

SUMMARY OF PLAN DESCRIPTION

**TOWN OF GLASTONBURY RETIREMENT INCOME
PLAN**

**FOR HIGHWAY, VEHICLE MAINTENANCE AND
REFUSE DISPOSAL UNION EMPLOYEES –
DIVISION 005**

To our employees:

The Town of Glastonbury is pleased to present you with this booklet which summarizes our pension Plan. Along with Social Security and your own financial resources, this Plan will help you enjoy a comfortable and secure retirement.

While we have attempted to highlight the most important features of the Plan, please bear in mind that the actual Plan document, which is available for your inspection, is the last word in any matters of decision or interpretation.

We appreciate your loyalty and dedication and want this Plan to be a meaningful part of your retirement finances. As such, we continually review the Plan's provisions to recognize changes in plan design or to conform with government regulations. You will be informed of any such developments.

We urge you to read this booklet carefully for a better understanding of the benefits that are available to you at retirement.

This booklet was prepared specifically for town employees covered under Division 005.

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EFFECTIVE DATE

Town of Glastonbury Retirement Income Plan was established on July 1, 1963, and most recently revised on January 1, 1999.

PLAN YEAR

The Plan Year is the 12-month period beginning on January 1 each year and ending on December 31.

PARTICIPATION

If you were a Plan Participant on the day before January 1, 1999, you will continue to be a Participant in the revised Plan.

If your employment date occurs on or after January 1, 1999, you will become a Participant in the Plan on the first day of the month which coincides with or follows the later of the date when you meet the following requirements:

- the date you become an employee
- the date you have completed at least one year of continuous Service
- the date you start making mandatory contributions to the Plan

SERVICE

Your years of employment with the Town of Glastonbury count as Service.

The following counts as Service:

1. An authorized leave of absence up to one year, if you return to employment when your leave is over.
2. Absence because of permanent and total disability.
3. Absence because of qualified active duty with the Armed Forces of the United States, while your reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994 are protected and you return to work within the period during which you retain such reemployment rights.
4. A leave of absence due to reasons covered under the Family and Medical Leave Act. In this case, Service will be credited to the extent required by the provisions of the Family and Medical Leave Act.

Your Service will be computed to the nearest 1/12th year.

CREDITED SERVICE

Service used in calculating your retirement income is called Credited Service.

Your Credited Service includes all Service except:

- Periods of employment after you are eligible for participation in the Plan, but during which you do not make contributions.

- Service while you are receiving disability benefits from the Plan.
- Service while on authorized leave of absence up to one year.

Your Credited Service will be computed to the nearest 1/12th year.

RETIREMENT INCOME

Effective January 1, 1998, if you are a Plan Participant and retire on or after your Normal Retirement Date, your annual retirement income will be equal to:

- 1.75% of your Average Annual Earnings up to \$15,000 plus 2.25% of your Average Annual Earnings in excess of \$15,000 multiplied by your years of Credited Service.

Your retirement benefit as determined above will not be less than your retirement benefit as of December 31, 1997 based on the Plan provisions in effect at that date.

In determining the above, the following terms have the following meaning:

Earnings – the term Earnings means your basic compensation received from your Employer, including overtime payments, commissions, bonuses, and any other additional compensation. Earnings are measured over a 12-consecutive month period beginning on and after January 1, 2002. Prior to January 1, 2002, Earnings were measured over a calendar year.

Average Annual Earnings – effective January 1, 2002, the term Average Annual Earnings means the highest average Earnings received in any 60 consecutive calendar months during your period of Credited Service in which your Earnings were the highest. These 60 months of Earnings are then divided by 5. If you have less than 60 consecutive months of Earnings, the average will be determined using the consecutive months of Earnings that you do have.

Social Security Amount – Social Security Amount means the amount you are entitled to from Social Security based on the **age** at which **unreduced** Social Security benefits are payable. For employees born in years up to and including 1942, this is age 65. For employees born in years 1943 to 1959, this is age 66 and for employees born in 1960 or later, this is age 67.

Government imposed limits on Earnings:

- If you became a Participant on or before January 1, 1994, the yearly amount of Earnings that may be used in determining your retirement income cannot exceed the limit imposed by the federal government which is \$200,000. This limit will be adjusted when the accumulated annual cost-of-living adjustment is equal to or exceeds \$10,000. For more detailed information, please contact the Plan Administrator.
- If you become a Participant in the Plan after January 1, 1994, the yearly amount of Earnings that may be used in determining your retirement income cannot exceed the limit imposed by the federal government which is \$150,000. This limit will be adjusted when the accumulated annual cost-of-living adjustment is equal to or exceeds \$10,000.

For more information regarding this limit on Earnings, see your Plan Administrator.

The term "**Taxable Wage Base**" refers to the maximum amount of Earnings you are taxed on for the purposes of Social Security.

Your annual retirement income may not exceed certain limitations specified by federal law and its regulations. Your Plan Administrator can give you more information on these provisions.

SOCIAL SECURITY

In addition to the benefit described in the RETIREMENT INCOME section, you (and your spouse, if eligible) may also receive Social Security benefits. Social Security payments are an important part of your retirement income. They are provided by equal contributions made by you and your Employer.

You should contact your local Social Security office to find out more about your Social Security benefits.

You may be required to submit your earnings history, which you can obtain from the Social Security Administration office, prior to your actual Retirement Date.

EMPLOYEE CONTRIBUTIONS

After you join the Plan, during each Plan Year you receive Earnings, your Employer will deduct your employee contributions. The amount being deducted effective on or after January 1, 1998 is equal to 3.75% of your Earnings not in excess of the maximum amount of annual Earnings you received subject to Social Security taxes – **plus** – 5.00% of that portion of your Earnings which is in excess of the maximum amount of annual Earnings you received that are subject to Social Security taxes. Contributions made by you are considered post-tax contributions.

Effective May 1, 1986, the rate of Credited Interest on your contributions was changed to 6% per annum, compounded each January 1. Prior to this time, the rate of Credited Interest was 3%.

The balance needed for your retirement income is contributed by the Town of Glastonbury.

REVOCATION OF EMPLOYEE CONTRIBUTIONS

You should remember that if you stop making your Employee Contributions to the Plan you stop earning any further benefits under the Plan.

PLANNING FOR YOUR RETIREMENT

At least six months before you retire you should begin action, so as to allow for processing by both the Social Security Administration and the Pension Plan. You will probably want to apply for your Social Security benefit if you are 62 or older and obtain your earnings history from the Social Security Administration. You may also want to consider electing an optional method of payment as outlined in the "FORMS OF PAYMENT" section of this booklet. If you will be working for your Employer after your Normal Retirement Date, there is some benefit to electing a Joint and Survivor Annuity Option for death benefit protection.

RETIREMENT DATE

The first day when your retirement income payments are due to begin is known as your Retirement Date, whether it is your Early, Normal, or Late Retirement Date.

NORMAL RETIREMENT DATE

Your Normal Retirement Date is determined as outlined below:

Prior to January 1, 1983, your Normal Retirement Date was the first day of the month coinciding with or next following your attainment of age 65.

On or after January 1, 1983, your Normal Retirement Date is the first day of the month coinciding with or next following the date you attain age 65, or, if later, the earlier of the date you complete 10 years of Service or the 10th anniversary of the date you started participating in the Plan.

If you retire on your Normal Retirement Date, your retirement income will begin on the first day of the month on or after that date. As an alternative, you may remain employed beyond your Normal Retirement Date and continue to accrue Credited Service. See the LATE RETIREMENT section.

EARLY RETIREMENT

You may retire up to 10 years before your Normal Retirement Date if you have completed 10 years of Service.

You can elect to begin receiving your retirement income on the first day of any month on or after your early retirement date and before your Normal Retirement Date. The amount is calculated as described in the RETIREMENT INCOME section of this booklet.

This amount is then reduced because you will have fewer years of Service, and it is expected you will receive payments for a longer period of time.

For example, if you were to retire 10 years early, you would receive 49.8% of your Normal Retirement benefit. 9 years early would give you 52.9% of your Normal Retirement benefit, etc. See your Plan Administrator for the Early Retirement reduction that would apply to you.

LATE RETIREMENT

If you continue to work after your Normal Retirement Date, the Plan Administrator will confirm in writing that your retirement income will begin on the first day of the month coinciding with or next following the calendar month in which you actually cease employment. Payment of your retirement income **must begin** no later than the April 1 following the calendar year in which occurs the later of (1) your attainment of age 70 ½ or (2) the date you retire.

Your retirement income will be based on your years of Credited Service and Earnings to the date you actually retire.

TERMINATION OF EMPLOYMENT

If you terminate before your Normal Retirement Date and you are vested, you will be eligible for a retirement income based on your years of Credited Service. This retirement income is called your "vested benefit," and will begin on the first day of the month on or after your Normal Retirement Date.

The amount of this vested benefit will be a percentage of the benefit described in the RETIREMENT INCOME section. The percentage applicable to your benefit is taken from the Vesting Schedule shown below:

- Less than 5 years of continuous Service equals 0% vesting
- 5 years of continuous Service equals 50% vesting
- 6 years of continuous Service equals 60% vesting
- 7 years of continuous Service equals 70% vesting
- 8 years of continuous Service equals 80% vesting
- 9 years of continuous Service equals 90% vesting
- 10 or more years of continuous Service equals 100% vesting

However, if you are an active employee on or after your Normal Retirement Date, your vesting percentage will be 100% regardless of the number of years of Service you have.

The following special rules apply to the amount of your required contributions.

Upon termination, you may either:

1. elect to receive a cash refund of your total required contributions, with Credited Interest; or
2. leave your total required contributions in the Plan to provide a retirement income beginning on the first day of the month on or after your Normal Retirement Date.

If you:

1. Choose Option 1, you will lose all retirement income.
2. Choose Option 2, you will receive your vested benefit as described above.

If you choose Option 2, you will always be provided with a minimum benefit equal to the amount that can be provided by your required contributions, even if your vested benefit is less than this amount.

You may elect to start receiving your retirement income on the first day of any month within the 10-year period before your Normal Retirement Date, provided you have completed 10 years of Service. Your benefit would then be reduced as described in the EARLY RETIREMENT section.

It is important to note that if the “value” of your retirement income at your termination of employment is \$5,000 or less, you will automatically receive a lump sum distribution in lieu of any other retirement income.

Tax Treatment

If you receive a distribution from the Plan before you reach age 59 1/2, your retirement benefits may be subject to both ordinary income tax and a 10% additional tax. However, the 10% additional tax will not apply to taxable retirement plan distributions that are:

- Made because you become totally and permanently disabled; or
- Made after you terminate employment after reaching age 55; or
- Made in the form of retirement income that provides you (or you and your beneficiary) with a lifetime income; or
- Made to your beneficiary when you die; or
- Used to pay unreimbursed medical expenses for you or your dependent in excess of 7.5% of your adjusted gross income as reported on your Form 1040 federal tax return; or
- Made under the terms of a Domestic Relations Order.

This additional tax will not be imposed on the portion of your retirement income that represents a return of your required employee contributions.

Generally, you can choose to have the taxable portion of a lump sum payment paid to you in two ways. You can have all or a portion of your payment either (1) paid in a DIRECT ROLLOVER or (2) PAID TO YOU. The choice you make will affect the taxes you owe.

If you choose a DIRECT ROLLOVER:

- Your payment will be made directly from this Plan to the individual retirement account or annuity (IRA) of your choice or to a qualified defined contribution plan that will accept your rollover.
- Your payment will not be taxed in the current year and no income tax will be withheld from the payment. Instead, your payment will be taxed later, when you take it out of the IRA or the qualified plan.
- You may choose to have part of your payment paid to you and part paid in a direct rollover to your IRA or to a qualified plan. However, the portion paid as a direct rollover must equal at least \$500. In addition, if the taxable amount of your payment is \$500 or less, you may not divide the payment and have part of it paid to you and part of it paid in a direct rollover.
- You cannot choose a direct rollover for payments of less than \$200.

If you choose to have your payment PAID TO YOU:

- You will receive only 80% of the payment, because the Plan Administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding. The amount withheld is credited against your taxes when you file your income tax return. The 20% withholding requirement is not an additional tax. Any additional tax due to a premature payment of benefits from the plan will be in addition to your ordinary income tax.

These rules also apply to payments to surviving spouses and alternate payees under a Domestic Relations Order.

These rules also do not apply to payments from an annuity that is payable over your life or from an annuity that makes payments over a period of ten or more years. They do not apply to payments that represent a return of your required employee contributions.

The Plan Administrator will provide you with a more detailed description of your payment options, tax rules and direct rollover rights when you request a withdrawal or distribution from the Plan. However, you should consult your own tax advisor for more complete information regarding your own situation.

FORMS OF PAYMENT

Modified Cash Refund

Your retirement income will be paid to you in a level amount as long as you live. If the total retirement income payments you have received as of the date of your death is less than your required contributions with interest, your beneficiary will receive the difference.

Social Security Option

You may want to consider this option if you retire before you can receive Social Security benefits. You would receive increased retirement income before your Social Security benefit begins, and a reduced amount afterwards. As a result, you would receive about the same amount over the length of your retirement.

Joint and Survivor Annuity Option

By taking a smaller retirement income during your lifetime, you can provide anyone you name with a lifetime income equal to 100%, 66-2/3% or 50% of your retirement income when you die after your Retirement Date.

If your beneficiary is not your spouse, the reduced amount payable to you must be more than 50% of what would have been due if you had not elected the option. Otherwise the option will not be in effect. If your spouse is your beneficiary, the option will be effective no matter what reduced amount you receive.

If you continue to work after your Normal Retirement Date, you may elect one of the above optional methods of payment.

If you continue to work after your Normal Retirement Date but die before you actually retire, your date of death will be considered to be your Retirement Date.

If the Joint and Survivor Annuity Option is in effect, your beneficiary will receive payments when you die.

It is important to note that once you've elected the form of payment for your Retirement Income payments and your payments start, you cannot change your election of the form of payment, even if your beneficiary predeceases you.

DEATH BENEFITS BEFORE RETIREMENT DATE

Preretirement Spouse Benefit - Non-Service Connected

Your spouse will be eligible for benefits if you die and meet the applicable requirements described below.

Your spouse will be eligible for benefits if:

- you were married at the time of your death for at least one full year, and

- your Termination of Employment date, Early Retirement Date or Normal Retirement Date has not occurred, and
- you have reached age 40, and
- you have completed 10 full years of Service, and
- you had not elected an optional form of payment, and
- you are actively contributing to the Plan, and
- your death is not "Service Connected" as determined by the Employer.

Your spouse will receive 50% of the Retirement Income you would have received based on the years of Credited Service you would have had on your Normal Retirement Date, but determining your Average Annual Earnings as of your date of death. No Early commencement reduction is applied to this Preretirement Spouse Benefit.

Payments to your spouse would begin as of the first of the month next following your death. Subsequent payments would be made as of the first day of each month until your spouse's death.

However, this benefit will be reduced if your spouse is more than 10 years younger than you.

At a minimum, under this type of Preretirement Spouse Benefit, your spouse will receive at least \$120.00 a year.

When your spouse dies after preretirement spouse benefit payments have begun, your beneficiary will receive your required contributions with interest, *less* any retirement income payments already made.

Preretirement Spouse Benefit - Service Connected

Your spouse will be eligible for "Service Connected" benefits in lieu of the "Non-Service Connected" benefit described above if you die and meet the applicable requirements described below.

Your spouse will be eligible for benefits if:

- you were married at the time of your death for at least one year, and
- you have children under the age of 18, and
- your Termination of Employment date, Early Retirement Date or Normal Retirement Date has not occurred, and
- you are actively contributing to the Plan, and
- your death is "Service Connected" as determined by the Employer
- you had not elected an optional form of payment

The Service Connected Preretirement Spouse Benefit shall be 1/12th of the lesser of the following amounts:

- 50% of your last annual Earnings provided, if your spouse is receiving Social Security Benefits, this amount will be reduced by the amount of the Social Security Benefits, or
- \$14,000.00 annually

Payments to your spouse would begin as of the first of the month after your Employer determines that your death was Service Connected.

This Spouse Benefit will be paid until the earlier of:

- the date your Spouse remarries, or
- the date your youngest child attains age 18, or
- the date your Spouse dies

The "Non-Service Connected" and "Service Connected" preretirement spouse benefit coverage is paid for by your Employer.

Unmarried Participant

If you are not married (or not eligible for the above mentioned Preretirement Spouse Benefit coverage) and die before your Normal Retirement Date, your beneficiary will receive your required contributions with interest.

However, if you continue to work after your Normal Retirement Date but die before your Retirement Date, your beneficiary will receive your required contributions with interest, unless you elect an optional method of payment to take effect in the event of your death or retirement after your Normal Retirement Date. In this case, payment will be made in accordance with the optional method of payment you elected.

DEATH BENEFITS AFTER RETIREMENT DATE

Whether you are a married or an unmarried Participant, if you die after your Retirement Date, any death benefits will be paid in accordance with the terms of the FORMS OF PAYMENT section.

DISABILITY BENEFIT

If you are a Plan Participant and become totally and permanently disabled while actively employed, you can receive a disability benefit provided you have completed at least 10 years of Service.

Disability Benefits will commence on the first day of the month following the later of:

- the expiration of eleven months from the date on which your permanent and total disability commenced, or
- the month in which you make a written application for the disability benefits.

Amount of Disability Benefits

The amount of each monthly disability payment payable to you is equal to 1/12th of the **lesser** of the amounts determined in (1) or (2) below with such amount being reduced, if applicable by the amount in (3) where:

- (1) equals 75% of your last annual Earnings, and
- (2) equals \$18,750.00 annually, and
- (3) any monthly amount of Worker's Compensation benefit provided that if Worker's Compensation is payable weekly, the monthly amount of Worker's Compensation will be equal to 4 1/3 times such weekly amount.

If your disability ceases before your Normal Retirement Date and you promptly return to work, your Service will not be considered to have been interrupted, but you will not receive Credited Service for the period during which you were disabled. However, if you do not promptly return to work, you will be considered to have terminated your employment on the date you became disabled and your vested benefit will be determined as described in the TERMINATION OF EMPLOYMENT section.

If you are receiving a disability benefit as of your Normal Retirement Date, you will be eligible to receive a retirement benefit on your Normal Retirement Date equal to 1/12th of the lesser of:

- (1) 50% of your last annual earnings, or
- (2) \$14,000.00 annually.

COST-OF-LIVING BENEFIT

This benefit helps your retirement income keep up with inflation. You will receive a cost-of-living adjustment on each May 1st (after you have been retired for one full year).

These adjustments will be based on annual changes in the Consumer Price Index (U.S. Department of Labor Statistics).

The maximum adjustment for any one year is 5% not to exceed 150% of your base benefit. You cannot receive less than what you were receiving when you retired.

*CIRCUMSTANCES WHICH MAY
LIMIT YOUR RETIREMENT BENEFIT*

The following conditions may cause your benefit to be denied, reduced or suspended:

- If you join a different group of employees, you may be ineligible to earn further benefits under this Plan. The PARTICIPATION section identifies which employees are or are not included.
- If you are disabled, your retirement benefit will be based only on the Credited Service you earned before the disability.
- If you retire and then return to work for your Employer, your retirement payments may be suspended. They will resume when you retire again. If you continue to work after you have reached your Normal Retirement Date, your retirement payments will begin after you stop working.
- If you terminate employment and withdraw your required contributions, you will lose your Plan benefit.
- If you terminate employment before meeting the vesting requirements, you will lose the benefit which is provided by Employer contributions.
- If the value of your benefit is \$5,000 or less, your benefit will be paid as a single cash payment at the time you terminate employment. If you receive such a payment, you will not have a right to any further benefit under the Plan.
- If your benefit exceeds the maximum allowable by law, you may lose part of your benefit.

- If you get divorced, the court may direct that all or part of your benefit be paid to an alternate payee through a Domestic Relations Order. This alternate payee will generally be your ex-spouse or your children. The Plan Administrator will notify you upon receiving such an order and will tell you what effect it has on your benefit.

The above circumstances will not affect the benefit due from your required contributions, unless you elect a refund of your required contributions.

DOMESTIC RELATIONS ORDERS

A domestic relations order is a court order that creates or recognizes an alternate payee's (e.g. spouse, former spouse, child) right to part or all of your Plan benefits. While ERISA generally protects plan benefits against creditors, domestic relations orders are an exception. In addition, a domestic relations order can force payment of benefits to an alternate payee even though the Plan prohibits distributions earlier than retirement, termination, death or disability. The Plan Administrator must notify you if the Plan receives a domestic relations order.

PAYMENT OF BENEFITS

Payments will be mailed to you monthly by Connecticut General Life Insurance Company. If your retirement income is an unusually small amount, payments may be made in a single cash payment.

COST OF THE PLAN

You and the Town of Glastonbury share the full cost of providing your Plan benefits. The contributions used to provide your retirement income are paid to Connecticut General and held in a fund.

FUTURE OF THE PLAN

The Plan is expected to continue indefinitely, but the Town of Glastonbury reserves the right to modify, suspend or discontinue the Plan.

ADDITIONAL INFORMATION

The following will give you some information about the Plan and the people who are responsible for its operation.

Employer:

Town of Glastonbury

Plan Administrator: Town of Glastonbury has been designated as the Plan Administrator. The person occupying the office of Town Manager is responsible for administration of the Plan, benefit information and any legal action concerning the Plan. This person may be contacted at:

Town Manager's Office
Town Hall
2155 Main Street
Glastonbury, CT 06033

Telephone: (860) 652-7501

Employer Identification Number: 06-6002003

Plan Number: 001

Recordkeeping Period: Records for the Plan are kept on a Plan Year basis from January 1 through December 31.

Type of Plan: This is a defined benefit pension plan, which means that a fixed benefit is established and contributions are made to provide this benefit to you at retirement.

Type of Administration: Contract administration provides that plan assets are held in a Group Annuity Contract issued by Connecticut General Life Insurance Company, Hartford, CT 06152. The Plan Administrator is responsible for administering the contract.

THIS BOOKLET IS INTENDED ONLY AS A SUMMARY OF THE PLAN. SHOULD THERE BE ANY DIFFERENCES BETWEEN THIS BOOKLET'S DESCRIPTION OF THE PLAN AND THE PLAN'S PROVISIONS, THE PLAN SHALL APPLY.

