

**Category:** 300

**Number:** 343

**Subject:** **RETIREMENT**

**Purpose:** The purpose of this policy is to define the retirement benefit package of all County elected, non-elected, confidential and non-union employees in compliance with the St. Clair County Employees' Retirement System Ordinance.

**Authority:** The St. Clair County Board of Commissioners. Administrative policies shall be subject to revision or termination by the Board of Commissioners at its discretion.

**Application:** This policy speaks primarily to exempt (non-union) employees. Employees who are members of unions should consult the applicable collective bargaining agreement for the prevailing policy and procedure. Where a collective bargaining agreement is silent, this policy will apply.

**Responsibility:** The Administrator/Controller or designee is responsible for the enforcement of this policy.

**Policy:** All full time regular employees shall, upon their date of hire, participate in the St. Clair County Employees Retirement Plan. Specific terms and conditions of retirement not herein defined are subject to the terms and conditions provided by the retirement plan custodians and shall not be subject to nor require separate approval.

The Defined Benefit Pension and the Retiree Health Care Plan are completely separate Retirement Plan programs with separately designated methods for funding set forth in this Agreement. The assets of the separate programs may be commingled for investment purposes but shall be and are separate funds for accounting and actuarial purposes.

- A. The Retirement Board shall have fiduciary responsibility for retiree pension.
- B. The County Administrator/Controller shall have fiduciary responsibility for the Retiree Health Care Trust Account.

The St. Clair County Retirement System provides eligible employees (hired before January 1, 2009) with a Defined Benefit Pension Plan. A defined benefit plan is a retirement plan that establishes an annual and monthly pension amount based on an employee's years of service and final average compensation. Participation in the Defined Benefit Plan is mandatory among eligible employees as defined and set forth above. Terms and conditions of the Defined Benefit Plan are addressed in the Retirement Plan booklet. Employee and Employer contributions are as follows.

- A. The nonaffiliated employees shall contribute six percent (6%) of their eligible gross bi-weekly wage. Affiliated employees shall contribute the percentage set forth in their collective bargaining agreement.
- B. The County shall determine the level of funding necessary to assure and maintain the financial stability of the system and shall contribute the remaining contribution determined necessary.

The St. Clair County Retirement System provides eligible full time employees hired before January 1, 2009 with the opportunity to participate in the retiree health care plan by contributing to a Health Care Trust Account. Employee participation in the Health Care Trust Account is optional. The option is exercised upon date of eligibility to participate in the retirement plan and once exercised is irrevocable. Health care shall be subject to the exclusive purview of the Board of Commissioners which shall have authority to amend, modify or discontinue in part or the whole any benefit, provision, or condition of coverage. Eligibility for retiree health care coverage is as follows:

- A. A full time employee subject to the original plan must have eight (8) or more actual years of service contributions in the Retirement Plan to be entitled to health care coverage at no premium cost as a retiree.
- B. A full time employee subject to the modified plan must have twenty (20) or more actual years of service contributions in the Retirement Plan to be entitled to health care coverage at no premium cost as a retiree.
- C. An employee that chooses not to participate in the prefunding of retiree health care or that does not meet the actual years of service contributions stipulated in the preceding subsections A and B, shall be entitled to purchase retiree health care coverage based on the following conditions:
  - i. The full time employee shall have eleven (11) or more actual years of service contributions to the Retirement Plan.
  - ii. The employee, as a retiree, shall be required to pay the entire premium cost determined by the County on a month-to-month basis as a deduction from his or her monthly pension payment.
  - iii. The employee with contributions in the Health Care Trust Account shall be entitled to pay the health care premium costs from his or her contributions. When contributions are depleted the retiree shall be subject to the preceding [ii].
  - iv. The employee, upon making an application for retirement, must choose to purchase or not purchase health care coverage. The employee, as a retiree, may not choose to purchase health care at a

later time. In other words, the employee, as a retiree, must participate in the purchase of health care coverage upon initial retirement or he or she shall be forever ineligible for health care coverage.

- v. The employee, as a retiree, shall not be entitled to purchase health care coverage intermittently from the Retirement Plan. Failure to pay the monthly premium, whether intentionally or unintentionally disqualifies the retiree for health care coverage. In other words, the retiree shall not be entitled to discontinue and later re-enroll for health care coverage.

Contributions to the Retiree Health Care Trust Account shall be calculated on the first \$50,000 of an employee's eligible bi-weekly wages as defined in this article. This amount may be adjusted annually in proportion to the average annual employee percentage wage adjustment. The employee shall contribute 2.5% to the Retiree Health Care Trust Account.

An employee shall have the option to contribute to a 457 Deferred Compensation Plan rather than contribute to the Retiree Health Care Trust Fund Account. An employee that contributes to the 457 Deferred Compensation Plan shall not be entitled to retiree health care paid by the Retirement System upon retirement. Terms and conditions of the 457 Deferred Compensation Plan follow:

- A. Effective upon the earliest possible date following approval of the resolution by the Board of Commissioners, the employee shall be entitled to select one of the following contribution options to be matched by the County.

<u>Employee Contribution</u>	<u>County Contribution</u>
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%

- B. "ALL CONTRIBUTIONS" to the 457 Deferred Compensation Plan shall mean the contributions of the employee and the County. Contributions shall mean all contributions except as otherwise defined.
- C. Upon retirement the employee may at his or her discretion use contributions to the 457 Deferred Compensation Plan to purchase retiree health care from the Retirement System provided the employee has a minimum of eleven (11) or more years of contributed service in the Retirement System.

- D. An employee must elect or not elect to contribute to the 457 Deferred Compensation Plan upon full time regular employment with the County. The election once executed is irrevocable. Employees wishing to adjust their employee contribution election amount, may do so in accordance with the terms of the 457 Plan and applicable County policy.
  
- E. An employee shall not be entitled to contribute to the Retiree Health Care Trust Fund Account and the 457 Deferred Compensation Plan at the same time. An employee shall have the option to contribute to a 457 Deferred Compensation Plan account rather than contribute to the Retiree Health Care Trust Fund Account. An employee that contributes to the 457 Deferred Compensation Plan shall not be entitled to retiree health care paid by the Retirement System upon retirement.
  
- F. All contributions in the 457 Deferred Compensation Plan are immediately fully vested.

An employee subject to the Original Retirement Plan shall mean the plan in effect prior to January 1, 1993. The Original Retirement Plan shall continue to provide an annual multiplier of two percent (2%) accumulating to a maximum of seventy-five percent (75%) at thirty-seven and one-half (37-1/2) years of credited service. An employee subject to the Original Retirement Plan shall be eligible for health care upon eligibility to receive a pension

An employee subject to the Modified Retirement Plan shall mean the plan adopted effective January 1, 1993. An employee subject to the modified plan shall be entitled to final average compensation multiplied by years of credited service in accordance with the following schedule:

<u>Years of Service</u>	<u>Annual Multiplier</u>
1 through 10	1.75% - accumulative
11 through 19	2.00% - accumulative
20 through 24	2.00% - retroactive to first year
25 and above	2.40% - retroactive to first year

Upon attaining the twentieth (20<sup>th</sup>) year, the multiplier shall be retroactive to the first year. The multiplier maximum shall not exceed seventy-five percent (75%) at 31 years 3 months of service.

The employee subject to the Modified Retirement Plan shall be eligible for health care upon attaining twenty (20) actual years of service. Years of actual service shall mean that period of time employed and contributing, including repayment of previous employment credit, to the St. Clair County Employee Retirement Plan and excluding, by way of example, reciprocity through other retirement plans or the purchase of military service time. An employee subject to either the Original Retirement Plan or Modified Retirement Plan shall have their pension benefit

computed on the base salary, and where applicable service recognition, and shall not include compensation from the following:

- A. Overtime or compensatory time payoff.
- B. Vacation accrual payoff upon separation from employment.
- C. Sick day accrual payoff upon separation from employment.
- D. Compensation paid as an allowance, reimbursement or premium.

Final average compensation (FAC) is computed on the best three (3) of the last ten (10) years of service effective January 1, 2005.

An employee shall be eligible upon satisfying one of the following three criteria (in accordance with the Employees' Retirement System Ordinance):

- A. The employee has attained the age of fifty-five (55) years and has twenty-five (25) or more years of credited service.
- B. The employee has attained the age of sixty (60) years and has eight (8) years or more years of credited service.
- C. The employee's combined years and months of actual service and age equal eighty (80) years, provided the employee shall also have completed twenty-five (25) years of actual service.

Years of actual service shall mean that period of time employed and contributing to the St. Clair County Employee Retirement Plan and excluding, by way of example, reciprocity through other retirement plans or purchase of military service time.

An employee shall only be entitled to withdraw his or her contributions to the Defined Benefit Plan upon separation of membership in the retirement system. Separation of membership shall mean that membership in the retirement system has been terminated for at least ten days; or the individual has been laid off for at least thirty days.

- A. An employee is not required to withdraw his or her contributions upon termination of employment.
- B. Contributions left in the plan are deferred until such time as the former employee is eligible to receive a pension.
- C. The employee that withdraws his or her contributions shall terminate all right to receive a pension benefit from the plan.

- D. The employee that withdraws his or her contributions shall be entitled to a rate of interest on the contributions determined by the Retirement Board which shall be consistent with the interest rate attributed to all employee accounts regardless of union affiliation.

An employee shall only be entitled to withdraw his or her contributions to the Health Care Trust Account upon separation of membership in the retirement system. Separation of membership shall mean that membership in the retirement system has been terminated for at least ten days; or the individual has been laid off for at least thirty days.

- A. An employee is not required to withdraw his or her contributions upon termination of employment.
- B. Contributions left in the plan are deferred until such time as when the former employee shall be entitled to a retirement pension.
- C. The employee that leaves his or her contributions in the Health Care Plan Trust Account shall only be entitled to health care coverage in conjunction with receiving a pension.
- E. The employee that withdraws his or her contributions shall terminate all right to receive health care coverage from the plan at no premium cost to the retiree. The employee that withdraws his or her contributions shall be entitled to a rate of interest on the contributions determined by the Retirement Board which shall be consistent with the interest rate attributed to all employee accounts regardless of union affiliation.
- D. The employee that leaves his or her contributions in the Health Care Trust Account but who has insufficient actual years of services to qualify for coverage shall be entitled to purchase coverage when meeting all the conditions stipulated in this article.

If an employee was a full time contributing member of the Defined Benefit Plan prior to January 1, 2009, subsequently becomes a part time ineligible member and thereafter returns to full time employment without a break in employment, such an employee will remain eligible for participation in the Defined Benefit Plan upon meeting the following conditions:

- A. The member must have left their accumulated contributions in the plan.
- B. The same elections they had previously made will continue to apply.

If an employee was a full time contributing member of the Retirement Health Care Trust Account prior to January 1, 2009, subsequently becomes a part time ineligible member and thereafter returns to full time employment without a break in

employment, such an employee will remain eligible for participation in the Retirement Health Care Trust Account upon meeting the following conditions:

- A. The member must have left their accumulated contributions in the plan.
- B. The same elections they had previously made will continue to apply.

If an employee, upon becoming an ineligible member, applies for and receives a refund of their Defined Benefit Plan and/or Retirement Health Care Trust Account contributions, they shall terminate all future right to receive a benefit from either plan.

Employees hired on or after January 1, 2009 shall not be eligible to participate in the County Defined Benefit Plan or the Retiree Health Care Plan.

As of January 1, 2009, all newly hired regular full time employees shall be eligible to participate in a Defined Contribution Plan. The Defined Contribution Plan has distinct differences from the Defined Benefit Retirement Plan: there is no guarantee of a specific benefit, only what the employee decides to withdraw upon termination from employment; the employee chooses how to direct his or her investment. The employee should fund this plan with the goal to cover both pension and retiree healthcare needs. The benefit is portable.

Participation in the new Plan is voluntary for eligible full time regular employees. Terms and conditions of the new Plan are as follows:

The employee may contribute up to the IRS maximum elective deferral (contribution) limit of total wages through payroll deduction each pay period. Wages is defined as W-2 compensation less fringe benefits, bonuses, overtime, off schedule payments and longevity, etc. Employees wishing to adjust their employee contribution election amount may do so in accordance with the terms of the 457 Plan and applicable County policy.

The County will match the employee contribution dollar for dollar up to a maximum of 8% of total wages.

Retirement age: Age 65 or the age at which Participants have the right to retire and receive, under the basic defined benefit pension plan of the employer, immediate retirement benefits without actuarial or similar reduction because of retirement before some later specified age.

### **Administrative**

**Procedures:** Any exceptions or unusual circumstances that are not provided for in this policy must have specific prior approval from the Administrator/Controller.

**Periodic**

**Review:** The Administrator/Controller shall review this policy and make recommendations for changes as needed.

**Adopted:** December 12, 2019