

CITY OF TRENTON
FIRE AND POLICE RETIREMENT SYSTEM
2800 Third Street
Trenton, Michigan 48183

Dear Members:

The purpose of this handbook is to describe and detail the terms and provisions of the City of Trenton Fire and Police Retirement System (the “Retirement System”).

The Retirement System was created by the adoption of the provisions of Public Act 345 of 1937, as amended (“Act 345”). The provisions of Act 345, together with the applicable collective bargaining agreements and applicable federal and state law, control and govern the rights and benefits under the Retirement System. The Board of Trustees of the Retirement System is vested with the authority to grant only those benefits which are authorized by the provisions of the Retirement System. Please note: collective bargaining agreements are controlling in the event of a conflict with the provisions of Act 345.

This handbook is informational only and shall not be relied on as a definitive statement of your rights and benefits under the Retirement System. Due to the complexities of the tax laws and other considerations, the Board of Trustees does not provide tax advice. The Board of Trustees recommends that members consult with a tax advisor regarding tax obligations and consequences relating to retirement decisions.

All members are encouraged to review this handbook, retain a copy for future reference, and update it with current reports, policy statements and collective bargaining agreements, which may be periodically distributed by the Retirement System.

As always, the Board of Trustees welcomes your questions and comments regarding **your** Retirement System.

BOARD OF TRUSTEES OF THE CITY OF TRENTON
FIRE AND POLICE RETIREMENT SYSTEM

CITY OF TRENTON FIRE AND POLICE RETIREMENT SYSTEM MEMBER HANDBOOK

QUESTIONS AND ANSWERS

What is the Retirement System?

The City of Trenton Fire and Police Retirement System was established to provide pension and retirement benefits to the personnel of the Fire and Police Departments of the City of Trenton, their families and other beneficiaries. The Retirement System was created by the adoption of the provisions of Public Act 345 of 1937, as amended (“Act 345”). The provisions of Act 345, together with the applicable collective bargaining agreements and applicable federal and state law, control and govern the rights and benefits under the Retirement System. As pension benefits are a mandatory subject of collective bargaining under the Michigan Public Employment Relations Act, the Retirement System provisions have been, and may continue to be, modified by collective bargaining agreements. **NOTE:** Collective bargaining agreements are controlling in the event of a conflict with the provisions of Act 345.

The Retirement System consists of two (2) qualified plans: (1) a Defined Benefit (Pension) Plan and (2) a Defined Contribution (Annuity) Plan. The Defined Contribution and Defined Benefit Plans are qualified plans pursuant to section 401(a) of the Internal Revenue Code.

Who administers the Retirement System?

The Retirement System is administered by a five member Board of Trustees. The Trustees are:

- (a) The treasurer of the City of Trenton;
- (b) A police member - elected by members of the Police Department;
- (c) A fire member - elected by members of the Fire Department; and
- (d) Two (2) citizens of the City of Trenton - appointed by the Mayor.

The Board of Trustees is vested with the general administration, management, and responsibility for the proper operation of the Retirement System. The regular term of office of the trustees provided for in paragraphs (b) and (c) above is four (4) years. The regular term of office of the trustees appointed by the Mayor is three (3) years.

Can the Board of Trustees increase benefits for members or retirees?

The Board of Trustees may not change the terms of the Retirement System. The Board of Trustees is vested only with the authority to grant those benefits which are authorized by the provisions of the Retirement System as amended by collective bargaining agreements. Changes in pension benefits for current members are mandatory subjects of collective bargaining. Changes in pension benefits for retirees are a permissive subject of collective bargaining.

When and where does the Board of Trustees have their meetings?

The Board of Trustees holds meetings at least once a month at a public forum held in compliance with the Open Meetings Act of the State of Michigan, Public Act 267 of 1976, as amended (MCL 15.261 *et seq.*). The schedule of meetings is published annually in advance and is posted in the City Hall, the Fire Department and the Police Department and online. The Board of Trustees normally convenes for each meeting in the Boards and Commissions room at 2800 Third Street, Trenton, Michigan 48183. All are welcome to attend.

Where may I obtain copies of the Retirement System provisions, resolutions, minutes or forms?

All members of the Retirement System are entitled to receive copies of Retirement System provisions, resolutions, minutes or forms. (Please note: a member may be requested to reimburse the Retirement System for reasonable duplication costs depending on the nature of the request.) Retirement and Pension forms are available from the Retirement System's Secretary. Questions about a member's own pension benefits are always welcome and may be presented in writing or in person to the Board of Trustees. A member should also consult his/her collective bargaining agreement for any changes to the Retirement System which may have been negotiated by the collective bargaining association.

Who is a member of the Retirement System?

Pursuant to Act 345, the membership of the Retirement System shall include each police officer and fire fighter employed by the City.

The membership of the Retirement System does not include:

- (1) A volunteer fire fighter,
- (2) A privately employed police officer or fire fighter,
- (3) A person temporarily employed during an emergency,
- (4) A civilian employee of the police and fire department,
- (5) A person participating in a transitional public employment program (except as provided in Section 6c of Act 345).

In all cases of doubt, the Board of Trustees decides who is a member of the Retirement System.

How is the Retirement System financed?

A. Defined Benefit Plan.

The Defined Benefit Plan (commonly referred to as the pension plan) is a plan funded by employer contributions and earnings from the assets of the defined benefit plan. The employer/city contributes actuarially determined amounts required to maintain the Retirement System as required by the Constitution of the State of Michigan.

B. Defined Contribution Plan.

The Defined Contribution Plan (commonly referred to as the annuity savings plan) is a plan funded by member contributions based on a percentage of compensation (currently 6% annually) and earnings on those contributions (currently 2% annually). **NOTE:** Employee contributions to the Retirement System are withheld from compensation.

When may I voluntarily retire?

A. Members hired prior to January 1, 1996

- (1) Twenty-five (25) or more years of credited service regardless of age.

B. Members hired on or after January 1, 1996

- (1) Age 55 with twenty (20) years of credited service.

NOTE: Retirement is mandatory under Act 345 upon attainment of age 65.

How do I qualify for deferred retirement benefits?

A vested former member of the Retirement System (i.e., a former employee who had accrued ten (10) or more years of service at the time of his separation from service) may apply for deferred retirement benefits beginning the first day of the calendar month after the date the member would have been eligible to retire had the member continued in employment.

How do I apply for retirement?

Upon meeting the age and/or service requirements for retirement, a member may retire upon submission of a written application to the Board of Trustees setting forth at what date, not less than thirty days, nor more than ninety days prior to the date, he/she desires to be retired. All members are requested to submit a letter of intent to retire to their department head a minimum of 30 days prior to the date he/she intends to be retired. An application and a copy of service retirement procedures may be obtained from the Board.

What factors are considered in determining my retirement allowance?

A member's regular retirement pension benefit is based upon his/her Final Average Compensation ("FAC"), years of credited service, and a multiplier (as determined by Act 345 or applicable collective bargaining agreement). Also, age is used in determining a member's regular retirement pension in that it is a factor in computing the amount of the actuarial reduction in the member's benefit if the member elects annuity withdrawal (the effect of annuity withdrawal is discussed in detail later in the handbook). In addition, the age of a member's beneficiary will be considered if a member elects annuity withdrawal and/or an optional form of benefit.

How is my Final Average Compensation determined?

After your retirement, the Retirement System Secretary reviews your final payroll information for each of the last 10 years of service preceding retirement.

Final Average Compensation for Firefighters and Police Officers is based upon the average of the 3 consecutive years of highest annual "compensation" received by the member during the member's 10 years of service immediately preceding the member's retirement or leaving service. Copies of the FAC computations performed by the Retirement System Secretary are forwarded to the appropriate representatives of the City and the Retirement System's Actuary.

ILLUSTRATION: The following annual income figures are provided to illustrate the normal computation of FAC using an April 15, 2009 retirement date:

| <u>Year</u> | <u>Compensation</u> |
|--|---------------------|
| April 16, 1999 to April 15, 2000 | \$67,800 |
| April 16, 2000 to April 15, 2001 | 68,900 |
| April 16, 2001 to April 15, 2002 | 70,000 |
| April 16, 2002 to April 15, 2003 | 73,000 |
| April 16, 2003 to April 15, 2004 | 76,800 |
| April 16, 2004 to April 15, 2005 | 77,200 |
| April 16, 2005 to April 15, 2006 | 80,600 |
| April 16, 2006 to April 15, 2007 | 81,000 |
| April 16, 2007 to April 15, 2008 | 82,000 |
| April 16, 2008 to April 15, 2009 | 82,600 |

The three highest consecutive years of annual compensation are '06-'07, '07-'08, '08-'09. The compensation for those years is added (\$245,600) and divided by 3 to determine the Final Average Compensation of \$81,867.

What is "Compensation"?

Compensation, for purposes of calculating retirement benefits, means a member's salary or wages paid by the City for personal services rendered by him/her to the City.

Please refer to your collective bargaining agreement for clarification as to the inclusion/exclusion of any additional compensation.

What is "Credited Service"?

Credited Service means the sum of the prior service and membership service credited to the member's service account. Credited Service, as reported to the Actuary, is broken down into your actual years, months and days. The number of the actual months of service credit is divided by 12 months/year. The number of actual days of service credit is divided by 360 days/year. The results of these two computations are added to the number of years of service credit and the resulting figure is rounded off to four (4) decimal places.

ILLUSTRATION: 25 years, 7 months, 18 days of service credit

- a. 25 years
- b. 7 months / 12 months = .58333 ... years
- c. 18 days / 360 days = .05 years
- d. Total Service Credit: $25 + .58333 + .05 = 25.6333$ years
- e. Retirement Computation: 25.6333 years x FAC x % multiplier

Will I receive credit for military service?

A member may receive credit for intervening military service if his/her City employment was interrupted by serving on active duty in any armed service of the United States, provided the member returns to service with the City and makes-up any missed member contributions in accordance with the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA).

May a member receive credit for prior Fire and/or Police time?

If a former fire or police member is re-employed by the City, he/she may be given credit for the prior service if the member returns all amounts previously withdrawn, with regular interest, to the Retirement System within one year of re-employment.

Members of the Retirement System hired after January 1, 1996, were recently allowed to purchase prior service with the City of Trenton as members of the City's defined contribution retirement plan. Years and months of credited service shall be recognized in accordance with a member's purchase.

The City has also adopted the Reciprocal Retirement Act, PA 88 of 1961, as amended, to provide for the preservation and continuity of retirement system service credits for public employees who transfer their employment between units of government. Therefore, if you previously worked for a governmental unit you may be eligible to recognize such service for purposes of meeting the service requirements of the Retirement System. However, your benefit would be based only upon the service actually rendered to the City of Trenton.

How are retirement benefits computed?

A member's service pension is computed based on a percentage of his/her FAC multiplied by the amount of his/her credited service and the applicable percentage multiplier.

A member's percentage multiplier is the multiplier provided pursuant to the applicable collective bargaining agreement in effect at the time of separation of service. The current multiplier for member's hired prior to January 1, 1996 is 2.5% of each year of service up to a maximum of 80%. The current multiplier for member's hired after January 1, 1996 is 2.0% of each year of service up to a maximum of 80%.

PRE-'96 ILLUSTRATION: You are age 50 with 25 years of service as a police officer. Your straight life retirement allowance based on 2.5 percent of your FAC of \$81,867 and 25 years of service equals \$4,264 per month (62.5% of your FAC). [$2.5\% \times \$81,867 \times 25 = \$51,167 \div 12 = \$4,264$].

POST-'96 ILLUSTRATION: You are age 55 with 25 years of service as a police officer. Your straight life retirement allowance based on 2.0 percent of your FAC of \$81,867 and 25 years of service credit equals \$3,411.13 per month (50% of your FAC). [$2.0\% \times \$81,867 \times 25 = \$40,933.50 \div 12 = \$3,411.13$].

May I designate a beneficiary who would continue receiving an allowance in case of my death?

Yes. If you desire to provide an income to a beneficiary upon your death, you may elect, prior to the effective date of your retirement, but not thereafter, one of the following options. If you die while drawing a pension your beneficiary will receive a survivor's pension depending on what option you chose.

NOTE: You must make your election prior to receipt of your first pension payment and once selected, neither your election nor the beneficiary designation can be changed.

1. Regular Retirement Pension (Straight Life Benefit)

Upon the death of a retirant who is receiving a regular retirement pension, his/her spouse, if living, shall receive a pension for the remainder of the spouse's lifetime equal to 60% of the regular retirement pension the deceased retirant was receiving.

NOTE: "Spouse", for purposes of the 60% surviving spouse benefit, is defined as the person to whom the retired member is legally married on both the effective date of retirement and date of death.

2. Option I: 100% Survivor Pension

Upon the death of a retired member, 100% of his/her reduced retirement pension shall be continued throughout the life of and paid to a duly nominated survivor beneficiary.

3. Option II: 50% Survivor Pension

Upon the death of a retired member, 50% of his/her reduced retirement pension shall be continued throughout the life of and paid to a duly nominated survivor beneficiary.

Option I and II benefits are made available as a convenience to you in planning your personal retirement needs. Option benefits are computed to be the actuarial equivalent of the Straight Life Pension. The amount of an Option form of retirement benefit is based upon the amount of your Straight Life Pension, which Option you select, and the ages of you and your beneficiary.

NOTE: If a member's death arises out of and in the course of employment with the City, survivor benefits will be based upon the duty death provisions of the Retirement System.

May a single member name a beneficiary for the 60% surviving spouse benefit?

No, because the specific definition of "spouse" cannot be satisfied by the named beneficiary of a single person.

Who is eligible to be named as an Option beneficiary?

An Option election must be made by a retiring member before the effective date of his/her retirement and not thereafter. An option beneficiary must have an insurable interest in the life of the retiring member. In general, this is a liberal standard, however it contemplates close blood relationships or relationships by marriage or some other special relationship or reasonable expectation of an advantage or pecuniary benefit from the continuance of the life of the insured.

May a single member name an option beneficiary?

Yes. A single member may name an option beneficiary if the option beneficiary has an insurable interest in the life of the retiring member.

May an option beneficiary designation be changed subsequent to the retiring member's retirement date?

No. The election of an option beneficiary must be made prior to the effective date of your retirement. Once you receive retirement benefits, you may not change your option election or designated beneficiary.

How much will my Retirement be reduced if I elect an option that provides income for my beneficiary after my death?

The amount of an optional form of retirement benefit is based on the amount of your Straight Life Pension, which option you elect and the ages of you and your beneficiary at the time of retirement. Option benefits are computed to be the actuarial equivalent of the Straight Life Pension which means they all have the same cost to the Retirement System at the time you retire. These benefit computations are performed by the Board's actuary and are made available as a convenience to you in planning your personal retirement needs.

ILLUSTRATIONS: If you are age 55 with entitlement to a Regular Retirement pension of \$25,000 a year (straight life benefit of \$2,083.33 a month) upon your death, your surviving spouse will receive \$1,249.99 per month.

If you elect Option I and your beneficiary is age 50, your retirement allowance would be \$1,725.00 per month, payable as long as either you or your designated option beneficiary survive.

If you elect Option II and your beneficiary is age 50, your retirement allowance would be \$1,887.50 per month. If you predecease your designated option beneficiary, \$943.75 would be paid for the balance of the option beneficiary's life.

NOTE: The above calculations are presented to provide a general understanding of option benefits. Your actual benefits will be calculated by the Board's actuary based on your straight life benefit and the ages of you and your option beneficiary.

What pension benefits are available to my beneficiary if I die before retirement (duty death)?

If an active employee/member should die prior to his/her retirement as a result of a personal injury or disease arising out of and in the course of employment with the City, benefits will be payable to a surviving spouse, surviving children under the age of 18 years and/or other surviving dependents. Generally, the amount of the death benefits would be equal to the worker's compensation benefits and would be payable when worker's compensation benefits have expired. Surviving spouse benefits shall terminate upon death; children benefits shall terminate upon attainment of age 18 years, adoption, marriage or death; and other surviving dependents until the Board determines that the need for benefits no longer exists.

What if I die before retirement, but not in the line of duty (non-duty death)?

If a member continues in the employ of the City after he/she has acquired twenty (20) or more years of credited service (15 years for Police Command members; 10 years for Police Patrol members; 10 years for Fire members), and should die (non-duty death), his/her surviving spouse shall receive an Option I benefit for life calculated as of the day preceding the date of the member's death.

A member who continues in the employ of the City after he/she has acquired twenty five (25) or more years of credited service may elect an Option I benefit and nominate a survivor beneficiary (other than a spouse) whom the Board finds to be dependant upon the member for at least 50% of the beneficiary's support. Upon the death of said member, his/her named beneficiary shall receive an Option I benefit for life calculated as of the day preceding the date of the member's death. **NOTE:** Member may change an option election pursuant to this section prior to retirement.

Should a member die prior to satisfying the eligibility requirements as detailed above no pension benefits shall be payable, but any accumulated contributions standing to the member's credit at the time of death will be paid to that member's designated beneficiary.

What if I become disabled in the line of duty (duty disability)?

If a member becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of the member's employment, the member or his/her department head may file an application with the Board of Trustees requesting service

connected disability retirement. The application and retirement procedures may be obtained from the Board's Secretary.

Upon receipt of a disability application, the member shall be given a medical examination by a medical committee consisting of a physician named by the Board of Trustees, a physician named by the member claiming benefits, and a third physician designated by the first two physicians. **NOTE:** In the event the Board of Trustees's physician and the member's physician agree, designation of the third physician will not be required. The member shall be retired if the medical committee, by a majority opinion, certifies and the Board concurs (1) that the member is mentally or physically totally incapacitated for further performance of duty as a police officer or fire fighter in the service of the City, (2) that his/her incapacitation is likely to be permanent, and (3) that the member should be retired.

A duty disability retiree will receive 50% of his/her Final Average Compensation until the age of 55 years.

ILLUSTRATION: You are disabled in the line of duty, you are 35 years of age and your application for a duty disability retirement is approved by the Board. You would receive 50% of your Final Average Compensation. If your FAC is \$41,867.00, your annual duty disability pension will equal \$20,934.

NOTE: All retirement benefits are reduced by the amount of any worker's compensation benefits you receive.

Upon the members attaining 55 years of age, the duty disability retirement will be recalculated to a regular disability retirement and the pension benefits will be recomputed to include the service credit obtained while on duty disability retirement.

ILLUSTRATION: If you were age 35 and had 13 years of service credit at the time of your disability retirement, upon attaining age 55 you will be given credit for the 20 years you were on duty disability retirement and your benefits will be recomputed based on a total of 33 years of service credit

What if my disability is not duty related?

A member who has five (5) or more years of credited service and who becomes permanently and totally disabled for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of the member's employment may apply for a non-service connected disability pension. A member

shall receive a disability retirement pension if the medical committee certifies and the Board concurs that a member is (1) mentally or physically incapacitated for further performance of duty as a police officer or fire fighter in the service of the City, (2) that the incapacity is likely to be permanent, and (3) that the member should be retired.

A member who has not attained age 55 years of age shall receive a disability retirement pension based upon 1.5% of the member's Average Final Compensation multiplied by the number of years of service credited to the member. Upon becoming 55 years of age, the member's disability retirement pension shall be increased to 2.0% of the member's Average Final Compensation multiplied by the number of years of service credited to the member at the time of his/her retirement.

NOTE: Service credit does not accrue while on a non-duty disability retirement.

At any time within 60 days preceding a member's 55th birthday, the member may elect (1) to receive your pension in accordance with Option I or Option II instead of a Straight Life pension and/or (2) the annuity withdrawal option.

A member who is eligible for a non-duty disability retirement on or after attaining 55 years of age shall receive a disability retirement pension computed in accordance with regular service retirement.

If a member has less than five (5) years of credited service and becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of the member's employment, he/she is not eligible for pension benefits but will receive a refund of his/her accumulated contributions.

What requirements are there for continued disability retirement?

A member on a duty or non-duty disability retirement, may be required undergo a medical examination at least once each year during the first five years following retirement and at least once in each three year period thereafter. The examination will be conducted by the Board's Medical Director at the Retirement System's expense. A retirant may be required to resume employment if the Medical Director and the Board determine that the retirant is physically able and capable of working.

Are my disability retirement benefits affected by my worker's compensation benefits?

Yes. Retirement System benefits are offset by worker's compensation periodic benefits. **NOTE:** If a disability retiree waives his/her rights to seniority and employment as part of a worker's compensation redemption, he/she will have no rights to reemployment in the event it is determined that the retiree is no longer eligible to receive disability retirement benefits.

May a disability retiree elect an option beneficiary?

Yes, a member on duty or non-duty disability may elect within 60 days of his/her attainment of age 55 (or before retirement if the member is 55 or more years old) to receive a regular disability pension or may elect to receive an Option I or Option II benefit.

NOTE: Election of an option benefit will reduce the amount of benefits a disability retiree may receive.

What if I die while on disability retirement?

If a retiree on disability retirement dies prior to attainment of age 55 years, his/her surviving spouse shall receive a pension equal to 60% of the amount the deceased retiree was receiving at the time of his/her death.

If a retiree on disability dies after attainment of age 55 years, his/her surviving Spouse shall receive a benefit equal to 60% of the pension the deceased retiree was receiving at time of death (unless member elected Option I or II). If there is no Spouse, the difference, if any, between the member's total contributions and the total member's retirement pension payments shall be payable to the person duly nominated by member. **NOTE:** "Spouse" for purposes of the 60% surviving spouse benefit is defined as the person to whom the retired member is legally married on both the effective date of retirement and date of death.

If the retiree elected an Option I, 100% of the reduced disability retirement pension shall be payable to the duly nominated survivor beneficiary.

If the retiree elected and Option II, 50% of the reduced disability retirement pension shall be payable to the duly nominated survivor beneficiary.

If I resign before I am eligible for retirement, do I receive a pension?

If a member has acquired ten (10) or more years of credited service, and separates from the service of the City prior to attainment of the age and service retirement requirements, for any reason except retirement or death, he/she may remain a deferred vested member of the Retirement System and is entitled to receive retirement benefits upon the date the member would have been eligible to retire had the member continued in employment, provided the member did not withdraw his/her accumulated contributions at time of separation.

If a member does not satisfy the above eligibility requirements, he/she will receive a refund of his/her accumulated contributions, plus interest.

What if I had quit working for the City in the Police or Fire Department, withdrew my contributions, but was subsequently re-employed by the City?

When a member withdraws his/her contributions, that member no longer is entitled to membership in the Retirement System and forfeits his or her accumulated service credit. If that member becomes re-employed by the City, the member may have prior service reinstated by paying the Retirement System within one year following his/her re-employment the total amount previously withdrawn plus interest from the dates of withdrawal to the dates of repayment.

What is the annuity withdrawal option?

While employed by the City, employee contributions are credited to your individual account in the Retirement System's Defined Contribution Plan. Your balance in the Defined Contribution Plan is also credited with interest each year. The annuity withdrawal option allows you to withdraw your accumulated contributions (including interest) from your Defined Contribution Plan account at retirement with a corresponding actuarial reduction in your pension benefit from the Defined Benefit Plan.

When may I withdraw my accumulated contributions?

Accumulated contributions may be withdrawn upon separation from service due to termination of employment, retirement or death. A member may elect to withdraw all or a portion of his/her accumulated contributions upon normal service retirement or conversion to a regular disability retirement.

If a member withdraws his/her accumulated contributions upon termination of employment he/she will no longer be a member of the Retirement System and will forfeit all service credit and rights to future pension benefits.

Accumulated contributions will be paid upon a member's death, to the member's designated beneficiary or estate, provided no other pension benefits are payable to a surviving spouse or beneficiary.

How would the annuity withdrawal option affect my pension?

If a member elects to withdraw his/her accumulated contributions at the time of retirement, the member's pension benefit will be actuarially reduced based upon (a) the amount withdrawn, (b) the ages of the member and/or beneficiary, and (c) the mortality and actuarial assumptions duly adopted by the Board of Trustees and/or specified in you applicable collective bargaining agreement. Currently the interest rate utilized to determine the annuity withdrawal reduction is 4.5% for members hired prior to January 1, 1996 and the actuarial equivalent rate for members hired thereafter.

Will I be taxed on my accumulated contributions?

Due to the complexities of the tax laws and other considerations, the Board of Trustees does not provide tax advice. Generally, a member is responsible to pay all taxes on lump-sum distribution amounts withdrawn from the Retirement System's Defined Contribution Plan which have not been previously included in a member's taxable income. The Retirement System will issue a 1099R form indicating taxable and previously taxed amounts and a Notice of Lump-Sum Distributions, in accordance with Internal Revenue Code Section 402.

NOTE: THE BOARD OF TRUSTEES RECOMMENDS THAT A MEMBER CONSULT WITH A TAX ADVISOR PRIOR TO ELECTING TO TRANSFER ANY AMOUNTS FROM THE DEFINED CONTRIBUTION PLAN OF THE RETIREMENT SYSTEM.

Are Retirement benefits subject to State of Michigan or federal income tax?

Defined Benefit (Pension) Plan. Yes, although there are specified exemptions from Michigan income tax on pensions depending on your age at retirement. Prior to your retirement the Board's paying agent will provide you with withholding forms relative to each plan. Unless you fill out the form instructing

the Board of Trustees how much to withhold, tax will be withheld in accordance with current federal and state law. Your tax obligation will depend on the federal and state income tax laws in effect when you retire.

Defined Contribution (Annuity) Plan. If a member elects a full or partial lump-sum refund, the member is responsible to pay taxes on all amounts withdrawn from the Retirement System's Defined Contribution Plan which have not been previously included in the member's taxable income. **NOTE:** Certain withholding and distribution rules apply to such decisions which may affect the tax a member owes and/or result in penalties.

NOTE: The tax laws change from time to time. The Board of Trustees cannot and does not provide tax advice. A member should obtain this advice from his/her own tax advisor so as to be aware of tax obligations and consequences.

Will I receive Social Security when I retire or if I become disabled?

A member may receive Social Security depending upon his/her age, years of coverage under Social Security and earnings during those years. Specific questions regarding eligibility and benefits may be directed towards any office of the Social Security Administration.

Do social security benefits and regular retirement benefits affect each other?

Receipt of Social Security benefits will not affect the benefits you receive from the Retirement System.

NOTE: A pension from work not covered by social security may affect your social security retirement or disability benefits. Specific questions regarding eligibility and benefit amounts may be directed towards any office of the Social Security Administration.

Are my retirement benefits subject to change?

Act 345 provides that a City may adopt from time to time benefit programs providing for post-retirement adjustments increasing retirement benefits.

The Retirement System, pursuant to applicable collective bargaining agreements, provides for an adjustment to any pre-'96 member's pension benefit

who retired after July 1, 1985. The pension benefit will be increased by 10% on the anniversary of the 5th year of retirement, and additional 10% on the anniversary of the 10th year of retirement, and an additional 5% on the anniversary of the 15th year of retirement. Each percentage increase is based on the amount of the annual pension payable on the date of retirement.

Currently, there is no post-retirement adjustment for post-'96 members of the Retirement System.

The Michigan State Constitution does not permit decreases to a retirant's pension benefit.

When current members receive an increase in pension benefits through collective bargaining, do current retirees also receive the increased benefits?

Retirement Benefits are determined based on FAC and collective bargaining provisions in effect at the time of the member's retirement. Any increases in pension benefits of current members will not effect the benefits of current retirees unless specifically provided for in the applicable collective bargaining agreement.

How do Eligible Domestic Relations Orders (EDROs) affect retirement benefits?

Public Act 46 of 1991 mandates that all public employee retirement systems must comply with Eligible Domestic Relations Orders (EDROs) issued by state courts. Act 46 authorizes the courts to allocate the marital portion of a participant's pension among the parties. Accordingly, an EDRO may require a retiring member to select an option and name his/her ex-spouse as the designated beneficiary. However, a Domestic Relations Order entered after the effective date of a retiring member's retirement may not require a change in retirement form, a change in designated beneficiary, or reach the benefit of a non-spousal option beneficiary.

May an EDRO change the definition of "Spouse" for purposes of the 60% Surviving Spouse Benefit?

A domestic relations order meeting all the requirements of Public Act 46 of 1991 may change the definition of "spouse" for purposes of the 60% surviving spouse benefit.

May a divorced member name his/her ex-spouse as option beneficiary?

A member may name an ex-spouse as option beneficiary prior to his/her retirement. Option beneficiaries may not be changed after the participant has retired. If the divorce occurs after retirement, and the ex-spouse was previously designated as an option beneficiary, he/she will continue to be the option beneficiary unless removed pursuant to a court order.

May an Eligible Domestic Relations Order (EDRO) require an option election and the designation of an ex-spouse or child as the option beneficiary?

Yes. An Eligible Domestic Relations Order (EDRO) may require the election of option beneficiaries and/or distribution of pension benefits. **NOTE:** Public Act 46 of 1991 requires that an EDRO be submitted prior to retirement.

Is my retirement allowance safe?

Yes. Article IX, Section 24 of the Michigan State Constitution provides that each year of service must be funded and makes pensions and retirement allowances a contractual obligation of the City and will not allow the City to decrease accrued benefits.

Who invests the Retirement System's assets?

The Board of Trustees is responsible for the proper operation of the Retirement System. Investment of all Retirement System assets is made by the Board of Trustees as authorized by State Law. It is the Board's policy to prudently invest pension funds so that the highest return is found among the safest investments. To assist in carrying out these responsibilities, the Board of Trustees obtains the services of Investment Advisors who invest the Retirement System's assets in accordance with the authority and limitations provided by law.

ACKNOWLEDGMENT OF RECEIPT

The purpose of this handbook is to give the members of the Retirement System a general understanding of the main provisions of the City of Trenton Fire and Police Retirement System. The operations of the Retirement System are governed by the pertinent provisions of any applicable federal law, the State Constitution, state statutes, City ordinances, applicable collective bargaining agreements, and continuing Board of Trustees policies, procedures and regulations. If you are covered by a collective bargaining agreement, the provisions of the collective bargaining agreement relative to pension benefits are controlling in the event of a conflict between the terms of the collective bargaining agreement, Act 345, ordinance or information in this handbook. The Board of Trustees of the City of Trenton Fire and Police Retirement System is vested with the authority for the operation, management and administration of the Retirement System, consistent with the above, and has certain rule-making and policy-making authority, subject to the aforementioned legal authority.

WE URGE YOU TO FAMILIARIZE YOURSELF WITH THE PROVISIONS OF YOUR RETIREMENT SYSTEM. YOU SHOULD FAMILIARIZE YOURSELF WITH THE TERMS OF YOUR COLLECTIVE BARGAINING AGREEMENT WHICH WILL CONTROL IN THE EVENT OF ANY CONFLICT WITH THE INFORMATION PRESENTED IN THIS HANDBOOK.

By my signature below, I hereby affirm that I have received a copy of the Member's Handbook for the City of Trenton Fire and Police Retirement System.

Member's Signature

Date