A Summary of
The Pension Plan for
County Officers and Employees of
Pueblo County, Colorado

January 1, 2016

TO THE EMPLOYEES OF PUEBLO COUNTY, COLORADO

Pueblo County, Colorado (the "County") is pleased to have made arrangements to provide income to our employees upon their retirement. Our retirement program is one way to express our thanks for loyal service and to make your years of retirement more secure and enjoyable. Our outstanding retirement program is designed to meet the retirement needs of our employees.

The objective of our retirement program is to provide you with an income related to your retirement needs and your service with the County. The sources of your total retirement income are as follows:

COUNTY RETIREMENT BENEFIT
(A pension funded by you and the County)

PLUS

Social Security Benefit
(Funded by you and the County)

PLUS

Your Personal Savings

EQUALS

Your Retirement Income

This booklet is designed to answer, in general, some of the questions you may have regarding the Pension Plan for County Officers and Employees of Pueblo, Colorado (the "Plan"). All statements made in this booklet are subject to the provisions and terms of the Plan. Please read the booklet carefully and if you have any questions, contact the Plan Administrator at (719) 583-6026.

This Summary of the Plan generally applies to individuals who become participants in the Plan on or after January 1, 2011.

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THE PLAN…A PROFILE

WHEN DID THE PLAN BEGIN?

The Pension Plan for County Officers and Employees of Pueblo County, Colorado (the "Plan" or the "Pension Plan"), was established on August 1, 1967. As of January 1, 2016, the Plan was restated and amended.

WHAT TYPE OF PENSION PLAN IS IT?

The Plan is a "defined benefit" pension plan. Simply, the Plan is the County's promise to contribute to a retirement program which, when combined with your own contributions, is designed to pay a monthly amount that may be definitely calculated. Under the normal form of payment, a monthly amount is paid for your lifetime after retirement, with payments guaranteed for 10 years if you die sooner.

WHO MANAGES THE PLAN?

By state law, the Plan is designed and managed by the Pueblo County Board of Retirement (the "Retirement Board"). The Retirement Board includes two representatives elected by the employees of Pueblo County and two representatives (who are County residents but not employees of the County) appointed by the County Commissioners. The fifth member is the County Treasurer. This diverse membership allows the Plan management to reflect the interests of the employees and the taxpayers.

The Plan allows the Retirement Board to appoint additional persons to the Retirement Board as "associate members." These individuals are non-voting members.

HOW IS THE PLAN FUNDED?

The funds necessary to support the Plan are derived from two sources:

1) Participant Contributions: All participating employees are required to contribute a specified percentage of their compensation to the Plan, and

2) County Contributions: The County contributes an amount **EQUAL** to participant contributions.

The amount deducted from each of the paychecks you receive will be 8.25% of your monthly compensation.

Administrative costs to maintain the Plan are paid by the Plan's funds.

An independent actuary is employed by the Retirement Board to periodically review the relationship between the Plan's funds and the cost to provide the Plan's benefits. This periodic review provides the Retirement Board with information regarding the solvency of the Plan.

WHERE ARE THE FUNDS INVESTED?

All participant contributions and County contributions are used to pay the benefits and expenses of the Plan. The funds are placed in investments as permitted by various state and federal laws. The Retirement Board establishes investment guidelines and monitors investment performance to assure the security of the investments and that the rates of return are consistent with the purposes of the Plan.

WHAT IS THE PLAN YEAR?

The Plan records are based on a Plan Year that begins on January 1st and ends on December 31st.

HOW DO I APPLY FOR BENEFITS UNDER THE PLAN?

You should notify the Plan Administrator as soon as you decide to retire or terminate your employment. The Plan Administrator will provide you with a benefit election form that must be filed with the Retirement Board at least 30 days before you want your benefits to begin.

CAN I ASSIGN MY BENEFITS TO SOMEONE ELSE?

The Plan is intended to pay benefits to you or your beneficiaries only. Your benefits cannot be used as collateral for loans or be assigned in any other way, except as permitted under Colorado law for child support or for payments made in compliance with a court order due to a legal separation or divorce. In addition, a participant is not permitted to take a loan from the Plan.

BEING INCLUDED IN THE PLAN

WHO IS ELIGIBLE TO JOIN THE PLAN?

Each person employed or reemployed by the County on a regular basis ("regular employee"), as defined by the Pueblo County Personnel Policy, and each elected, re-elected, appointed or re-appointed County officer is required to join the Plan.

This Summary of the Pension Plan generally applies to individuals who become participants in the Pension Plan on or after January 1, 2011.

People employed on a part-time basis regularly scheduled for less than 20 hours per week, temporary employees, and leased employees are *not* eligible to join the Plan.

IF I AM ELIGIBLE, WHEN CAN I JOIN THE PLAN?

You will begin your Plan participation on the first day of the month which coincides with or next follows the date you complete one month of "regular" employment with the County.

If you leave employment with the County and are subsequently rehired, you will enter the Plan on the first day of the month which coincides with or next follows your new date of employment, provided you are eligible to join the Plan.

WILL I HAVE TO PAY ANYTHING TO PARTICIPATE IN THE PLAN?

Yes…You will contribute a specified percentage of your monthly compensation. Your contributions are made through before-tax payroll deductions. "Before-tax" means your contribution is deducted from your compensation before federal and state withholding taxes are calculated.

You do not contribute to the Plan during any period of service during which you are not receiving credited service.

WHAT IS INCLUDED IN MY COMPENSATION?

Compensation for purposes of the Plan means your total regular compensation before any payroll deductions for income tax, Social Security, group insurance, cafeteria plan, deferred compensation and this Plan. Your compensation also includes any authorized cash payments for unused sick leave and vacation time at the time you terminate employment or retire from County service. Your compensation does <u>not</u> include overtime pay, commissions, bonuses, severance pay or any other extra compensation.

Compensation includes: (1) compensation (as described above), for services, that is paid by the later of 2½ months after your severance from employment or the end of the year that includes the date you terminated employment, if it is a payment that, absent a severance from employment, would have been paid to you while you continued in employment with the County; (2) any amounts paid to you by the County when you are not working for the County because of qualified military service, up to the amount you would have received if you were working for the

County, even if paid more than 2½ months after your severance from employment; and (3) back pay (for the year to which the back pay relates) to the extent the back pay represents wages that would otherwise be included.

Beginning January 1, 2009, your compensation for purposes of the Plan will include any differential wage payments you receive while you are on a leave of absence due to qualified military service.

WHEN CAN I RECEIVE A BENEFIT FROM THE PLAN?

In order for the Plan to be a "qualified plan" under the Internal Revenue Code, you can receive a benefit from the Plan only under the following circumstances:

- you retire after you meet the requirements for normal retirement;
- you retire after you meet the requirements for regular early retirement or special early retirement; or
- you terminate employment with the County.

In addition, if you die while you are a participant in the Plan, your beneficiary may be eligible for a benefit under the Plan. Please see the following pages for more information.

RETIREMENT – A TIMETABLE

WHAT IS THE *NORMAL* RETIREMENT DATE UNDER THE PLAN AND WHEN WILL I BEGIN TO RECEIVE BENEFITS?

Your "normal" retirement date is the first day of the month which is on or after your 65th birthday.

Benefits under the Plan will begin on your normal retirement date, provided you have terminated your employment with the County.

EXAMPLE

If you reach your 65th birthday during the month of March, and retire on April 1st, your benefits will begin on April 1st.

CAN I RETIRE AT AN EARLIER DATE AND STILL RECEIVE BENEFITS?

Yes, there are 2 ways to retire at an earlier date.

1. You can retire on the first day of any month which is on or after your 55th birthday, provided you have at least five years of credited service on your date of termination. If you meet these requirements, you are entitled to "regular early retirement." The date on which your benefits begin is called your "early" retirement date.

EXAMPLE

If you were born on April 15, 1980, you will turn age 55 on April 15, 2035. Provided you have at least five years of credited service with the County, you can retire on the first day of any month on or after May 1, 2035. If you choose to continue working until July 31, 2035, you can retire on August 1, 2035 and begin receiving your benefits. Your early retirement date will be August 1, 2035.

If you qualify for regular early retirement, the benefit amount you receive on your early retirement date will be *reduced* to reflect early payment of your benefit before your normal retirement date. The amount of the reduction is based on the period of time between your early retirement date and your normal retirement date. Your benefit will be reduced by 0.417% per month (5% per year) for each month your benefit begins before your normal retirement date.

2. You can also retire on the first day of any month which is on or after the date the sum of your age and your credited service equals at least 80 ("Rule of 80"). You must meet the Rule of 80 before you terminate your employment. If you meet this requirement, you are entitled to "special early retirement." However, if you retire before age 55, your monthly benefit will not begin until the first day of the month which is on or after your 55th birthday.

EXAMPLE

If you are 50 years old and have 30 years of credited service, you are eligible for special early retirement, since the sum of your age and credited service equals at least 80 (50 + 30 = 80). If you retire at age 50, your special early retirement benefit will not begin until the first day of the month on or after your 55th birthday.

If you qualify for special early retirement, the benefit amount you receive on your early retirement date will not be reduced for early payment.

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. The first day of the month on or after your actual retirement is called your postponed retirement date.

EXAMPLE

If you were born on September 21, 1980, you will turn age 65 on September 21, 2045. You may choose to continue working past October 1, 2045 (your normal retirement date) and retire on July 1, 2046. Your postponed retirement date will be July 1, 2046.

WHEN MUST MY RETIREMENT BENEFIT PAYMENTS BEGIN?

Your retirement benefit is required to begin by April 1st of the calendar year following the later of the calendar year in which you reach age 70½ or actually retire. All benefit payments are made in accordance with federal regulations governing minimum distribution requirements.

BENEFITS…WHAT THE PLAN IS ALL ABOUT

WHAT IS CREDITED SERVICE?

The benefits provided by the Plan are based on your credited service. Your credited service is equal to your "current service."

Current service is your continuous service as a regular employee. Your current service starts on the first day of the month coinciding with or next following the date you complete one month of regular employment. Your current service ends on the date your regular service with the County terminates.

Your credited service will <u>not</u> include any period of time:

- during which you are on an approved unpaid leave of absence;
- that is considered an interruption of service (*e.g.*, a temporary lay-off, a formal leave of absence followed by a return to County service within one year after the leave of absence ends, a leave of absence due to military service followed by a return to County service within 90 days of discharge, or an unpaid leave of absence related to the Family Medical Leave Act of 1993); or
- during which you are receiving benefits under the County's Long-Term Disability Plan.

Your credited service <u>will</u> include any period of absence during which you are receiving workers' compensation benefits.

If you take a military leave of absence under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended ("USERRA"), your "credited service" while on military leave is determined according to USERRA provisions.

Credited service is measured in years and fractional years.

If you terminate your employment and do <u>not</u> return to regular service with the County within 12 months of your termination date, you will have a break in service. Also, if you do not return to service within the time specified by a leave of absence, you will have a break in service. If you have a break in service, and you received a refund of the contributions you made to the Plan, you will lose all of your previous credited service.

If you terminate your employment and receive a distribution of your accumulated contributions and later return to regular service with the County within 12 months of your termination date, you may restore your credited service by repaying to the Plan any amounts you received upon your termination. The amounts you repay must include interest from the date you received the distribution to the date of repayment. Your repayment must be made within 12 months of your rehire date.

Lump-sum repayments may be made in cash or in the form of a trustee-to-trustee transfer from an annuity described in Internal Revenue Code Section 403(b) or an eligible 457(b) plan maintained by a governmental employer.

WHAT IS MY FINAL AVERAGE ANNUAL COMPENSATION?

A. Hired on or After January 1, 2011 and Prior to January 1, 2016

If you are employed by the County as a regular employee on or after January 1, 2011 and prior to January 1, 2016, or if you are appointed or elected to a term of office on or after January 1, 2011 and prior to January 1, 2016, your final average annual compensation ("FAAC") is the sum of your compensation for the 60 calendar months of credited service that are the highest paid, divided by five. If you have less than 60 calendar months of credited service, your FAAC is your average annual compensation based on all of your calendar months of credited service.

EXAMPLE

If you retire on May 1, 2035, and your compensation during the last 60 months of your career is the highest, your FAAC is calculated as follows:

			REGULAR BASE PAY BEFORE DEDUCTIONS
January 1 – April 30,	2035		$16,392.00
Calendar Year	2034		$46,764.00
Calendar Year	2033		$44,426.00
Calendar Year	2032		$42,205.00
Calendar Year	2031		$40,095.00
May 1 – December 31,	2030		$24,068.00
		TOTAL PAY	$213,950.00
		Divide by five years	÷ 5
FINAL AVERAGE ANNUAL COMPENSATION			$42,790.00

The benefit determined using your final average annual compensation is greater than a benefit calculated using compensation earned over your entire career with the County.

B. Hired on or After January 1, 2016

If you are employed by the County as a regular employee on or after January 1, 2016, or if you are appointed or elected to a term of office on or after January 1, 2016, your final average annual compensation ("FAAC") is the sum of your total compensation during any of your Current Service for which compensation was received, divided by the number of months of such Current Service, multiplied by 12.

EXAMPLE

If you began participation in the Plan on May 1, 2016 at age 54 and retire at age 65 on May 1, 2027 after earning eleven (11) years of current service, your FAAC is calculated as follows:

		MONTHS	REGULAR BASE PAY BEFORE DEDUCTIONS
January 1 – April 30,	2027	4	$16,088.00
Calendar Year	2026	12	$47,264.00
Calendar Year	2025	12	$46,764.00
Calendar Year	2024	12	$44,426.00
Calendar Year	2023	12	$42,205.00
Calendar Year	2022	12	$40,095.00
Calendar Year	2021	12	$39,195.00
Calendar Year	2020	12	$38,795.00
Calendar Year	2019	12	$38,699.00
Calendar Year	2018	12	$37,999.00
Calendar Year	2017	12	$37,688.00
May 1 – December 31,	2016	8	$37,502.00
	TOTAL PAY		$461,208.00
	Divide by 132 months		÷ 132
	Multiply by 12		x 12
FINAL AVERAGE ANNUAL COMPENSATION			$41,928.00

HOW MUCH IS MY "NORMAL RETIREMENT" BENEFIT?

Your normal retirement benefit is equal to 1.85% (0.0185) multiplied by your final average annual compensation multiplied by your credited service. Your normal retirement benefit cannot be greater than 80% of your compensation during your 12 highest-paid calendar months of credited service.

You will receive a monthly benefit equal to your annual benefit divided by "12," rounded up to the next whole dollar.

EXAMPLE

A. Hired on or After January 1, 2011 and Prior to January 1, 2016

If your FAAC is $42,790.00 and you have 25 years of credited service, your benefit, <u>payable at your normal retirement date</u>, is determined as follows:

Annual Benefit: 0.0185 x $42,790.00 x 25 = $19,790.38

Monthly Benefit: $19,790.38 ÷ 12 = $1,649.20 = $1,650.00 (rounded up)

B. Hired on or After January 1, 2016

If your FAAC is $41,928.00 and you have 11 years of credited service, your benefit, <u>payable at your normal retirement date</u>, is determined as follows:

Annual Benefit: 0.0185 x $41,928.00 x 11 = $8,532.35

Monthly Benefit: $8,532.35 ÷ 12 = $711.03 (rounded up)

WHAT IF I RETIRE ON A POSTPONED RETIREMENT DATE?

You continue to participate in the Plan as long as you are regularly employed by the County.

Your benefit will be calculated in exactly the same manner as your normal retirement benefit, except that your benefit will include your credited service and compensation after your normal retirement date.

WHAT HAPPENS IF I RETIRE EARLY?

If you satisfy the requirements for "regular early retirement" and elect to begin receiving your benefits before your normal retirement date, your benefit is <u>reduced</u> to reflect the likelihood that you are going to receive payments over a longer period of time. Each payment is reduced by 0.417% (0.00417) for each month (5% per year) by which your early retirement date precedes your normal retirement date. The following table provides the percentage of the benefit you will receive if you begin your benefit before your normal retirement date:

PAYMENTS BEGIN	AGE	% OF THE PAYMENT YOU WILL RECEIVE
Normal Retirement Date	65	100%
Years Before Normal Retirement Date		
1	64	95%
2	63	90%
3	62	85%
4	61	80%
5	60	75%
6	59	70%
7	58	65%
8	57	60%
9	56	55%
10	55	50%

EXAMPLE

Assume you are age 63, your FAAC is $40,000.00, and you have seven years of credited service. Your benefit, payable at your normal retirement date, is determined as follows:

Annual Benefit:	0.0185 x $40,000.00 x 7 = $5,180.00

If you elect to retire at age 63 (two years before your normal retirement date) with your benefits beginning immediately, your benefit, payable at your early retirement date, will be calculated as follows:

Reduction Factor:	24 months of early payment x 0.00417 (0.417% per mo.) = 0.10 (10% reduction)
Reduction Amount:	$5,180.00 x 0.10 = $518.00
Annual Benefit:	$5,180.00 less $518.00 = $4,662.00 per year
Monthly Benefit:	$4,662.00 ÷ 12 = $388.50 = $389.00 (rounded up)

If you satisfy the requirements for "special early retirement" (Rule of 80), you may terminate and receive unreduced benefits starting on the first day of the month which is on or after the later of your date of termination or your 55^{th} birthday.

EXAMPLE

Assume you are age 60, your FAAC is $40,000.00, and you have 20 years of credited service. Since the sum of your age and credited service equals at least 80 (60 + 20 = 80), you are eligible to retire under the special early retirement provisions of the Plan. Your benefit payable immediately is determined as follows:

Annual Benefit:	0.0185 x $40,000.00 x 20 = $14,800.00
Monthly Benefit:	$14,800.00 ÷ 12 = $1,233.33 = $1,234.00 (rounded up)

If, in this example, you had terminated your employment before age 55, your monthly benefit would not begin until the first day of the month on or after your 55^{th} birthday.

Your regular early retirement benefit and your special early retirement benefit will be calculated using your final average annual compensation and credited service as of your date of termination. If you leave employment before your normal retirement date, your benefit will be less than if you had continued to work because you will have fewer years of service. In addition, your final average annual compensation will most likely be lower at early retirement than at normal retirement.

CAN I RETIRE IF I BECOME DISABLED?

Pueblo County offers a Long Term Disability ("LTD") Plan to all employees. If you become totally and permanently disabled, and you qualify for benefits under the LTD Plan, you will not continue to earn credited service under the Plan during the period of your disability.

If you become disabled, you should review your situation with the Plan Administrator and the Director of Human Resources to determine the most advantageous course for you to take.

HOW DO I BECOME VESTED IN MY BENEFIT?

You become vested in your benefit based on your number of years of employment.

You are 100% vested in your benefit after you complete five years of employment. When you reach your normal retirement date, you become 100% vested, whether or not you have completed five years of employment.

You are always 100% vested in both the contributions you make to the Plan through payroll deductions and the interest earned on those contributions.

Elected officers and certain appointed officers will automatically be 100% vested in their benefits regardless of their completed years of employment if they:

- are not re-elected or re-appointed to the same office or another County office, and
- are not employed by the County within 30 days after their term of office expires.

WHAT IF I TERMINATE EMPLOYMENT BEFORE I BECOME VESTED?

You will receive a lump sum payment equal to the contributions you made to the Plan, with accumulated interest to the end of the month in which your date of termination occurs. This benefit will be paid after you have terminated your employment. You are not entitled to any other benefits from the Plan. You must file an election form with the Plan Administrator in order to receive this lump sum payment. If you do not elect to receive this lump sum payment before your normal retirement date, it will be paid to you within 90 days after your normal retirement date. *Regardless of when you receive your lump sum payment, your contributions will not earn interest after the month in which you terminate employment*.

WHAT HAPPENS IF I TERMINATE EMPLOYMENT AFTER BECOMING VESTED, BUT BEFORE I REACH MY NORMAL RETIREMENT DATE?

OPTIONS

If you terminate your employment after you have completed five years of employment, but before you reach your normal retirement date, you have two options when you leave:

Option 1: You may elect to leave your contributions, with accumulated interest, on deposit in the retirement fund and become a "terminated vested participant." As a terminated vested participant, you have the right to receive an unreduced monthly retirement benefit beginning at age 65. Instead, you may choose to begin receiving reduced benefits as early as age 55, provided you are vested – i.e. you have at least five years of credited service. Your benefit will be reduced in the same manner as a regular early retirement benefit.

Option 2: You may elect to receive a lump sum payment equal to the contributions you made to the Plan, with accumulated interest to the date of refund. If you choose this option, you will give up your right to any other benefits under the Plan.

If you do not choose an option within 90 days of your termination, you will be deemed to have elected Option 1.

If you are married and elect to withdraw the contributions you made to the Plan, with accumulated interest to the date of refund, and give up your rights to a vested benefit, your spouse must agree in writing to your election.

WHAT IF I TERMINATE EMPLOYMENT AND THEN I AM REEMPLOYED BY THE COUNTY?

If (1) you leave your contributions in the Plan when your employment ends, OR (2) you return to regular service with the County within 12 months of your termination date and, within 12 months of your reemployment date, you repay the amount of the contributions you had previously made to the Plan, with interest from the date you received the refund to the date of repayment, your credited service will be restored.

WHEN DO I PAY INCOME TAX ON MY PAYMENTS FROM THE PLAN?

RECEIPT OF LUMP SUM PAYMENT

If your lump sum distribution is paid to you, the distribution will be subject to the 20% mandatory tax withholding.

DIRECT ROLLOVER OR ROLLOVER

You may elect to have your lump sum payment *directly rolled over* into an eligible retirement plan (as described below). An eligible retirement plan includes: a traditional IRA; a Roth IRA; a plan qualified under Section 401(a) of the Internal Revenue Code that accepts eligible rollover distributions (including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan); a Section 403(a) annuity plan; a Section 403(b) tax-sheltered annuity; and an eligible 457(b) plan maintained by a governmental employer that agrees to separately account for the rollover contribution ("457(b) plan"). Note: The after-tax portion of a distribution may <u>not</u> be rolled over to a 457(b) plan.

You do not pay income taxes on the amount *directly rolled over*, unless the direct rollover is to a Roth IRA, as discussed below.

If your lump sum distribution is paid to you and you decide to *roll over* the taxable portion of your distribution from the Plan into an eligible retirement plan within 60 days of your receipt of the distribution, the taxable portion of the distribution will be subject to the 20% mandatory tax withholding.

DIRECT ROLLOVER OR ROLLOVER TO ROTH IRA

You may *directly roll over* your lump sum payment to a Roth IRA.

If your lump sum distribution is paid to you and you decide to *roll over* your distribution from the Plan into a Roth IRA within 60 days of your receipt of the distribution, the taxable portion of the distribution will be subject to the 20% mandatory tax withholding.

The taxable portion of your lump sum distribution from the Plan that is *directly rolled over* or *rolled over* to a Roth IRA is taxable at the time of the distribution.

PAYMENTS NOT ELIGIBLE FOR DIRECT ROLLOVER OR ROLLOVER

Payments lasting for your lifetime, and/or your beneficiary's lifetime, are not eligible to be *directly rolled over* or *rolled over*.

AFTER-TAX CONTRIBUTIONS

After-tax contributions may be (i) *directly rolled over to*: a plan qualified under Section 401(a) of the Internal Revenue Code (including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan); a Section 403(a) annuity plan; or a Section 403(b) tax-sheltered annuity which provides separate accounting for the portion of the distribution which is excludable from gross income or (ii) *rolled over* to an IRA.

After-tax contributions may be *directly rolled over* to a Roth IRA.

Note: The after-tax portion of a distribution may <u>not</u> be rolled over to a 457(b) plan.

EARLY DISTRIBUTION PENALTY

The taxable portion of your accumulated contributions or retirement benefit becomes subject to income tax when it is distributed. The taxable portion of your distribution may be subject to a 10% penalty tax if distributed before age 59½.

QUALIFIED PUBLIC SAFETY EMPLOYEE

If you are employed by the County as a qualified public safety employee and you are at least 50 years of age by the end of the calendar year in which you separate from service, the taxable portion of your distributions will not be subject to the 10% penalty tax for early withdrawal.

A "qualified public safety employee" is an employee of the County whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for any area within the jurisdiction of the County. For the County, a qualified public safety employee is generally a sworn law enforcement employee.

TAX ADVISOR

Please be sure to consult your own tax advisor regarding the tax consequences of your distribution.

WHAT HAPPENS IF I DIE WHILE EMPLOYED BY THE COUNTY?

SURVIVING SPOUSE

If you are married at the time of your death, your spouse can elect to receive either:

- a lump sum payment equal to two times the amount of the contributions you made to the Plan (with accumulated interest to your date of death), or

- a monthly benefit for life equal to 70% of your accrued benefit on your date of death. This benefit will not begin until the first day of the month on or after your death or your 55^{th} birthday, whichever is later.

A surviving spouse has similar tax consequences on distributions as the participant but the 10% early distribution penalty does not apply. See the information beginning on page 12, under "When do I pay income tax on my payments from the Plan?"

NONSPOUSE BENEFICIARY

If you are not married at the time of your death, your designated beneficiary (or estate, if your designated beneficiary predeceases you) will receive a lump sum payment equal to two times the amount of the contributions you made to the Plan (with accumulated interest to your date of death).

If your beneficiary is not your surviving spouse, he or she may choose a *direct rollover* of his or her lump sum payment from the Plan to (1) an IRA or (2) to the extent permitted or required under applicable law or guidance, to a Roth IRA.

A nonspouse beneficiary must establish an IRA in the name of the decedent with the nonspouse beneficiary named as the beneficiary.

For a direct rollover to a Roth IRA, the nonspouse beneficiary will pay income tax on the taxable portion of the distribution at the time of the rollover.

If your nonspouse beneficiary elects a direct rollover, the County will not be required to withhold any amount for federal or state income taxes on the taxable portion of the amount directly rolled over. The taxable portion of the distribution not directly rolled over to an IRA or a Roth IRA will be subject to 20% mandatory tax withholding. Please review the Special Tax Notice – Your Rollover Options for more information.

DEATH WHILE PERFORMING QUALIFIED MILITARY SERVICE

If you die while performing qualified military service, your survivors are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) that would be provided under the Plan had you resumed and then terminated employment on account of death.

TAX ADVISOR

Your nonspouse beneficiary or your surviving spouse should be sure to consult his or her own tax advisor regarding the tax consequences of the distribution.

WHAT HAPPENS IF I AM A TERMINATED VESTED PARTICIPANT AND I DIE BEFORE MY BENEFITS BEGIN?

SURVIVING SPOUSE

If you are married at the time of your death, your spouse can elect to receive either:

- a lump sum payment equal to two times the amount of the contributions you made to the Plan (with accumulated interest to your date of death), or

- a monthly benefit for life equal to 70% of your accrued benefit on your date of death. This benefit will not begin until the first day of the month on or after your death or your 55th birthday, whichever is later.

NONSPOUSE BENEFICIARY

If you are not married at the time of your death, your designated beneficiary (or estate, if your designated beneficiary predeceases you) will receive a lump sum payment equal to two times the amount of the contributions you made to the Plan (with accumulated interest to your date of death).

A nonspouse beneficiary's tax consequences are different from those for a surviving spouse. See the information on Nonspouse Beneficiary beginning on page 14 under "What happens if I die while employed by the County?"

SURVIVING SPOUSE

A surviving spouse has similar tax consequences on distributions as the participant but the 10% early distribution penalty does not apply.

TAX ADVISOR

Your nonspouse beneficiary or your surviving spouse should be sure to consult his or her own tax advisor regarding the tax consequences of the distribution.

WHAT IS THE INTEREST RATE ON MY CONTRIBUTIONS?

The interest rate credited on participant contributions is established periodically by the Retirement Board based on retirement fund earnings and local market rates. In past years the annual interest rate was 5%; however, beginning January 1, 2004, this rate changed to 3% per year and beginning February 1, 2010, this rate changed to 2% per year. The rate changed again beginning January 1, 2012, to 1% per year.

Interest is credited annually based on the value of your contributions as of December 31st. Interest is not credited for contributions made during the first year of participation. Interest will accumulate for the number of completed months from the end of the previous Plan year and the earliest of: (a) the date of payment of any cash benefit in the event you are partially or totally vested in your accrued benefit upon your termination of employment; (b) the end of the calendar month which contains your date of termination in the event you are zero percent (0%) vested in your accrued benefit upon termination of employment; (c) the date of payment of a death benefit in the case of your death prior to retirement; (d) your retirement date; and (e) the date of termination of the Plan.

PAYMENT OF BENEFITS UNDER THE PLAN

WHAT IS THE "NORMAL FORM" OF PAYMENT UNDER THE PLAN?

The "normal form" of payment is a term used to indicate how long your retirement benefit (calculated using the normal retirement benefit formula) will be paid.

The Plan provides a benefit for your lifetime, with payments guaranteed for 120 months (10 years). Payments begin on your retirement date and end on your date of death. If your death occurs before you have received 120 monthly payments, your designated beneficiary will continue to receive payments for the balance of the 120 month period.

This form of payment, otherwise known as a "ten year certain and life annuity," is the normal form of payment under the Plan.

CAN I HAVE MY BENEFIT PAID IN A FORM OTHER THAN A TEN YEAR CERTAIN AND LIFE ANNUITY?

Yes…You may choose, subject to conditions specified in the Plan, one of the following three benefits:

- **Single Life Benefit:** The single life benefit pays an increased monthly benefit to you for your lifetime, with no monthly payments made after your death. If the total of the monthly payments you received before your death is less than the value of your contributions (with accumulated interest), your designated beneficiary will receive the difference in a single lump sum.

- **Joint and 50% Survivor Benefit:** The joint and 50% survivor benefit pays an adjusted monthly benefit to you for your lifetime. After your death, 50% of the adjusted benefit will continue to your beneficiary for his or her lifetime. After your death and upon the death of your beneficiary, payments will stop. If your designated beneficiary dies before you, payments will stop upon your death.

- **Joint and 100% Survivor Benefit:** The joint and 100% survivor benefit pays an adjusted monthly benefit to you for your lifetime. After your death, 100% of the adjusted benefit will continue to your beneficiary for his or her lifetime. After your death and upon the death of your beneficiary, payments will stop. If your designated beneficiary dies before you, payments will stop upon your death.

If you elect one of these three options, the benefit amount determined using the normal retirement benefit formula will be adjusted to reflect your election to change the form of payment, from the normal form to an optional form.

If you are married at the time your retirement benefits are scheduled to begin, and you elect a form of payment <u>other than</u> a joint and survivor benefit with your spouse named as beneficiary, your spouse must consent in writing to your election. Your spouse's consent must be notarized or witnessed by a Plan representative. Also, if you elect the joint and 100% survivor benefit and your spouse is not the beneficiary, your beneficiary must <u>not</u> be more than ten years younger than you are.

Payment of your benefit will not begin until the Retirement Board receives a properly completed benefit election form. Your election form must be filed with the Retirement Board at least 30 days before you want your payments to begin.

If you choose either the joint and 50% survivor benefit or the joint and 100% survivor benefit, you cannot change your beneficiary designation once your payments have begun. Your beneficiary designation is irrevocable and cannot be changed even if you incur a change in status (such as divorce, marriage, or death of beneficiary).

Your beneficiary designation can be changed at any time, even after payments have begun, <u>if</u> you are receiving the normal form of benefit (ten year certain and life annuity) or single life benefit.

CAN PAYMENTS BE MADE DIRECTLY TO THE PROVIDER FOR MY "QUALIFIED HEALTH INSURANCE PREMIUMS?"

Yes, if you are an "eligible retired public safety officer," you may elect to have "qualified health insurance premiums" paid directly to the provider after being deducted from your monthly retirement benefit from the Plan.

Up to $3,000 per year of qualified health insurance premiums may be excluded from your gross income. Only one $3,000 exclusion is available per year; if you elect to have the full $3,000 exclusion apply for distributions from the Plan, you may not elect this exclusion from any other plan.

You may <u>not</u> exclude from your gross income any health insurance premiums paid by you and reimbursed with distributions from the Plan. Distributed amounts that qualify for exclusion from your gross income under this provision may <u>not</u> be taken into account in computing the itemized medical expense deduction.

A *public safety officer* is an individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, firefighter, chaplain, or as a member of a rescue squad or ambulance crew.

An *eligible retired public safety officer* is a Plan participant who, because of reaching normal retirement age, or because of being disabled, is separated from service as a public safety officer with the County.

If you are a public safety officer who is receiving a retirement benefit which began before your normal retirement age (other than because of disability), you will <u>not</u> be eligible for this exclusion.

"*Qualified health insurance premiums*" are for coverage for you, your spouse, and/or dependents by an accident or health plan or a qualified long-term care insurance contract. The health plan does not have to be sponsored by the County.

In order to have qualified health insurance premiums deducted from your monthly benefit and paid directly to the provider:

- you must make a written election on a form provided by the Plan Administrator;
- the election must be made after you separate from service as a public safety officer (generally, a sworn law enforcement officer) with the County; and
- the election can apply only to amounts not yet distributed to you from the Plan.

CAN I ELECT A LUMP-SUM BENEFIT?

You can only elect a lump-sum benefit if your monthly retirement benefit is less than $100.

WHAT HAPPENS IF I AM REHIRED BY THE COUNTY AFTER MY BENEFIT PAYMENTS HAVE STARTED?

If you are reemployed by the County as a regular employee, or you are a re-elected or re-appointed official, your retirement benefits will stop. You will become a participant in the Plan on the first day of the month after your date of rehire, and you will be required to make contributions during your period of reemployment.

When you subsequently terminate your employment, your retirement benefit will be recalculated to (i) include your credited service and compensation acquired during your period of reemployment and (ii) reflect the monthly benefit payments you received before your rehire date. However, your retirement benefit will not be less than the retirement benefit you were receiving prior to your reemployment.

CLOSING

MAXIMUM BENEFITS

In accordance with federal regulations, the Plan has provisions detailing the maximum benefit you can receive. While most employees will never reach this maximum, the maximum is stated in the Plan's legal document. Your benefit may be limited if you retire at a young age.

EFFECT ON EMPLOYMENT

The Plan in no way guarantees you continued employment with the County. If you terminate your employment with the County or if you are discharged, the Plan does not give you any right to any benefit or interest in the funds contributed by the County or earned by the Plan's funds, except as specifically provided in the Plan.

Similarly, there is no prohibition in the Plan on terminated or retired employees receiving or continuing to receive retirement benefits, if eligible under the Plan, because they obtain employment with another employer.

LAWFUL PRESENCE IN THE UNITED STATES

When you enroll in the Plan and when you elect your benefit, you must sign a Lawful Presence Affidavit, and provide appropriate documentation to verify your lawful presence in the United States.

PLAN DOCUMENT

The information in this booklet describes the Plan in everyday language and tries to avoid the technical language of the Plan's legal document. If, in our efforts to make the Plan easy to understand, we have omitted or misstated any of the Plan's provisions, the Plan's official legal document must remain the final authority. If you wish, you may examine the legal document by contacting the Plan Administrator at (719) 583-6026. The plan as described in this booklet is The Pension Plan for County Officers and Employees of Pueblo County, Colorado (As Amended and Restated Effective January 1, 2016), which may be further amended from time to time.

RETIREMENT BOARD AND PLAN ADMINISTRATOR'S ADDRESS

The address of the Retirement Board and Plan Administrator is:

Pueblo County Board of Retirement
215 West 10th Street
Pueblo, Colorado 81003-2992

MAY MY BENEFIT BE REDUCED?

Colorado state law requires the Retirement Board to inform you that your benefits could be reduced in the future to ensure the sustainability of the Pension Plan.