HUNTINGDON COUNTY RETIREMENT ESTIMATE

Member:	John Smith	Date of Birth:	1/1/1960	Sex:	M	Age: 52
Beneficiary:	Jane Smith	Date of Birth:	1/1/1960	Sex:	F	Age: 52

Date of Retirement:	1/1/2012	Type of Retirement:	Voluntary
Final Salary:		$	42,000.00

Member Contributions:	$	0.00
IRC 414(h)(2) 'Pickup' Contributions:	$	35,000.00
Total Interest Credited:	$	30,000.00
Accumulated Deductions:	$	65,000.00
Present Value of Member's Retirement Allowance:	$	164,633.26

Membership Service: 21.00000 Yrs

Member may elect to receive one of the following options:

NO OPTION

[ ]

$1,164.94 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to his accumulated deductions of $65,000.00, the balance shall be paid to his designated beneficiaries. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

OPTION ONE

[ ]

$1,136.27 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to the present value of his retirement allowance of $164,633.26, the balance shall be paid to his designated beneficiaries. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

OPTION TWO

[ ]

$1,032.02 payable monthly throughout the life of the member. Upon his death $1,032.02 shall be continued monthly throughout the life of his surviving designated beneficiary. Should the member and the primary beneficiary fail to receive payments at least equal to the accumulated deductions of $65,000.00, the balance shall be paid to the member's contingent beneficiary. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

OPTION THREE

[ ]

$1,094.16 payable monthly throughout the life of the member. Upon his death $547.08 shall be continued monthly throughout the life of his surviving designated beneficiary. Should the member and the primary beneficiary fail to receive payments at least equal to the accumulated deductions of $65,000.00, the balance shall be paid to the member's contingent beneficiary. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

OPTION FOUR Withdraw in one payment the accumulated deductions of $65,000.00 credited to the member's account. This amount is eligible to be rolled over. Any portion not directly rolled over is subject to Federal Income Tax and twenty percent withholding, in accordance with IRC Section 402 (c). In addition, the member will receive a County annuity payable monthly and based on one of the following selections.

[ ] **(A)** $708.09 payable monthly throughout the life of the member. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

[ ] **(B)** $687.65 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to the present value of the County annuity of $99,633.26, the balance shall be paid to his designated beneficiaries. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

[ ] **(C)** $624.58 payable monthly throughout the life of the member. Upon his death, $624.58 shall be continued monthly throughout the life of his surviving designated beneficiary. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

[ ] **(D)** $663.72 payable monthly throughout the life of the member. Upon his death, $331.86 shall be continued monthly throughout the life of his surviving designated beneficiary. For Federal Income Tax purposes, the entire monthly annuity is subject to tax.

Date: 04/05/2011

Hay Group, Inc.

* Please check Option selected, initial, date, and return to the secretary of the retirement board.

* Please note that this is an estimate and is based on information provided by the county. Upon review, if a discrepancy is noted, please report this to the retirement board.

HUNTINGDON COUNTY RETIREMENT ESTIMATE

Member:	John Smith	Date of Birth:	1/1/1952	Sex:	M	Age: 60
Beneficiary:	Jane Smith	Date of Birth:	1/1/1952	Sex:	F	Age: 60

Date of Retirement: 1/1/2012 Type of Retirement: Superannuation

Final Salary:	$	55,000.00
Member Contributions:	$	10,000.00
IRC 414(h)(2) 'Pickup' Contributions:	$	70,000.00
Total Interest Credited:	$	70,000.00
Accumulated Deductions:	$	150,000.00
Present Value of Member's Retirement Allowance:	$	399,897.07
Membership Service:	35.50000	Yrs

Member may elect to receive one of the following options:

For Federal Income Tax purposes, the member will be able to exclude $32.26 each month from his gross income as determined by the IRS Simplified Method for No Option and Option One, and $27.78 for Option Two and Option Three.

NO OPTION

[ ]

$3,214.60 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to his accumulated deductions of $150,000.00, the balance shall be paid to his designated beneficiaries.

OPTION ONE

[ ]

$3,065.58 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to the present value of his retirement allowance of $399,897.07, the balance shall be paid to his designated beneficiaries.

OPTION TWO

[ ]

$2,697.49 payable monthly throughout the life of the member. Upon his death $2,697.49 shall be continued monthly throughout the life of his surviving designated beneficiary. Should the member and the primary beneficiary fail to receive payments at least equal to the accumulated deductions of $150,000.00, the balance shall be paid to the member's contingent beneficiary.

OPTION THREE

[ ]

$2,931.65 payable monthly throughout the life of the member. Upon his death $1,465.83 shall be continued monthly throughout the life of his surviving designated beneficiary. Should the member and the primary beneficiary fail to receive payments at least equal to the accumulated deductions of $150,000.00, the balance shall be paid to the member's contingent beneficiary.

OPTION FOUR Withdraw in one payment the accumulated deductions of $150,000.00 credited to the member's account, of which $3,750.97 will be recovered tax free in the year of the withdrawal. If not paid directly to the member, this latter amount is eligible to be rolled over. The remaining balance is also eligible to be rolled over. Any portion of the remaining balance not directly rolled over is subject to Federal Income Tax and twenty percent withholding, in accordance with IRC Section 402 (c). In addition, the member will receive a County annuity payable monthly and based on one of the following selections. For Federal Income Tax purposes, the member will be able to exclude $20.16 each month from gross income as determined by the IRS Simplified Method for Options Four (A) and (B), and $17.36 for Options Four (C) and (D).

[ ] **(A)** $2,022.40 payable monthly throughout the life of the member.

[ ] **(B)** $1,915.69 payable monthly throughout the life of the member. Should the member fail to receive payments at least equal to the present value of the County annuity of $249,897.07, the balance shall be paid to his designated beneficiaries.

[ ] **(C)** $1,685.87 payable monthly throughout the life of the member. Upon his death, $1,685.87 shall be continued monthly throughout the life of his surviving designated beneficiary.

[ ] **(D)** $1,838.86 payable monthly throughout the life of the member. Upon his death, $919.43 shall be continued monthly throughout the life of his surviving designated beneficiary.

Date: 04/05/2011

_____

Hay Group, Inc.

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County Employees Retirement System

- System created by State legislature for county employees Act 96, 1971 – the County Pension Law combined aspects of various class counties into 1 act
- Applies to all counties from 2nd class A→8th class. Excludes Philadelphia & Pittsburg, they are subject to Act 205 the municipal plan legislation.

Administration

- System administered by county retirement board, except for Home Rule counties
  5 members - 3 county commissioners
  County controller or chief clerk (if no controller)
  County treasurer
- Chairman of board of commissioners is chairman of Retirement Board
- 3 members constitute a quorum
- Home Rule counties select the size and make up of the Retirement Board

Retirement Board Functions

- Select an actuary (e.g. Hay Group)
  Controller or chief clerk is secretary
  Home rule counties the board appoints a secretary
  Secretary keeps record of proceedings, open to public

- Expenses to administer fund paid by county or may from year to year be paid by fund unless considered to impair actuarial soundness of fund (is county funding?)
- Board establishes rules for meetings and timing of meetings
- By Jan. 31 each year board sets interest rate to be credited to member accounts (4-5.5%) regular interest (compounded annually)
- Keep necessary data for annual actuarial valuation report to certify amount county needs to contribute to fund to build up adequate reserves for payment of county's share of retirement allowances

Internal Accounting of Fund

- Fund is divided into 3 reserves.
  - MARA – member annuity reserve account – member contributions plus interest
  - CARA – county contributions determined by actuary, plus investment earnings, administrative expenses paid from here.
  - RMRA – present value of county annuities for retireds (determined by annual valuation by actuary).
- At retirement member money and present value of county money, necessary to fund each individual pension, is transferred from respective reserves (MARA & CARA) to RMRA
- Pensions and death benefits paid from RMRA

Benefit Levels

- Plan is a defined benefit plan (County provided benefit)
- Formula is FAS (avg. of high 3 sal.) x class basis x yrs. of service (samples provided)
- 5 benefit levels – 1/120 - .8% 1/100 – 1% 1/80 – 1.25%
  (as % of FAS) 1/70 – 1.43% 1/60 – 1.67%
- Corresponding member contributions for each county benefit level – mandatory contributions are tax deferred.
  1/120 – 5% 1/100 – 6% 1/180 – 7% 1/70 – 8% 1/60 – 9%
- Members can contribute up to 10% above the mandatory contributions (on after tax basis)
- Counties may, by resolution, lower the mandatory costs to 5% regardless of class basis county is on.
- Counties can move to a higher class at any time (CCAP has a solicitor's opinion stating that new entrants may enter on a lower class basis than what County is currently on).

Separate Trust

- Monies for pension plan accumulates in a separate trust to be used only for payment of benefits. Money can't be used for other county purposes or obligations.
- Members of board are trustees with exclusive responsibility to manage fund. Boards typically hire outside professional firms to handle some of these responsibilities such as a custodian to hold funds, investment managers to invest the monies in the fund and financial consultants to monitor the performance of the investment managers.

Compulsory Membership

- Everyone is required to be a member except elected officials when first becoming a county employee
- Exclusion for someone hired part time (expected to work 1,000 hours)

Annual Estimate

- By first day of November each year, retirement board must submit to commissioners estimate for next years annual required contribution

Military Service Credit

- Intervening service –
  When employee returns from active service during time of war or national emergency, if they had 6 months of service prior, county will make contribution member would have made based on their earnings at time they left for military service, and credit contributions with interest at rate county is using for that period.
- Non-intervening service –
  If approved by retirement board, after 3 yrs. of service, member can purchase prior active military service and receive credit under this plan, if not already receiving credit under another plan, by paying 5% of first 3 years of salary (avg.) for both the member and the county portion, plus 4% interest from date of hire to date of payment.

Types of Retirement

- Superannuation – normal retirement, either age 60 or 55 with 20 years of service
- Voluntary – less than age 55 with 20 years of service actuarial reduction on county provided benefit
- Involuntary – involuntarily terminated after 8 years of service. Actuarial reduction on county benefit. What constitutes an involuntary?
  - Elected official not reelected after 2 terms
  - Employee's job or position eliminated
  - Action taken by county not employee

Pension Benefits

- 2 parts to monthly benefit
- Member – total accumulated deductions multiplied by annuity factor at retirement
- County – defined benefit formula – FAS (avg. high 3) x class basis x years of service

Options

- No Option – 2 parts from above added together, largest monthly amount, single life annuity based on member only.
- Option One – modified single life annuity with reduced monthly benefit but chance for higher death benefit.
- Option Two – 100% joint and survivor annuity. reduced monthly benefit based on age at retirement of two lives, member and one beneficiary, where 100% of benefit member receives continues to beneficiary when member dies.
- Option Three – 50% joint and survivor annuity. based on two lives also, reduced benefit from No Option for member but higher than Option Two amount but only 50% of benefit member receives continues to beneficiary when member dies.
- Option Four – withdraw accumulated deductions in a lump sum and rollover to IRA and receive a monthly annuity on county portion of benefit.

  4A – single life annuity, highest monthly benefit, ends at death.

  4B – modified single life, reduced monthly benefit, chance for death benefit.

  4C – joint and 100% – same monthly amount member is receiving continues to beneficiary when member dies.

  4D – joint and 50% – higher monthly for member (compared to joint and 100%) with 50% of members benefit continuing to beneficiary after member dies.

Special Early Retirement Incentive

- Authorized by commissioners, approved by retirement board
- Election period – not less than 60 or more than 120 days. Election period immediately precedes retirement window which is not to exceed 12 months
- Requirements – 55 years of age and 10 years of service or 30 years of service
- Benefit – additional full years of service from 10-30% rounded to next full year, at the current class basis
- Increase in AAL attributable to ERIP is amortized over 5 years. Can give one no more than once in a five year period.

Death in Active Service

- After 10 years of service member can elect to have death benefit paid in a monthly amount
- Normal form of benefit is a lump sum, the present value of member and county benefit
- If member elects option 2D, the death benefit is paid like an option 2 pension based on ages of member and one beneficiary and paid for life of beneficiary

Disability Pension

- 5 years of service, before superannuation age
- Disabled while in service and unable to continue as a county employee as shown by medical exam
- Benefit is 25% of final average salary (high 3) payable as monthly annuity

Refunds

- Applies to member portion of employee that is terminated and not eligible for retirement allowance. Member refunded their accumulated deductions which they can have paid to them or roll over to an IRA. If paid to them, county is required to withhold 20% of the taxable portion.

Reemployment of Retiree

- Pension stops, reinstated as contributor, actuarial value of member's annuity is restored to member's credit in the member account.
- Pensioner can work part time up to 1,000 hours without affecting pension. Dollar for dollar reduction over 1,000 hours.

Various Rules

- An elected official who didn't join initially can join at any time.
- If membership is consummated within 1 year from beginning of such term of office and official pays in what would have been deducted they receive service from beginning of term.
- Employee that is terminated and receives a refund may, if reemployed later, pay back amount refunded which will restore the previous service.
- This should be credited as after tax money to member's account.
- Plan does not accept rollovers for this purpose except from a 457 deferred comp. plan.
- Amount must be paid back by normal retirement age.

- Employee that terminates after 5 years of service, rather than receiving a refund, may vest, keep his accumulated deductions in the fund and apply for retirement benefits at normal retirement age.

Taxation of Benefit

- Pension is not subject to state or local tax but is for federal
- Pension is not subject to garnishment or attachment and is unassignable except for indebtedness due to county because of employment (pension forfeiture act would also apply here and is more specific)
- Pension is subject to domestic relations orders because it is considered marital property
- County needs a domestic relations order for authority to pay benefits to an alternate payee
- Format of order must comply with benefits payable under Act 96 (counties have sample template to provide to attorney's from Hay Group)

Cost of Living for Retireds

- County must review once every 3 years (not required to give one)
- Increase given must be based on an index (Hay uses all urban consumers CPI from Department of Labor, CPI-U)

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Member:	John Smith	Date of Birth:	1/1/1960	Sex:	M	Age: 52
Beneficiary:	Jane Smith	Date of Birth:	1/1/1960	Sex:	F	Age: 52

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Final Salary:		$	42,000.00

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