

Huntingdon County

Employees' Retirement System



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**
- **This Act 96 contains the provisions governing the establishment and operations of the retirement system.**
- **Applies to all counties from 2nd class A→8th class. Excludes Philadelphia & Pittsburgh, they are subject to Act 205, the municipal plan legislation.**
- **The retirement plan is a defined benefit plan.**
- **It is a governmental, contributory defined benefit plan.**

Administration

- **The law states the retirement system is administered by a 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**
- **Controller or chief clerk is secretary**
- **Home Rule counties select the size and make up of the Retirement Board**
- **For Home Rule counties the board appoints a secretary**

Retirement Board Functions

- **The Retirement Board members are the trustees of the retirement fund.**
- **The Retirement Board hires firms to help maintain and administer the fund.**
- **Actuary (e.g. Korn Ferry Hay Group) values the fund**
- **Custodian helps administer the plan**
- **Investment managers invest the funds of the plan**
- **Auditors/Accountants audit the fund**

Employee

- All county employees are members when they first become employees of the county.
- The exception is part-time employees who are expected to work less than 1,000 hours in a year from the date of hire.
- Participants must contribute a percentage of their pay to participate and get service credit.
- This rate is 7%.
- These contributions are made on a pretax basis.
- An employee may contribute up to 10% more on an after-tax basis.

Retirement Board Functions

- **By Jan. 31 each year board sets the interest rate to be credited to member accounts (4-5.5%) regular interest (compounded annually)**
- **Currently the retirement board has set this interest rate at 5.5% per year.**

Benefits - Member

- The retirement board determines the rate of interest to be credited.
- It cannot be less than 4% and not more than 5.5%.
- The retirement board for Huntingdon County has decided that it should be 5.5%, currently.
- The total contributions and interest are called the participant's accumulated deductions.
- The accumulated deductions make up the member portion of the retirement benefit.
- These funds are not accessible except after termination of employment.

Benefits - County

- Plan is a defined benefit plan (County provided benefit)
- Formula is Final Average Salary or FAS (avg. of high 3 sal.) x class basis x yrs. of service (samples provided)
- Act allows the county to choose from the 5 benefit levels (as % of FAS)
 - 1/120 – 0.833%
 - 1/100 – 1.000%
 - 1/80 – 1.250%
 - 1/70 – 1.429%
 - 1/60 – 1.667%

Benefits - County

- **Corresponding member contributions for each county benefit level**
 - **These mandatory contributions are tax deferred.**
 - **1/120 – 5%**
 - **1/100 – 6%**
 - **1/80 – 7%**
 - **1/70 – 8%**
 - **1/60 – 9%**
- * The board may at any time, by rule, authorize members of the retirement system to reduce the contribution to any of the percentages required herein for any class lower. Such an election shall not affect the calculation of the county annuity portion.**
- **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).**

Benefits - County

- **The Plan's effective date is 1/7/1957**
 - 1/120 – 1/7/1957
 - 1/100 – 1/1/1973
 - 1/80 – 7/1/1977
- **Final average salary – average of the 3 highest salaries (may be partial years)**
- **Years of service – years, months, and days of service**

Benefits

- **Type of retirement**
 - **Superannuation - age 60 or age 55 and at least 20 years of service (YOS)**
 - **Voluntary – at least 20 years of service (YOS)**
 - **Involuntary – at least 8 years of service and county terminates employment for employee or elected official completes two full terms**
 - **Death Benefit – at least 10 years of service or at least age 60**
 - **Die in active service**
 - **2 options of form of payment**
 - **Lump sum = present value (PV) of member and county portions**
 - **Monthly benefit payable to a beneficiary, joint and survivor 100%**
 - **Disability Benefit – at least 5 years of service**
 - **Become disabled in service and is unable to continue county employment**
 - **Annual benefit - 25% times final average salary (3 years)**
 - **Benefit paid monthly**

Benefits

- **Optional forms – All forms are actuarially equivalent (2013 RP mortality table at 7%)**
- **Four options when the member leaves accumulated deductions in the plan.**
- **Four options when the member withdraws the accumulated deductions from the plan.**

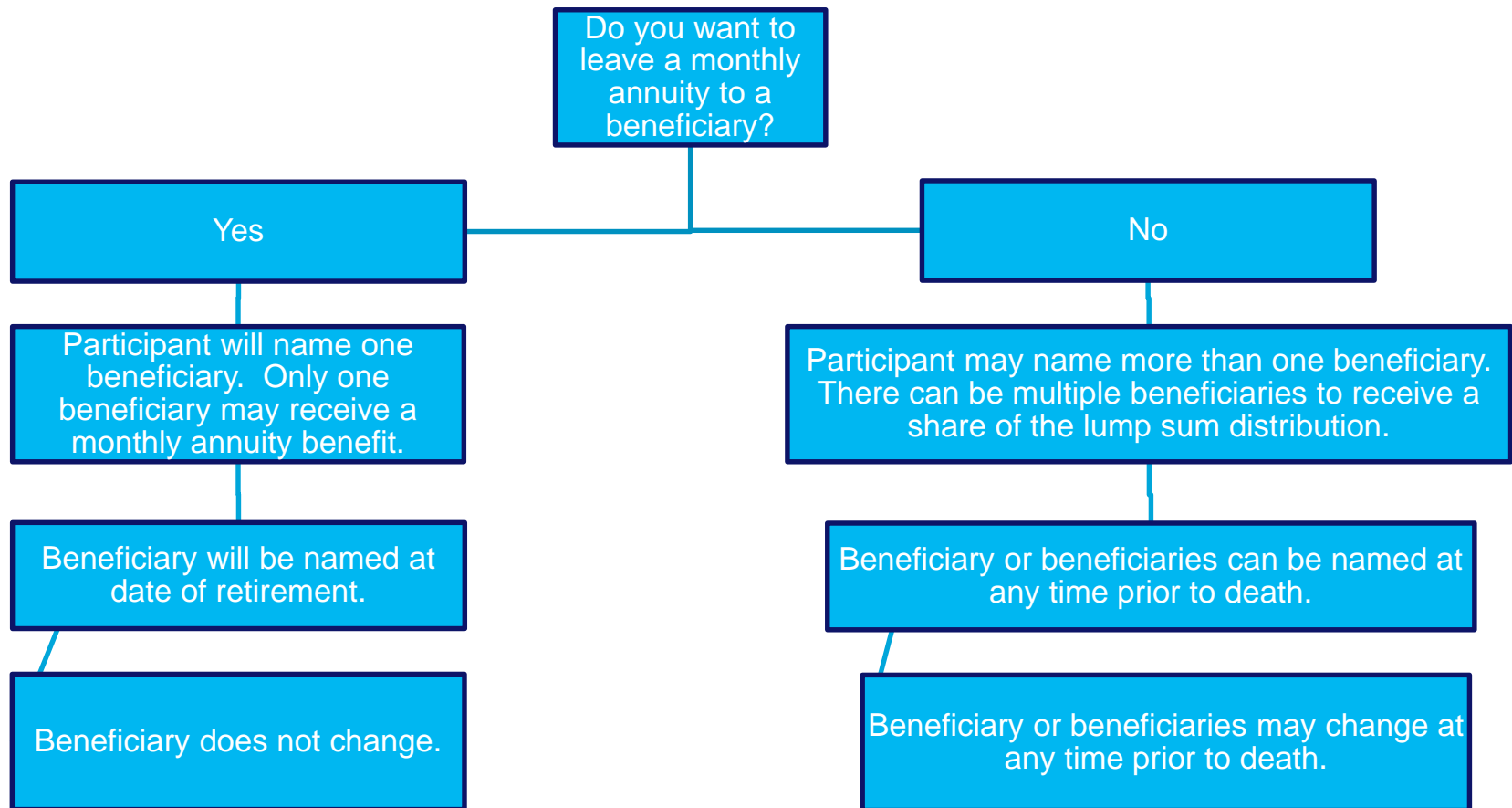
Benefits

- **Four options when the member leaves accumulated deductions in the plan.**
 - **No Option – guarantees payments equal to Accumulated Deductions**
 - **Option One – guarantees payments equal to present value (PV) of benefit**
 - **Option Two – Joint and Survivor 100%, guarantees payments equal to Accumulated Deductions**
 - **Option Three – Joint and Survivor 50%, guarantees payments equal to Accumulated Deductions**

Benefits

- **Four options when the member withdraws the accumulated deductions from the plan.**
 - **Option Four A – guarantees payments equal to Accumulated Deductions**
 - **Option Four B – guarantees payments equal to present value (PV) of benefit**
 - **Option Four C – Joint and Survivor 100%, guarantees payments equal to Accumulated Deductions**
 - **Option Four D – Joint and Survivor 50%, guarantees payments equal to Accumulated Deductions**
- **Since Options Four A, Four C, Four D received lump sum of Accumulated Deductions, then no lump sum payment will be paid after death (guaranteed payments are fulfilled)**
- **Option Four B guarantees present value (PV) of county portion**

Benefits



Benefits

- **The benefits are paid monthly for life and remain the same unless a cost-of-living adjustment has been approved by the retirement board.**

Miscellaneous

- COLAs – cost-of-living adjustments
- COLAs are optional. COLAs must be reviewed once every 3 years by the retirement board.
- COLAs are based on a percentage of the consumer price index (previously used all urban consumers CPI from Department of Labor, CPI-U).
- Effective January 2017 new guidelines for COLAs. Act 63 (H.B. 239 Session of 2015).
- The percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area for the 12-month period ending August 31.
- The retirement board shall have an actuarial note prepared stating that the plan has a funded ratio of at least 80%.
- Only participants are eligible for COLAs (beneficiaries are not eligible for COLAs).
- The last COLA was granted effective 1/1/2011. It was 95% of the CPI (consumer priced index).

Miscellaneous

- **Military Service**

- **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 the 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 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.

Miscellaneous

- **Non-intervening military service**
 - **May purchase up to 5 years**
 - **Cost to the participant**
 - **Employee must pay both member and county portion**
 - **Both portions are the same**
 - **5% of 3-year average (1st 3 years of service) times years of military service**
 - **This amount accrues with interest at 4% per year from date of entry until the purchase date**

Miscellaneous

- Refund of accumulated deductions
- Vesting after 5 years of service
- Vesting to age 60, must leave accumulated deductions in the Plan
- Always entitled to accumulated deductions
- Refund of accumulated deductions – a member may have it paid to him/her or roll over to an IRA. If paid to member, county is required to withhold 20% of the taxable portion.
- Leave of Absence
 - Contributions are not required during this time
 - May purchase this time – must pay member and county portion

Miscellaneous

- **Return to service – may restore previous service if pay the amount of the accumulated deductions refunded**
- **Pension is not subject to Pennsylvania state or Pennsylvania local tax but is for federal**
- **Pensioner can work part time with the County up to 1,000 hours without affecting pension. Dollar for dollar reduction over 1,000 hours.**
- **Pensioner who is rehired full-time with the County, benefit payments are suspended.**

Example

Employee A		Salaries
Date of birth:	04/01/1956	2015 \$41,000
Date of entry:	09/24/1994	2014 \$40,000
Date of retirement:	04/01/2016	2013 \$39,000

Calculation of a NORMAL (SUPERANNUATION) RETIREMENT PENSION

Member's Age at Retirement	60
Beneficiary's Age at Retirement	55
Accumulated Deductions	\$90,000
"Final Average Salary"	\$40,000
Credited Service	21 years, 6 months, 7 days
21 years, 6 months, 7 days	on 1/80 Class Basis

Example

Member Portion:

accumulated deductions / actuarial equivalence factor / 12 = monthly amount

\$90,000.00 / actuarial equivalence factor / 12 = \$669.84

County Portion:

class basis x "Final Average Salary" x service in class / 12 = monthly amount

.01250 x \$40,000 x 21.51918 / 12 = \$ 896.63

Example

Monthly Benefit Amounts

No Option:	=	\$1,566.47	Option Four (A):	=	\$896.63
Option One:	=	\$1,518.19	Option Four (B):	=	\$863.54
Option Two:	=	\$1,352.06	Option Four (C):	=	\$769.12
Continuing to surviving beneficiary:					
	=	\$1,352.06		=	\$769.12
Option Three:	=	\$1,450.69	Option Four (D):	=	\$828.00
Continuing to surviving beneficiary:					
	=	\$725.35		=	\$414.00