

**A SUMMARY OF
THE RETIREMENT PLAN
FOR THE EMPLOYEES OF
THE TOWN OF MADISON, CONNECTICUT**

Description prepared by:

MILLIMAN & ROBERTSON, INC.

October 2, 2000

Ammended 4/6/05

“Vesting”

TO OUR EMPLOYEES

This booklet is designed to answer, in general, some questions you may have about the Madison Employees Retirement Plan. All statements made in this booklet are subject to the provisions and terms of the Plan and contract. If there is anything which you do not understand, you may contact the Plan Administrator at any time during regular business hours; his or her name, address and telephone number may be found on the last page of this booklet. If you wish to look at the plan itself, the official document is available at 10 Campus Drive, Madison, Connecticut 06443 or on the website www.madisonct.org or www.madison.k12.ct.us.org.

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THE PLAN... A PROFILE

When did the Plan begin?

The Town of Madison Pension Plan was established on August 2, 1965. However, it has been substantially amended since that time.

What type of pension plan is it?

This is a defined benefit pension plan. The Plan promises to pay retired employees a defined monthly amount for as long as they live after retirement.

How do I apply for benefits under the Plan?

All claims for benefits must be presented to the Plan Administrator (identified on the last page). He or she will supply the necessary forms, including forms and information that the insurance company requires.

If you are retiring, be sure to contact the Plan Administrator at least six months before your retirement date. If you are terminating employment, the Plan Administrator will tell you by letter what vested benefits, if any, you might have and the claim procedure to follow.

BEING INCLUDED IN THE PLAN

- Who is eligible to join the Plan?* All full-time employees of the Town of Madison are eligible to join the Plan, except for employees covered under the Town of Madison's Police Pension Plan or the State of Connecticut Teacher's Retirement Plan. A full-time employee (for purposes of this Plan) is someone whose normal work period is for 30 or more hours per week and for nine months during the year.
- When do I join the Plan?* You are a Participant if you are a full-time employee at least 21 years old.
- What if I do not meet all the requirements at this time?* You will join the Plan on the date that you meet all the eligibility requirements.
- What do I do to become a Participant?* Nothing. Once you meet the requirements you become a Participant automatically.

SERVICE FOR BENEFITS

- How is service counted?* Credited Service is the number of years and months used in computing your benefit. It is counted from your date of entry into the Plan up to your termination or retirement date. However, your benefit will not exceed 70% of Average Compensation.
- What if I work part-time?* You will not receive service credit for years in which you are not a full-time employee. (A full-time employee works for a period of 30 hours or more per week and nine months or more per year.)
- What is break in service?* If you terminate employment for a period of more than two years, you will have a break in service, unless you have an approved absence.
- How would a break in service affect me?* When you have a break in service, the Plan treats this like a termination. Your right to benefits at that time depends on whether or not you were "vested" at the time of your break.
- What happens If I am then re-employed?* If you are terminated for a period of less than two years, and you become re-employed, your prior Credited Service will be counted and you will become a Participant upon your re-employment date. However, if your break in service exceeds two years, you will be considered a new employee for all purposes of the Plan.
- For paid full-time elected officials, all full-time service is Credited Service regardless of breaks in service.

PLAN COST AND FUNDING

What is the cost of the Plan?

The annual cost of the Plan is determined by an independent actuary and is paid by the Town. He or she determines amounts to be contributed for the systematic build-up of funds during employees' working years. These funds then provide for the payment of monthly retirement benefits to employees after retirement.

How much of this do I pay?

Nothing. The Town pays all the costs of the Plan. In addition, the Town pays all administrative and legal costs related to the maintenance of the Plan.

Who handles the Pension Fund?

Amounts contributed by the Town are paid to an Insurance Company where they are deposited into a Fund. At retirement, the amount required to provide the employee's monthly benefit is withdrawn from the Pension Fund each month.

No part of the Fund can be diverted or used for any purpose other than the exclusive benefit of Participants.

RETIREMENT: TIMETABLE

What is the "Normal" Retirement Date under the Plan? The "Normal" Retirement Date is the first day of the month coinciding with or next following your 65th birthday provided you have completed five (5) years of Credited Service. If you have not completed five (5) years of Credited Service on your 65th birthday, your "Normal" Retirement Date will be the first day of the month coinciding with or next following completion of five (5) years of Credited Service.

For example: If you reach your 65th birthday on April 1, 2001 and you have five (5) years of Credited Service and retire, your benefits begin April 1, 2001. If instead, you reach your 65th birthday on April 15, 2001 and retire, your benefits begin May 1, 2001. If you reach your 65th birthday on April 1, 2001 but will not have five (5) years of Credited Service until September 15, 2001, your benefits begin October 1, 2001.

Can I retire at an earlier date and still receive benefits? Yes... you may retire on the first day of any month after reaching age 55, provided you have completed five (5) years of Credited Service. This is your "Early" Retirement Date.

What is Special Early Retirement? If you are age 60 or older and you have 30 or more years of Credited Service, you may elect to retire on the first day of any month prior to your normal retirement. This is your "Special Early" Retirement Date.

Do I have to retire once I reach my Normal Retirement Date? No... you may delay your retirement to the first day of any month following your Normal Retirement Date.

Can I receive any benefits if I become disabled? No... the Plan does not provide for disability benefits.

BENEFITS: WHAT THE PLAN IS ALL ABOUT

How much will my pension be when I retire? If you retire from active service on your Normal Retirement Date, the amount you will receive from the Plan will depend on:

- your Average Compensation (see below),
- your Credited Service (see page 3), and
- the Form of Payment you choose (see page 9).

How is Average Compensation determined? Your Average Compensation is determined by adding the base salaries excluding overtime, that you earned in the five consecutive Plan years before retirement or termination in which you had the highest earnings and dividing this total by five.

How is my Normal Retirement Plan Benefit calculated? Your Normal Retirement Benefit is equal to 1.75% times Average Compensation times your years and months of Credited Service. Your benefit is limited to 70% of Average Compensation. This is your Annual Retirement Benefit. Divide the Annual Benefit by twelve (12) to get the Monthly Benefit Payable at Normal Retirement Date.

If I delay my retirement, how will my benefits be affected? The benefits you receive will be based on Credited Service and Average Compensation as of the date of actual retirement.

What if I terminate employment before reaching normal retirement? If you have at least five (5) years of Credited Service and terminate employment before your retirement date, you will have a right to receive benefits at your retirement date. This right is called a vested right. You have no vested right if you don't meet this requirement. Any vested benefit will be paid to you at either your Early or Normal Retirement Date under the Plan and will be based on your years of Credited Service and Average Compensation as of your date of termination.

Will any plan benefit be the same if I retire early? If you retire on your Early Retirement Date (see page 5) and want to receive benefits immediately, your Normal Retirement Benefit will be reduced to reflect that you are expected to receive it over a longer period of time. Contact the Plan Administrator if you wish to see the Early Retirement Reduction Factors that are currently in use.

What will my benefit be if I elect Special Early Retirement? Your benefit will be based on your Average Compensation and years of Credited Service as of your Special Early Retirement Date (see page 5). This unreduced early retirement benefit will be payable to you at your Special Early Retirement Date.

Are my Social Security Benefits in any way affected by the benefits I will receive from the Plan? No... any Social Security Benefits to which you are entitled are in addition to benefits you will receive under the plan and are not affected by them.

What happens if I die before retirement? If you are vested and you die before normal retirement, **the Plan provides for a death benefit only if you had elected a Pre-Retirement Spouse Benefit prior to your death.** This benefit is only available to married Participants, who have been married for at least one year.

If you are not vested and you die before retirement, there is no death benefit under the Plan.

You can elect this benefit by naming your spouse as beneficiary on an election form provided by the Plan Administrator. If you have elected the Pre-Retirement Spouse Benefit, and you die before your Early, Special Early, or Normal Retirement Date, the benefit payable to your spouse will be equal to the benefit had you:

- terminated employment on the date of our death,
- survived until the earliest date on which you would have been able to retire,
- elected a 50% Joint and Survivor benefit option, and died the next day.

If you die after your Early, Special Early, or Normal Retirement Date but before you retire, the benefit payable to your spouse will be equal to the benefit had you terminated on the date of your death, elected a 50% Joint and Survivor benefit option, and died the next day.

If the Lump Sum Equivalent of the Pre-Retirement Spouse Benefit is less than \$5,000 then the benefit will be paid as a lump sum as soon as practicable after your death.

*Will my benefit be reduced if I elect the Pre-Retirement **Spouse** Benefit?* Yes if you elect the Pre-Retirement Spouse Benefit, any subsequent benefit you receive from the plan will be reduced by 10%.

For example, if your Normal Retirement Benefit would have been \$100 per month but you elected the Pre-Retirement Spouse Benefit, your benefit would be reduced to \$90 per month.

What happens upon death after retirement? Upon death after retirement, the amount paid to your beneficiary depends upon the form of benefit you elected when you retired. See page 9 for further explanation.

Examples showing how to estimate the amount you will receive from the Plan are shown starting on page 10.

PAYMENT OF BENEFITS UNDER THE PLAN

What is the "normal form" of payment under the Plan?

The "normal form" of paying benefits is the Life Annuity. This means that you will receive an amount each month that is equal to 1/12 of your yearly plan benefit. Payments begin on your retirement date and stop with the last payment due on or before your date of death.

Can I have my benefit paid in any other manner than a life annuity?

Yes... you may choose a form of payment called a **10 Year Certain and Life Annuity**. This means that if you die within 10 years of retirement, your beneficiary will continue to receive payments for the balance of the 10 year period. If both you and your beneficiary die within the 10 year period, payments will be made to a second beneficiary named by you for the balance of the 10 year period. If no second beneficiary is named, a single sum equal to the value of the remaining payments will be paid to the estate of the first beneficiary.

Your benefit will be actuarially reduced to reflect the fact that the benefit is guaranteed for the 10 year period. See the Plan Administrator if you want to look at the reduction factors. You may also choose a form of payment called a **Joint and Survivor Annuity**. The amount payable to you under this form is a percentage of the benefit you would have otherwise received under the life annuity form of payment. See the Plan Administrator if you want to look at the adjustment percentages.) Payments will continue until your death and upon your death payments will continue to your Contingent Annuitant, if he or she is living. The Contingent Annuitant is a person designated by you to receive your benefit after your death.) The payments to your Contingent Annuitant may be either 100% or 50% of the payments you had been receiving. See your Plan Administrator for more information on this form of payment.

EXAMPLES OF BENEFITS

EXAMPLE A: NORMAL/DEFERRED RETIREMENT BENEFIT

Suppose you retire on your normal retirement date at age 65. Your base earnings during the past five plan years added up to \$125,000. You have 25 years of Credited Service. To find your PLAN BENEFIT you would

DETERMINE YOUR AVERAGE COMPENSATION:

\$125,000 divided by 5 = \$25,000.00

CALCULATE YOUR ANNUAL PLAN BENEFIT:

\$25,000.00 multiplied by 1.75% = \$437.50

\$437.50 multiplied by 25 (years of Credited Service) = \$10,937.50

CALCULATE YOUR MONTHLY PLAN BENEFIT:

\$10,937.50 divided by 12 = \$911.46

CALCULATE YOUR TEN YEAR CERTAIN AND LIFE MONTHLY BENEFIT OPTION:

\$911.46 multiplied by approximately 92.5%* \$843.10

***This percentage is an approximate amount used for illustrative purposes only. Your benefit will be reduced by 10% if pre-retirement spouse benefit is elected. Contact your Plan Administrator to see the factors currently in use.**

EXAMPLE B: EARLY RETIREMENT BENEFIT

Suppose you elect to retire at age 60 after completing 20 years of Credited Service. Your normal retirement date would be at age 65. During the 5 plan years, prior to age 60 your total base earnings added up to \$125,000. To find your PLAN BENEFIT you would:

DETERMINE YOUR AVERAGE COMPENSATION:

\$125,000 divided by 5 = \$25,000.00

CALCULATE YOUR ANNUAL PLAN BENEFIT:

1.75% times \$25,000 (Average Earnings) = \$437.50

\$437.50 multiplied by 20 (years of Credited Service) = \$8,750.00

CALCULATE YOUR MONTHLY PLAN BENEFIT:

\$8,750.00 divided by 12 = \$729.17

CALCULATE YOUR EARLY RETIREMENT PLAN BENEFIT:

Annual: \$8,750.00 multiplied by 59.6%* (early retirement percentage) = \$5,215.00

Monthly : \$5,215.00 divided by 12 = \$434.58

You can either receive \$434.58 per month starting at age 60 or wait until you are 65 and then receive \$729.17 per month.

*This percentage is an approximate amount used for illustrative purposes only. Your benefit will be reduced by 10% if pre-retirement spouse benefit is elected. Contact your Plan Administrator to see the factors currently in use.

EXAMPLE C: SPECIAL EARLY RETIREMENT BENEFIT

Suppose you elect to retire at age 60 after completing 30 years of Credited Service. Since you have 30 years of Credited Service, you will be eligible for Special Early Retirement. During the 5 plan years, prior to age 60 your total base earnings added up to \$125,000. To find your PLAN BENEFIT you would:

DETERMINE YOUR AVERAGE COMPENSATION:

\$125,000 divided by 5 = \$25,000.00

CALCULATE YOUR ANNUAL PLAN BENEFIT:

1.75% times \$25,000 (Average Earnings) = \$437.50

\$437.50 multiplied by 30 (years of Credited Service) \$13,125.00

CALCULATE YOUR MONTHLY PLAN BENEFIT:

\$13,125.00 divided by 12 = \$1,093.75

CALCULATE YOUR SPECIAL EARLY RETIREMENT PLAN BENEFIT:

Annual: \$13,125.00 multiplied by 100%* (special early retirement percentage) \$13,125.00

Monthly : \$13,125 divided by 12 = \$1,093.75

***Special Early Retirement provides unreduced benefits. Your benefit will be reduced by 10% if pre-retirement spouse benefit is elected. Contact your Plan Administrator to see the factors currently in use.**

EXAMPLE D: OPTIONAL FORMS OF PAYMENT

1. Joint and Survivor Annuity

If you are married and age 65 and your spouse is 60, you can determine your annual Plan Benefit on the Joint and Survivor Annuity with 50% or 100% continuation to the spouse. To find such benefit you would:

DETERMINE YOUR ANNUAL PLAN BENEFIT:

(For illustrative purposes we have used Example A) \$10,937.50

DETERMINE YOUR ANNUAL PLAN BENEFIT PAYABLE UNDER THE 50% JOINT AND SURVIVOR FORM:

\$10,937.50 multiplied by 86.4%* \$ 9,450.00 per year
\$ 787.50 per month

DETERMINE THE ANNUAL PLAN BENEFIT PAYABLE TO YOUR SPOUSE AFTER YOUR DEATH UNDER THE 50% JOINT AND SURVIVOR FORM:

\$9,450.00 multiplied by 50% \$ 4,725.00 per year
\$ 393.75 per month

DETERMINE YOUR ANNUAL PLAN BENEFIT PAYABLE UNDER THE 100% JOINT AND SURVIVOR FORM:

\$10,937.50 multiplied by 76.1%* _ \$ 8,323.44 per year
\$ 693.62 per month

DETERMINE THE ANNUAL PLAN BENEFIT PAYABLE TO YOUR SPOUSE AFTER YOUR DEATH UNDER THE 100% JOINT AND SURVIVOR FORM:

\$8,323.44 multiplied by 100% _ \$ 8,323.44 per year
\$ 693.62 per month

2. Ten Year Certain and Life Annuity

DETERMINE YOUR ANNUAL PLAN BENEFIT PAYABLE UNDER THE TEN YEAR CERTAIN AND LIFE FORM:

\$10,937.50 multiplied by 92.5%* = \$ 10,117.19 per year

\$ 843.10 per month

*This percentage is an approximate amount used for illustrative purposes only. Your benefits will be reduced by 10% if pre-retirement spouse benefit is elected. Contact your Plan Administrator to see the factors currently in use.

EXAMPLE E: TERMINATING BEFORE RETIREMENT

Suppose you terminate with seven years of Credited Service. Since you do not have ten years of Credited Service, you are not vested and not entitled to a benefit from the plan.

Suppose, instead, that you terminate with 13 years of Credited Service. Your base earnings during the past five plan years totaled \$100,000. To find your vested Plan Benefit that will be payable at your Normal Retirement Date:

DETERMINE YOUR AVERAGE COMPENSATION:

\$100,000.00 divided by 5 = \$20,000.00

CALCULATE YOUR ANNUAL PLAN BENEFIT:

\$20,000.00 multiplied by 1.75% = \$350.00

\$350.00 multiplied by 13 (years of Credited Service) = \$4,550.00

DETERMINE YOUR VESTING PERCENTAGE:

13 years = 100%

CALCULATE YOUR VESTED ANNUAL PLAN BENEFITS

\$4,550.00 multiplied by 100% = \$4,550.00

CALCULATE YOUR VESTED MONTHLY PLAN BENEFIT

\$4,550.00 divided by 12 = \$379.17

This amount will be paid to you when you reach your Normal Retirement Date. You can also elect to receive reduced benefit at your Early Retirement Date. The above benefit will be reduced by 10% if pre-retirement spouse benefit is elected.

PLAN IDENTIFICATION INFORMATION:

NAME AND ADDRESS OF EMPLOYER:

Town of Madison
8 Campus Drive
Madison, Connecticut 06443

Department of Human Resources (203) 245-5603

EMPLOYER IDENTIFICATION NUMBER:

PLAN YEAR:

July 1 through June 30

TYPE OF PLAN:

Defined Benefit Pension Plan

TYPE OF ADMINISTRATION:

Insured

PLAN ADMINISTRATOR:

First Selectman

AGENT FOR SERVICE OF LEGAL PROCESS:

First Selectman