion of six months of continued employment, the employees shall begin to contribute 5% of their wages toward their retirement benefit

Employees hired before January 1, 2008 became members when they met the conditions then in effect. Membership in the Plan became a condition of continued employment for employees hired after March 23, 1972.

When you are eligible for this Plan, you become a participant by completing the proper application with the Pension and Employee Benefits Board ("the Pension Board").

## Contributions to the Plan

### The Cost of the Plan

You and the Town share the cost of your pension benefits. The annual costs of the Plan are determined by an independent actuary. The actuary determines the contributions necessary for the systematic build-up of funds during your working years. These funds then provide for the payment of pension benefits to you after retirement as well as death benefits.

### Your Cost

You are required to share the cost of the Plan with the Town. You will contribute 5% of your compensation until you have completed 35 years' of service. At the time your contributions are made, the amount will not be subject to Federal Income Taxes or Connecticut Income Taxes.

### **The Town's Cost**

The contributions which you make provide only a portion of the cost of your benefits. The Town also makes substantial contributions to cover the cost of benefits currently being earned. In addition, the Town makes contributions to cover the entire cost of benefits based on employment with the Town before the Plan was established (which was before employees began contributing). If an employee leaves prior to being vested, the employer's contributions are not returned to the employee.

### **Who Handles the Pension Fund?**

The contributions you and the Town make are invested in a fund. The Board of Selectmen serves as trustee of this fund which is for the exclusive benefit of participants, such as yourself, and their beneficiaries. The Town appoints an investment manager to invest the fund. The Pension Board appoints a plan administrator to oversee the administration of the Plan.

## **Service**

### **How Service Is Counted**

Your years of service determine both eligibility for and amount of benefits. Generally, your credited service is the total period of employment on the Town's payroll record from the latest date of employment to the date of death, disability, retirement or termination of employment excluding periods during which you do not receive compensation from the Town.

### **Military Service**

Once you are covered by the Plan, any voluntary or involuntary service in the Armed Forces (but not periods of re-enlistment) shall not constitute an interruption in credited service. In order to receive such credit, you must return to Town employment within 90 days after discharge.

### **Disability or Leave of Absence**

If you become temporarily disabled or are on an unpaid, approved leave of absence, it will not be considered a termination of employment. You will receive credited service for such periods, provided you make your employee contributions for the period.

Disability may entitle you to Disability Retirement (see page 4).

## **Types of Retirement**

### **Normal Retirement**

If you are a police member, your normal retirement date is the first of the month on or following the earlier of the date

- (a) You have completed 25 years' of credited service
- (b) You reach age 60, regardless of your years of credited service.

For all other members, your normal retirement date is the first of the month on or after your 62<sup>nd</sup> birthday and completion of 5 years' of credited service.

You may postpone retirement beyond your normal retirement date.

### **Early Retirement**

When you have reached age 55 and completed 15 years' of credited service, you are eligible for an early retirement benefit. This benefit is payable beginning at your normal retirement date unless you elect to receive an adjusted benefit payable beginning on an earlier date (see example on page 5).

### **Disability Retirement**

If you become permanently and totally disabled after you have completed at least 15 years' of credited service with the Town, you are eligible to receive a disability retirement benefit. If you are a police member, effective July 1, 1998, you will only need 5 years' of credited service to be eligible to receive a disability retirement benefit.

### **Deferred Retirement**

If you leave Town employment after having participated in the Plan for at least 10 years' of credited service, you can protect your pension rights by leaving your contributions in the fund and receiving a deferred retirement pension when you reach your normal retirement date. If you have at least 15 years' of credited service when you leave employment with the Town, you may elect to begin receiving your adjusted deferred retirement at your early retirement date, which is any date you elect after your 55<sup>th</sup> birthday.

## **Income at Retirement**

### **How Your Benefit Is Figured**

Your pension benefit is based on a formula. The amount of pension you receive from the Plan depends upon:

- your final average salary (see definition below),
- your years of credited service,
- your age when the payments begin, and
- the form of pension you choose.

### **Final Average Salary**

Effective July 1, 2008, final average salary is the average of your highest 36 months of base salary or wages preceding your termination or retirement. Prior to July 1, 2008, final average salary was based on average of base salary over the final 3 years of employment for police and the average of the highest consecutive 36 months of base salary for non-police.



Salary means your annual basic salary or wages and does not include compensation for overtime. Salary includes vacation pay but not unused sick pay. Salary does not include other types of compensation paid to you such as an insurance waiver.

#### **The Benefit Formula – Police Members**

If you are a police member and you have 25 years' of credited service, the annual benefit is calculated using the following formula:

$$(2\% \text{ of your final average salary}) \times (\text{years of credited service (up to a maximum of 35 years)})$$

If you are a police member and you retire before you have 25 years' of credited service, the annual benefit you will receive prior to your 62<sup>nd</sup> birthday is calculated using the following formula:

$$(2\% \text{ of your final average salary}) \times (\text{years of credited service})$$

After your 62<sup>nd</sup> birthday, the annual benefit you will receive will be reduced. The amount of benefit starting at age 62 will be calculated using the following formula:

$$(1\% \text{ of your final average salary}) \times (\text{years of credited service})$$

#### **The Benefit Formula – Non-Police Members**

The annual benefit payable at your normal retirement date is calculated using the following formula:

$$(1.5\% \text{ of your final average salary}) \times (\text{years of credited service through June 30, 1988})$$

**Plus**

$$(2\% \text{ of your final average salary}) \times (\text{years of credited service starting July 1, 1988})$$

The total years of credited service is capped at 35 years.

#### **Early Retirement Benefit**

If you begin to receive an early retirement benefit, that benefit is calculated using the applicable formula shown above; however, the benefit will be reduced by one-half percent (½%) for each month by which your early retirement date precedes your normal retirement date. Some examples are:

Years Early	Percentage of Normal Retirement Benefit You Will Receive
1	94%
2	88%
3	82%
5	70%
10	40%

This early retirement adjustment recognizes that your payments are starting at an earlier age and thus are likely to be paid for a longer period of time. It also reflects the fact that you have the use of the money earlier. For example, if your payments begin at age 58, it is expected that you will receive approximately 48 more monthly payments than if you retire at age 62 and you will begin to receive these payments four years sooner.

### **Disability Retirement Benefit**

If you begin to receive a disability retirement benefit, the benefit is calculated as if the date you became disabled were your normal retirement date. The annual pension benefit will be reduced by any payments received under the Workers' Compensation Act.

### **Late Retirement Benefit**

If you work beyond your normal retirement date and then begin to receive a pension benefit when you actually retire, that benefit is calculated using the applicable formula shown above based on your credited service and final average salary as of your actual date of retirement.

## **Examples**

### **Example A – Non-Police Member**

Suppose you are an employee retiring at age 62 with 25 years' of credited service (with 5 years as of June 30, 1988 and 20 years starting July 1, 1988). Your salaries for your highest 36 months (expressed as 3 separate 12-month periods (years)) are:

\$38,500

40,000

41,500

$\$120,000 \div 3 = \$40,000 = \text{Final Average Salary}$

Your benefit, payable during your lifetime (the Plan's normal form of payment), is calculated as follows:

1. Annual pension for service through June 30, 1988 (5 years)  
 $1.5\% \times \$40,000 \times 5 \text{ years} = \$3,000 \text{ per year}$
2. Annual pension for service starting July 1, 1988 (20 years)  
 $2\% \times \$40,000 \times 20 \text{ years} = \$16,000 \text{ per year}$
3. Total annual pension  
 $\$3,000 + \$16,000 = \$19,000 \text{ per year}$
4. Monthly pension payable at age 62  
 $\$19,000 \div 12 \text{ months} = \$1,583.33 \text{ per month}$

### Example B – Non-Police Member

Suppose everything is the same as Example A shown above except that you elect early retirement at age 55. At age 55, your final average salary is \$40,000 and your credited service is 25 years (with 5 years as of June 30, 1988 and 20 years starting July 1, 1988).

1. Your normal retirement benefit, starting at age 62, is calculated as in Example A to be:  
\$19,000 per year or \$1,583.33 per month
2. If, instead, you want to start receiving benefits right away at age 55, your benefit will be reduced to reflect that it will be paid for 7 extra years. The adjustment factor for payment beginning at age 55 (7 years early) is:  
 $1 - (84 \text{ months} \times .005) = .58$
3. Monthly pension payment starting at age 55:  
 $\$1,583.33 \times .58 = \$918.33 \text{ per month}$

### Example C – Police Member

Suppose you are a police member retiring with 25 years' of service. Your salaries for your highest 36 months (expressed as 3 separate 12-month periods (years)) are:

\$58,000

60,000

62,000

$\$180,000 \div 3 = \$60,000 = \text{Final Average Salary}$

Your benefit, payable during your lifetime (the Plan's normal form of payment), is calculated as follows:

1. Annual pension per year of credited service  
 $2\% \times \$60,000 = \$1,200 \text{ per year of service}$
2. Annual pension with 25 years' of credited service  
 $25 \text{ years} \times \$1,200 = \$30,000 \text{ per year}$
3. Monthly pension payable  
 $\$30,000 \div 12 \text{ months} = \$2,500 \text{ per month}$

### Example D – Police Member

Suppose everything is the same as Example C shown above except that you have 20 years' of service when you retire at age 60. Your final average salary is \$60,000 and your credited service is 20 years. Your benefit, payable during your lifetime (the Plan's normal form of payment), is calculated as follows:

1. Annual pension per year of credited service payable until age 62  
 $2\% \times \$60,000 = \$1,200 \text{ per year of service}$
2. Annual pension with 20 years' of credited service payable until age 62  
 $20 \text{ years} \times \$1,200 = \$24,000 \text{ per year}$

3. Monthly pension payable until age 62  
 $\$24,000 \div 12 \text{ months} = \$2,000 \text{ per month}$
4. Annual pension per year of credited service payable starting at age 62  
 $1.5\% \times \$60,000 = \$900 \text{ per year of service}$
5. Annual pension with 20 years' of credited service payable starting at age 62  
 $20 \text{ years} \times \$900 = \$18,000 \text{ per year}$
6. Monthly pension payable starting at age 62  
 $\$18,000 \div 12 \text{ months} = \$1,500 \text{ per month}$
7. Therefore, you will receive \$2,000 per month from age 60 until age 62 and \$1,500 per month starting at age 62.

## Payment of Benefits

### Life Annuity – Normal Form

The normal form of payment is a benefit payable as long as you live. If you are married and choose the life annuity option, your spouse is required to sign a consent form acknowledging this choice.

### Optional Forms of Benefit

If you choose to have your pension paid in a different form, the amount of your benefit will be actuarially reduced to reflect the fact that payments may continue after your death. The reduction depends upon your age at retirement and, for joint and survivor options, the age of your spouse (or other beneficiary). Your election of an optional form cannot be changed after you have received your first payment.

### Joint & Survivor Option

Under this plan, the actuarially reduced benefit will be paid to you as long as you live. When you die, if your spouse (or other beneficiary) survives you, payments will continue, in full (100%) or in a percentage (either 50% or 75%) specified by you, until the death of your spouse (or other beneficiary).

If your non-spouse beneficiary dies before you do, you will continue to receive the same actuarially reduced amount, and no payments will be made after you die.

If your beneficiary is your spouse and dies before you do and you notify the Town within 24 months, your monthly benefit amount for all subsequent payments will “pop-up” to the amount that you would have been paid had you elected the life annuity form of benefit (see above).

### Example

The chart below is an example of how the Plan's normal and optional forms work. Suppose you are an employee retiring at age 62 with a \$500 per month pension and your spouse, who is your beneficiary, is also age 62:

Under This Payment Form	You Would Receive a Monthly Pension for Life	On Your Death, Your Beneficiary Would Receive Monthly Pension of	
		Amount	Period
<b>Life</b>	\$500	\$0	None
<b>Joint &amp; Survivor with 50% Continuation</b>	\$454.12*	\$227.06	Life
<b>Joint &amp; Survivor with 75% Continuation</b>	\$433.56	\$325.17	Life
<b>Joint &amp; Survivor with 100% Continuation</b>	\$415.97*	\$415.97	Life

\* If your spouse predeceases you and you notify the Town within 24 months of his or her death, your monthly benefit amount will “pop-up” to the life annuity amount of \$500 per month.

### Actuarial Equivalence

If you choose an option that includes payment to your spouse, the actuary will calculate the pension amount, called an actuarial equivalence, to take into consideration both your and your beneficiary’s age, gender, mortality rate and other actuarial factors.

The actuarial adjustment depends upon your age and, for joint and survivor options, the age of your beneficiary. For example, suppose the beneficiary in the example shown above was age 55 instead of 62. In that case, the actuarially reduced pension under the joint and survivor with 100% continuation would be \$395 per month rather than \$415.97 per month. The lower benefit recognizes the increased probability of payment of benefits for a longer period of time to a younger beneficiary.

These factors are changed periodically, in accordance with applicable law, by the Town’s independent actuary.

### Choosing a Beneficiary

At retirement you will be given the opportunity to elect the form of payment in which your benefits will be paid. You will also designate a beneficiary to receive any applicable death benefits.

If you elect a joint and survivor annuity, you cannot change your beneficiary after you have received your first benefit payment.

## Protection for Your Dependents

### If You Should Die before Retirement Benefits Have Started

If you die while actively employed after attaining age 55 with 15 or more years’ of credited service, and were married on your date of death, your spouse will receive a death benefit equal to 50% of your benefit calculated as though you had early retired with a 50% joint and survivor option in effect. This

benefit is paid to your spouse until your spouse dies or remarries. This benefit will be paid to a spouse of a police member killed in the line of duty until the death of the spouse whether or not he or she remarries, subject to Connecticut statutes in effect at that time.

In all other circumstances, the death benefit payable to your designated beneficiary will be equal to the total of your contributions accumulated with interest to your date of death. In the event no beneficiary is living, your contributions will be paid to your (1) spouse, (2) children, (3) grandchildren, (4) parents, (5) brothers and/or sisters, and (6) executors and administrators.

### **If You Die after Retirement Benefits Have Started**

If you die after you have started receiving pension benefits, any continuing monthly benefit payable to your spouse or beneficiary will depend upon the form of pension you chose at retirement.

In the event the total payments made to you and, if applicable, to your beneficiary after your death are less than the value of your contributions with interest, the difference will be paid to your (1) spouse, (2) children, (3) grandchildren, (4) parents, (5) brothers and/or sisters, and (6) executors and administrators. However, if the total payments made to you and, if applicable, to your beneficiary after your death exceed the value of your contributions with interest, there will be no additional benefits due under the Plan.

### **Beneficiaries**

When you are first enrolled as a participant, you designate your beneficiary or beneficiaries. Consider making a change in your beneficiary whenever there is a birth, death, marriage or divorce in your family. It is important to have your beneficiary designation up to date. You may change this designation at any time. If you elect one of the joint and survivor options, you cannot change your beneficiary after your pension payments have begun.

### **If You Terminate before Retirement**

When you terminate employment before retirement, it is important to know if you are vested. If you are vested, this means that you have a right to the pension benefit that you accumulated prior to termination, based on your years of credited service and your final average salary as of your termination date. You are vested if:

- You reach your retirement date under the Plan (see page 3),
- You become eligible for a disability benefit under the Plan (see page 4), or
- You have earned 10 or more years' of credited service (see page 3) in the Plan when you terminate employment.

If you terminate under number 3 above, your vested benefit is payable beginning at your normal retirement date or at your early retirement date (if you had at least 15 years' of credited service).

Instead of receiving a vested benefit under the Plan you may withdraw your contributions with interest and you will not be entitled to any other benefits from the Plan.

If you terminate and do not meet the criteria shown above, you are considered **not vested** and no benefit is payable other than the return of your contributions accumulated with interest through the date of your separation.

### **Re-employment**

Generally, if you terminate your employment with the Town for any reason other than retirement and you are later re-employed, you will be considered a new employee as of the date of re-employment. However, if you did not withdraw your employee contributions, your prior service will be counted in determining your benefits.

If you withdrew your employee contributions when you left, you can regain your prior service by paying back your contributions with interest. The Pension Board will determine the rates of interest. You must apply in writing to have service reinstated and must do this within one year of your re-employment.

## **Claiming Your Benefits**

### **Applying for Benefits**

In order to facilitate the timely commencement of your benefit payments, please visit the accounting office at least six months in advance of your planned retirement. At that time you should request information on the forms of pension payments that are available to you and obtain an election form to complete so that you can elect the payment form of your choice. Once you retire and payments start, no change may be made in the form of pension being paid.

Applications for the return of contributions for participants who leave employment before retirement should be submitted on the proper form as soon as possible after the participant terminates employment.

### **Death Benefits**

Upon the death of a participant or pensioner, the designated beneficiary must submit an application and a copy of the death certificate to receive any benefits which may be payable.

### **If a Benefit Is Denied**

If for some reason all or part of a benefit claim is denied, the Pension Board will give you a written notice of the denial. This notice will contain:

- Specific reasons for the denial.
- The specific provisions of the plan on which the denial was based.
- Steps you need to take to request a review of the claim.
- Description of the review procedure.

## Protection of Pension Payments

Your retirement or disability benefit is not assignable; it cannot be transferred to another person. These benefits cannot be attached by creditors.

## A Final Note

What you are reading is a summary of the Pension Plan of the Town of Old Saybrook. It may not answer all your questions about the details and particulars of the Plan. You are entitled to examine the actual Plan at the Selectman's Office of the Town of Old Saybrook or on the Town website at [www.oldsaybrookct.gov](http://www.oldsaybrookct.gov) under the Pension and Benefits Board's webpage.

In the event of an inconsistency between this booklet and the Plan, the Plan document will govern. In addition, applicable federal, state, and local laws or statutes override any conflicting information contained in this booklet.

The Town expects to continue the Pension Plan indefinitely, but does reserve the right to modify, suspend, or discontinue it, subject to the collective bargaining process, where applicable. In the event the Plan is discontinued, the assets of the Plan will be used to provide benefits to participants. Only when all benefits earned by participants have been guaranteed can any assets revert to the Town.

## Index of Key Words

You can find explanations of key words frequently used in this booklet on the following pages:

Key Word	Page(s) Where Explained
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Final Average Salary	4
Joint & Survivor	8
Normal Form of Pension	8
Normal Retirement	3
Service	3
Vesting	10



## Contact Information

To obtain forms related to your pension benefits:

Town of Old Saybrook  
Janet Vinciguerra, Employee Benefits Coordinator  
Old Saybrook Town Hall  
302 Main Street  
Old Saybrook, CT 06475  
860-395-3516  
[Janet.Vinciguerra@oldsaybrookct.gov](mailto:Janet.Vinciguerra@oldsaybrookct.gov)

For specific questions regarding Pension Plan administration:

Lee Ann Palladino, Plan Administrator  
Town of Old Saybrook  
Old Saybrook Town Hall  
302 Main Street  
Old Saybrook, CT 06475  
860-395-3127  
[Leeann.Palladino@oldsaybrookct.gov](mailto:Leeann.Palladino@oldsaybrookct.gov)