Money & Your Future

A summary for the members of the San Luis Obispo County Employees' Retirement Plan

Benefits

Questions

Answers

San Luis Obispo County Pension Trust
1000 Mill St.
San Luis Obispo, CA 93408

805/781-5465

www.slopensiontrust.org

Revised June 2010

Dear Member:

One of the most valuable benefits you have as a result of your employment with San Luis Obispo County, the Superior Court in San Luis Obispo County, the Pension Trust and other contracting agencies within San Luis Obispo County (such as LAFCO or the APCD) is your membership and participation in the San Luis Obispo County Pension Trust. As a Member or a Participant of the Pension Trust, you are part of a special benefit program - The San Luis Obispo County Employees Retirement Plan. To learn about the benefits available to you under the Retirement Plan, please read this booklet and retain it for future reference. We urge you to make use of the retirement planning services provided by the Pension Trust before you retire to help with some important decisions that you will face. You can arrange for an estimate and an interview by contacting the Pension Trust Office.

San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

(805) 781-5465
Fax: (805) 781-5697
Email: PensionTrust@co.slo.ca.us

On the web…
www.slopensiontrust.org

It is intended that the San Luis Obispo County Pension Trust be a "qualified" plan under the federal tax laws. Maintaining this qualified status is very important. You are not taxed on your retirement benefits from a qualified plan until they are paid. The federal tax laws set limits on the amount of benefits you can accrue or receive under the Plan. As a result, your benefits may be subject to certain limitations established by the Internal Revenue Code or other federal laws that apply to qualified retirement plans. These limitations apply with respect to the federal tax laws which are currently in effect and any amendments or additions to those laws that are enacted in the future. These rules are very complex. However, if your situation is such that these limits will affect you, the Pension Trust will notify you.

This booklet is intended to provide you with a general overview of the Retirement Plan. Your eligibility for benefits is governed by the Retirement Plan and not by this booklet. If there is any conflict between this booklet and the Retirement plan, the provisions of the Retirement Plan take precedence and will apply.

Revised June 2010

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Frequently Asked Questions

Q. Who is eligible to participate in the Retirement Plan?
A. All permanent employees and appointed officers are required to participate. Participation and membership begins on the date you are hired. Elected officials may choose to become Members upon assuming office. Further explanation of eligibility begins on page 5.

Q. When can I retire?
A. Once you have reached age 50 and have five years of Pension Trust Service Credit you are eligible to retire.

Q. Will I still receive Social Security benefits if I am a Member of this Plan?
A. Yes, provided that you meet the eligibility requirements for Social Security benefits.

Q. Who can answer my questions about the Retirement Plan?
A. The Pension Trust staff is always ready to assist you. You can reach us by phone at (805) 781-5465, by Email at **PensionTrust@co.slo.ca.us,** or in person at 1000 Mill Street, San Luis Obispo, CA 93408 (On the corner of Mill and Osos Streets).

Q. After I retire, may I continue to be employed by the County?
A. Not on a permanent basis. If you are retired and receiving a retirement allowance from the Pension Trust, you may work for San Luis Obispo County or one of the agencies that contract with the County for Pension Trust benefits on a temporary basis not to exceed 960 hours in a fiscal year. However, you may be required to wait for a period of time after your initial retirement date before you can return to work in a temporary basis. You may also serve as a juror or an election officer and receive any compensation payable for such service without affecting your retirement benefits.

Q. What is "Final Compensation"?
A. The Retirement Plan defines Final Compensation as the average monthly compensation earnable during your twelve highest consecutive months of pay as an Active Member. The Final Compensation of a part-time employee is the same as that of an equivalent full-time employee. Final Compensation does not include pay for overtime, shift differential, uniform allowance, and use of County housing or lump sum payments of vacation and sick leave or any type of other compensation unless specified in the Retirement Plan.

Q. What is my Account Balance?
A. Your Account Balance is the total of your Accumulated Contributions and Interest. You may obtain your Account Balance at anytime by contacting the Pension Trust office or by going to our web site – **www.slopensiontrust.org** and obtain login information for your account. Your Account Balance does not determine your retirement allowance. It is applied toward funding your retirement allowance.

Q. How is my retirement allowance determined?
A. The Pension Trust is a defined benefit plan. Your retirement allowance is determined based on a formula contained in the Retirement Plan. In general, your retirement allowance will be based on your age at retirement, your Pension Trust Service Credit (PTSC) and your Final Compensation.

Q. Who is the Board of Trustees?
A. The Board of Trustees is the body responsible for the administration and management of the Pension Trust. The Board of Trustees is composed of seven members – the County Treasurer

(who is an ex-officio Trustee), three members appointed by the Board of Supervisors and three members elected by the Active Employees.

Q. What happens if I become disabled and can no longer work?

A. The Retirement Plan provides for Disability Retirement in case you become permanently disabled from the performance of your duties. There are two types of Disability Retirement Benefits available under the Retirement Plan. Ordinary Disability Retirement is available to any member who becomes incapacitated from the performance of their duties. In order to qualify for Ordinary Disability Retirement, you must have accrued at least five years of PTSC. Industrial Disability Retirement is available only to Safety Members and Probation Officer Members. In order to qualify for Industrial Disability Retirement your disability must be predominately service connected, however there is no minimum PTSC requirement.

Q. How do I earn PTSC?

A. Pension Trust Service Credit (PTSC) is expressed in years. You earn PTSC –and therefore pension benefits at retirement**-** for each hour you are paid as a permanent employee and make contributions to the Trust from your pay. For example, you accrue PTSC while working, while on a paid vacation, while on paid sick leave. You do not earn PTSC while on an unpaid leave.

Q. Do I get medical insurance as a retiree?

A. Eligibility for medical insurance after retirement is specific to the agency you were working for and what that agency provides**.** To determine if you are eligible for medical, dental or vision insurance after retirement contact the agency you work for or the Pension Trust.

MEMBERSHIP IN THE PENSION TRUST

All permanent employees of the County, the Superior Court in San Luis Obispo County and specified contracting agencies are Members of the Pension Trust. Elected officials of the County (Members of the Board of Supervisors and other elected officers of the County of San Luis Obispo) may choose to become Members of the Pension Trust within the first thirty days of assuming office. Employees hired prior to January 1, 1974, who are not now Members may elect to join and become Members of the Pension Trust. Members and Participants can be: **Active Members** (currently employed and actively contributing to the Plan); **Reserve Participants** (having a vested benefit in the Plan, but not actively employed under the Plan and not eligible for retirement yet); or, **Retired Participants**.

Membership Class and Bargaining Unit

The Membership Class and Bargaining Unit you belong to determine the benefit formula that applies to you. For County employees, your bargaining unit is shown on the Remuneration Statement you receive each payday. For employees of contract agencies, your bargaining unit may be shown on your pay statement or you can contact the Pension Trust Office.

There are three classes of Membership:

1. **Miscellaneous Members**
2. **Probation Officer Members**
3. **Safety Members**

Miscellaneous Members comprise the largest group of Members in the Pension Trust. Miscellaneous Members are found in every department. Job classifications vary over a wide range of assignments. Most County employees are in the Miscellaneous Member class. Within the Miscellaneous Member Class there are two groups that are covered by different retirement formulas.

1. Miscellaneous Members who are Management or Confidential Employees of the County or the Superior Court, the Pension Trust or one of the contracting agencies are covered by the benefit formula set forth in Section 6.08 of the Retirement Plan. This formula is commonly referred to as 2% @ 55 (100% Cap).

2. Miscellaneous Members who are employed by the County or the Superior Court and who are represented by the San Luis Obispo County Employees Association (SLOCEA) or the Service Employees International Union (SEIU) or by the California Federation of Interpreters (CFI) are covered by the benefit formula set forth in Section 6.09 of the Retirement Plan, commonly referred to as 2% @ 55 (80% Cap). This includes Miscellaneous Members employed as Sheriff Dispatchers or Non-Safety law enforcement.

The benefit formula attributable to Miscellaneous Members employed by one of the other contracting agencies is based on the contract that the agency has with the County. Contact the Pension Trust Office for more information regarding your benefit formula.

Probation Officer Members are individuals employed in the following civil service classifications:

Chief Probation Officer
Assistant Chief Probation Officer
Deputy Probation Officer (I,II)
Juvenile Services Officer (I,II,III)
Supervising Juvenile Services Officer
Supervising Deputy Probation Officer
Division Manager – Probation

1. Probation Officer Members who are management employees are covered by the benefit formula set forth in Section 6.03(f) of the Retirement Plan, commonly referred to as 3% @ 55 (90% Cap).
2. Probation Officer Members who are represented by SLOCPPOA are covered by the benefit

formula set forth in Section 6.03 (c) of the Retirement Plan, commonly referred to as 3% @ 55 (90% Cap).

Safety Members are individuals whose principal duties consist of active law enforcement. Positions in the Safety Member Classification include:

County Sheriff-Coroner
Under Sheriff
Sheriff's Chief Deputy
Sheriffs Commander
Sergeant
Sheriff Senior Deputy
Deputy Sheriff
Sheriff's Correctional Lieutenant
Sheriff's Correctional Sergeant
Sheriff's Correctional Officer
Sheriff's Senior Correctional Officer
District Attorney Investigator (I, II, III)
Supervising District Attorney Investigator
Chief District Attorney Investigator

1. Safety Members who are management employees are covered by the benefit formula set forth in Section 6.02(f) commonly referred to as 3% @ 50 (90% Cap)

2. Safety Members who are "sworn" Deputy Sheriffs are covered by the benefit formula set forth in 6.02(f) commonly referred to as 3% @ 50 (90% Cap)

3. Safety Members who are "non-sworn" Correctional Officers or who are District Attorney Investigators are covered by the benefit formula set forth in Section 6.02(d) and Section 6.02(e) commonly referred to as 3% @ 55 (90% Cap).

NOTE: These benefit formulas **do not** apply to Safety members who were in Reserve status at the time the 3% @ 50 and 3% @ 55 benefit formulas were approved by the Board of Supervisors. If you are a Reserve Participant of the Pension Trust, contact the Pension Trust Office for assistance in determining which formula applies to you.

THE IMPORTANCE OF YOUR CORRECT BIRTH DATE

The listing of your correct birth date is absolutely essential for Retirement Plan purposes and benefits. An inaccurately listed birth date can cause you to make contributions that are either too small or too large.

If insufficient contributions have been made because of an incorrectly reported birth date, then monthly benefits are not payable to you until you deposit the balance due!

Over an extended period of time, this could amount to hundreds, if not thousands, of additional dollars if many years of service are involved. So, if you don't have an official document, such as a birth certificate, proving your date of birth you should get one – NOW!

If your correct date of birth is not listed in the Pension Trust files, you should correct it immediately by notifying the Pension Trust Office. You will also need to have proper documentation of your birth date to apply for and receive Social Security benefits.

SOCIAL SECURITY AND THE PENSION TRUST

In addition to being a Member of the Pension Trust, you are also covered under the Social Security System. The Pension Trust is completely independent of the Social Security System and your contributions to and benefits from each system are determined and paid separately.

As a Member of the Pension Trust, you will receive a statement each year from the Pension Trust which shows your personal Pension Trust contributions, the interest you earned on your account and the number of years of accumulated Pension Trust Service Credit (PTSC).

As a member of Social Security, you can request a statement of earnings from the Social Security Administration. In addition, Social Security has begun to provide annual statements of earnings and benefit estimates. These are produced and mailed to you around your birthday.

It is advisable to review your Social Security statement to verify that accurate earnings are being recorded by Social Security. Social Security maintains an excellent web site: www.ssa.gov.

TEMPORARY ANNUITY

Should you decide to take a service retirement before Social Security payments can begin, it may be possible for you to elect to receive additional monthly income from the Pension Trust until your 62nd birthday.

Under this election, your normal retirement allowance will be converted to a reduced lifetime monthly allowance. A temporary monthly allowance will be added to this reduced allowance until your 62nd birthday. The amount of the temporary monthly allowance will be the estimated amount of your age 62 Social Security monthly benefit.

At age 62, the temporary monthly allowance paid by the Pension Trust stops; however the reduced lifetime monthly allowance continues. In other words, you received greater than normal monthly income from the Pension Trust until your 62nd birthday. Then after age 62, you pay for this extra income by receiving a reduced monthly allowance from the Pension Trust for the rest of your life.

Because of the complexities of this approach, this option is not appropriate for everyone contemplating Service Retirement before age 62. The determination of the benefit available under this option involves the years between your retirement age and age 62 and the amount of your Pension Trust retirement allowance versus your estimated age 62 Social Security benefits. If you are considering this approach, you should contact the Pension Trust Office **at least 90 days before your anticipated retirement date.**

HOW PLAN BENEFITS ARE FUNDED

Your Retirement Allowance is funded from three sources:

1. Your own contributions to the Trust;
2. Appropriations to the Trust from your employer; and
3. Earnings from investments.

Your contributions are based on two main components:

1. Your Member contribution rate. This rate is based on your member Class and your age at the time you become a Member of the Retirement Plan (reciprocity could affect this rate);

2. Your basic rate of pay (excluding overtime, differential, etc.).

Contribution rates are determined based on an actuarial valuation, which is undertaken each year, and therefore, rates can increase or decrease. Your contributions are deducted from your paycheck and deposited into your Pension Trust account. Your contributions earn interest, credited every other week at an annual rate established by the Pension Trust Board of Trustees. Contributions deducted from your paycheck are currently made on a pre-tax basis. Part-time employees contribute an amount that is in proportion to contributions of full-time employees.

In many cases, your employer pays or “picks up” a portion of your contribution to the Pension Trust on your behalf. This is a result of collective bargaining agreements between your employer and the recognized employee associations. The “picked up” contributions are also currently paid into the Trust on a pre-tax basis.

In addition to the “pick up” of a portion of your contribution, your employer also makes an Employer Appropriation that is a percentage of the total covered payroll each pay period. This percentage rate (Employer Appropriation Rate) is determined, usually on an annual basis based on the results of an actuarial investigation also known as an Actuarial Valuation. Employer Appropriations are used to fund current and future retirement benefits and are not refundable.

IF YOU TERMINATE EMPLOYMENT

If you terminate employment with your Employer (County, Superior Court, Pension Trust, LAFCO or APCD) , your contributions and your interest earned, including contributions "picked up" by the County, are payable to you after you leave. If you are not vested (i.e.; you have less than five years of Pension Trust Service Credit) when you terminate your employment, we are required by the provisions of the Retirement Plan to refund your contributions and interest to you. If you are going to work for a reciprocal agency, you may not be required to take a refund (see page 9). <u>If you return to permanent employment with the County before the Pension Trust can process your refund, your contributions and interest will remain on deposit.</u>

The Employer Appropriation to the Pension Trust that your employer makes during your membership is not payable to you as part of your refund.

If you are eligible to receive a retirement allowance when you terminate employment, you may choose to receive a monthly allowance, payable for life, rather than a refund. Your contributions are then used to fund part of the total cost of your retirement benefits. If you are eligible for a Service Retirement allowance, you may elect to defer receipt of your allowance. However, prior to making this decision, you should contact the Pension Trust to review your options.

Contributions made by you are currently deducted on a pre-tax basis. Any contributions made by your Employer on your behalf such as the "pick up" portion and additional contributions agreed to through various collective bargaining agreements as well as the interest earned on all the contributions are not considered taxable income until the year in which you receive a refund of your Accumulated Contributions.

If you take a refund of your Accumulated Contributions and have it paid directly to you, the Pension Trust is required to withhold 20% Federal tax on the portion considered taxable income unless you elect to authorize a direct transfer of your Accumulated Contributions to a qualified "rollover" Individual Retirement Account (rollover-IRA).

Also, be aware that there is a penalty applied to early distributions from a qualified retirement plan like the Pension Trust that you may be required to pay. A distribution is considered "early" if it is made to a terminated employee prior to reaching age 59 ½ (please refer to IRS Publication 575 for details and exceptions). This penalty is equal to 10% of the amount that you must include as taxable income for the year in which you received the refund. To avoid this 10% penalty you may "rollover" the portion considered taxable income into an Individual Retirement Account (IRA). If you do not elect a direct rollover to an IRA you must complete the rollover within 60 days of the distribution from the Pension Trust in order to avoid early withdrawal penalties.

NOTE: If you are not electing a direct transfer and you plan to "rollover" the funds yourself, you must deposit the entire amount of the distribution – including the 20% withheld by the Trust when the funds were paid to you to avoid any prorated penalty on the portion that was not rolled over. If you receive a refund, it is your responsibility to comply with the tax laws.

If you have general questions regarding the tax issues, you may contact the Pension Trust Office. However, for specific tax questions you should contact a qualified tax advisor such as a CPA, or you may contact the IRS, or read IRS Publication 575 – Pension and Annuity Income.

VESTING RIGHTS

To become vested in the Pension Trust a Member must have accrued a minimum of five years of Pension Trust Service Credit under the Retirement Plan. Members who became employed before January 1, 1974, are vested if they have at least $500 in Normal Contributions.

As a vested Member you are entitled to leave your contributions on deposit with the Pension Trust in the event you terminate employment with your Employer. If you leave your money on deposit, you become a Reserve Participant. You retain your rights to receive a monthly retirement allowance when you reach the minimum age for retirement, which is age 50. Depending on the date you became a Reserve Participant, the benefit formula applicable to you may not be the same as the one currently in effect for active Members in the position(s) you previously held. Contact the Pension Trust Office for further information.

As a Reserve Member, your monthly retirement allowance is based on four things.

1. **Your age as of the effective date of your retirement;**
2. **Your Pension Trust Service Credit at the time of your termination;**
3. **Your highest twelve consecutive months of pay at the time your permanent employment was terminated; and**
4. **The retirement benefit formula that applies to you based on the provisions of the Retirement Plan.**

If, as a Reserve Member, you leave your contributions on deposit, you will continue to earn interest at the same rate as an Active Member's contributions until you withdraw your funds, or until you retire. If you die as a Reserve Member, your contributions plus interest are payable to your surviving listed beneficiaries or to your estate.

To qualify as a Reserve Member, you must have a minimum of five years of Pension Trust Service Credit.

RECIPROCITY

Reciprocity is an agreement entered into between the Pension Trust and the California Public Employees Retirement System (Cal-PERS). Under this agreement with Cal-PERS, reciprocity exists between the Pension Trust, Cal-PERS, counties covered by the 1937 County Employees Retirement Act and certain other agencies that have established Reciprocity with Cal-PERS. ***Reciprocity does not extend to the State Teachers Retirement System (STRS) or to the University of California Retirement Plan (UCRP).***

Reciprocity is a "portability" feature that is designed to encourage careers in public service. Reciprocity enables a person to move between reciprocal systems with no loss of benefit. Under the provisions of reciprocity, a Member who has accrued less than five years of PTSC may elect to leave their contributions on deposit with the Pension Trust as long as they become a Member of a reciprocal system within six months of termination from employment under the Pension Trust (Outgoing Reciprocity).

Likewise, an individual who becomes a Member of the Pension Trust and has come from a reciprocal system within six months of termination of their employment under that reciprocal system, may also establish reciprocity (Incoming Reciprocity). In this case, if you establish Reciprocity in the first 30 days of your membership under the Pension Trust, the contribution rate assigned to you may be based on your age at entry with your previous employer (under the reciprocal system). In most cases, this will result in a lower employee contribution rate.

There is no transfer of contributions or service credit among the reciprocal retirement systems. The employee remains a Member of both systems and is subject to the membership and benefit obligations and rights of each system except as they may be modified by the reciprocal agreement.

A major benefit of reciprocity is the determination of final compensation. The highest compensation earnable (12 consecutive months salary) in any of the reciprocal systems will be used in calculating the final compensation in all of the systems.

Service credit earned under a reciprocal system can be used to meet the minimum service vesting requirements in each plan.

The benefits of reciprocity are applicable ONLY if the Member retires **concurrently** from all systems. Upon approval, each retirement system will issue payment separately for the benefits earned in each system.

Reciprocity may be established by request to either retirement system provided you have funds on deposit with each reciprocal system, and have met the conditions of each reciprocal system. If you have come to work for San Luis Obispo County from a reciprocal agency (oryou are departing to become employed by a reciprocal agency) and would like to establish Reciprocity you should contact the Pension Trust Office.

PENSION TRUST SERVICE CREDIT

Pension Trust Service Credit is based on your number of paid hours which are creditable under the Plan, but no more than 80 hours per pay period. Remember, overtime is not counted, and no contributions are made for overtime pay. Here are some examples:

1. In a given two week pay period, if you get paid for 80 regular hours, deductions are taken from 80 hours of pay, and you'll receive 80 hours of Pension Trust Service Credit.

2. If you get paid for only 56 regular hours, your Employee Contribution and your Employer Appropriation are based on the 56 hours of pay, and you receive 56 hours of Pension Trust Service Credit.

3. If you're a full-time employee, it takes five full years of pay (with no unpaid leaves or breaks in service) to earn five years of Pension Trust Service Credit.

4. If you're a part-time employee and never receive pay for any hours more than your normal scheduled hours, it takes the following number of years (with no unpaid leaves or breaks in service) to accrue five years of PTSC:

STATUS	NUMBER OF YEARS
¾ Time	**6 Years 8 Months = 5 years of Pension Trust Service Credit**
½ Time	**10 Years = 5 Years of Pension Trust Service Credit**
¼ Time	**20 Years = 5 Years of Pension Trust Service Credit**

PENSION TRUST SERVICE CREDIT DURING LEAVE WITHOUT PAY

Active Members of the Pension Trust are entitled to purchase Pension Trust Service Credit (PTSC) for approved Leaves of Absences, pursuant to the County Ordinance governing Leaves of Absence Without Pay (LWOP).

If you have utilized LWOP, Workers' Compensation or State Disability Insurance Benefits (SDI), the Pension Trust can verify whether you have service credit eligible to purchase. There is no deadline to make your inquiry. However, time is money! *The amount of contributions required to purchase this type of PTSC is calculated using your hourly rate of pay at the time you make your request to purchase the PTSC.* The cost to purchase service credits also includes interest that would have accrued from the dates of the leave period to the date that the funds are deposited into the Pension Trust.

Should you decide to purchase PTSC for one or more periods of LWOP, you may elect to make a one time lump sum payment for the full amount, or make bi-weekly payments (up to twenty-six pay periods) through payroll deduction. Longer payment plans are available subject to approval of the Executive Secretary. Purchase of LWOP time must be initiated AND completed prior to the Effective Date of your retirement.

Remember, if you are on State Disability Insurance (SDI) or Workers' Compensation and do not receive a full pay check, you are not making Pension Trust contributions to your account sufficient to purchase full time PTSC for the period in question. Consequently you will not earn full PTSC during the period in question.

ACTIVE MEMBER DEATH BENEFITS

If you die as an Active Member (that is, before termination of your employment), a lump sum Basic Death Benefit is payable to your surviving listed beneficiaries or to your estate. To help avoid legal difficulties in the event of your death, always keep your beneficiary designation in the Pension Trust files up to date – especially if you change your marital status.

Here is how an Active Member's Basic Death Benefit is calculated.

The Basic Death Benefit is equal to:

1. Your Accumulated Contributions, PLUS

2. Interest credited through the date of death, PLUS
3. An amount equal to one and one-half month's compensation for each completed year of Pension Trust Service Credit, up to a maximum of 18 month's salary for twelve or more years of service.

The salary used in computing this benefit is based on the basic monthly salary payable to the Member as of the date of death (excluding any differential or overtime pay).

MONTHLY DEATH BENEFITS TO ELIGIBLE SURVIVORS

Who is an Eligible Survivor? The Retirement Plan (and certain provisions of the government code) define an Eligible Survivor as one of the following:

1. A spouse to whom you were married at least one year prior to your date of death.

2. A Registered Domestic Partner with whom the domestic partnership has been registered at least one year prior to your date of death.

3. An unmarried child (or children) under the age of 18.

If you are eligible to retire when you die, a monthly allowance will be payable to your Eligible Survivor, if they so opt, instead of the lump sum Basic Death Benefit. Remember, to be eligible to retire you must have accrued five years of PTSC and have attained the age of 50. If you die as an Active Member, and you are eligible to retire on the date of your death, your Eligible Survivor may be entitled to receive a monthly allowance equal to the Option Two Allowance you would have received had you retired on the date of your death.

If you have no Eligible Surviving spouse or Registered Domestic Partner, this monthly allowance will be payable to your unmarried child or children, collectively, under the age of 18. No monthly benefit will be payable to a child who has turned 18 or who is married.

If you have no Eligible Survivor, then only the Lump Sum Basic Death Benefit is payable.

If payment of the monthly allowance is stopped because of a change in the status of your Eligible Survivor and before the total of monthly payments made to the Eligible Survivor equals the amount of the Lump Sum Basic Death Benefit, the difference is payable in a lump sum to your Beneficiary or to your Estate.

SERVICE-CONNECTED DEATH BENEFITS FOR SAFETY MEMBERS

If you are a Safety Member and your death is Service-Connected, a different monthly allowance may be payable to your Eligible Survivor(s). The allowance is in lieu of the Basic Death Benefit and the Monthly Death Benefit payable to Eligible Survivor(s) described in the previous section. This allowance is payable regardless of your total PTSC at the time of your death. In fact, as a Safety Member, you are eligible and covered by this provision even if your death occurs on the first day of your employment.

The amount of the allowance payable under this provision is 50% of your Final Compensation – less any monthly benefit your Eligible Survivor is entitled to receive from Social Security because of your death.

If your service-connected death is also found to have been caused by external violence or physical force the monthly allowance would be increased to the appropriate following maximum percentage of your final compensation:

1. For your Eligible Survivor with three or more children under the age of 18 – 75%;
2. For your Eligible Survivor with two children under the age of 18 – 70%; and
3. For your Eligible Survivor with one child under the age of 18 – 62½ %

Remember, your Eligible Survivor will receive a monthly benefit until their death. If you have no Eligible Survivor, or if your Eligible Survivor dies before each of your children attains the age of 18, here is what will happen:

A benefit in the form of a monthly allowance equal to one-half of your final compensation will be paid to your unmarried child, or children under age 18, collectively. No monthly allowance is payable to a child who attains age 18 or marries. Note that the allowance payable by the Pension Trust may be reduced as a result of death benefits received from Social Security.

If the monthly allowance payments are stopped because of a change in the eligibility of your survivor, and before the total of monthly payments equals the Basic Death Benefit, then the remaining difference is payable in a lump sum to your Beneficiary or your Estate.

Your Eligible Survivor is not eligible for a Service-Connected monthly Death Benefit unless you were married or in a Registered Domestic Partnership for at least one year (12 months) prior to sustaining the injury or disease which caused your death.

If the monthly allowance payable by the Pension Trust due to a Service-Connected death is less than the amount payable under the non-service-connected Death Benefit provision, then your Eligible Survivor will be paid the larger amount.

RETIRED PARTICIPANT DEATH BENEFIT

Upon death as a Retired Participant a $1,000 Lump Sum death benefit will be payable to your designated beneficiary(s) or, if none, to your estate. Also, an Eligible Survivor will receive a monthly allowance payable for life. The amount of this monthly allowance is 50% of your Unmodified monthly retirement allowance. For purposes of the Retired Participant Death an Eligible Survivor is defined as:

1. A spouse to whom you were married at least one year prior to your retirement date. A Registered Domestic Partner with whom the domestic partnership has been registered at least one year prior to your retirement date.

2. An unmarried child (or children) under the age of 18.

3. A dependent parent of the Retired Participant. A dependent parent is one who is predominately dependent upon the Retired Participant for financial support.

There are additional death benefits available for Retired Participants. These benefits are based on the benefit option selected at retirement. These options are discussed in more detail on page 13.

SERVICE RETIREMENT

HOW MUCH WILL I RECEIVE WHEN I RETIRE?

The Service Retirement Benefit structure is very simple, but the exceptions, modifications and options to the basic formula can be quite complex. At retirement, the amount of your Retirement Allowance is based on three components:

1. **Your age**
2. **Your Pension Trust Service Credit**
3. **Your Final Compensation**

Your age at retirement corresponds to a benefit factor. This benefit factor changes as you attain the next quarter year in age. When selecting a retirement date, it is often beneficial to choose your birthday, or the quarterly anniversary of your birthday. For example, if your birthday is June 6, your optimum retirement dates might be June 6, September 6, December 6 or March 6 (until you reach age 65 if you're a Miscellaneous Member or age 50 if you're a Sworn Safety Member or age 55 if you are a non-Sworn Safety Member or Probation Officer Member).

For Miscellaneous Members, the benefit factor increases by quarter years of completed age, beginning at age 50. These quarterly increases continue until age 65.

For Non-Sworn Safety Members and Probation Officer Members, the benefit factor increases by quarter years of completed age, beginning at age 50. These quarterly increases continue until age 55.

For Sworn Safety Members, the benefit factor is 3% at age 50 and does not increase past age 50.

To obtain an estimate, please contact the Pension Trust office at PensionTrust@co.slo.ca.us, call us at (805) 781-5465, or use the Customer Self Service feature online at www.slopensiontrust.org

PLANNING FOR YOUR RETIREMENT

Do you have a tentative date in mind when you're planning to retire? If so, you should contact the Pension Trust Office and make an appointment for a pre-retirement planning session.

At this session you will be provided information about your specific retirement benefits including an estimate of your retirement allowance, instructions on how to apply for and receive your retirement allowance. In addition, you will be able to obtain information on income tax, post retirement health benefits, beneficiary rights and responsibilities, Social Security and other areas related to retirement. These sessions are an excellent way to plan your retirement so that you are comfortable with your decision to retire. And – they're free!

Applications for Service Retirement Allowances should be made in writing at least six to eight weeks before your selected retirement date. You can get an Application for Service Retirement at the Pension Trust Office or you can download it from our website (www.slopensiontrust.org). The Pension Trust "pays in advance." That means Retired Participants receive their monthly checks at the beginning of each month. So, if you're going to retire, and if you want your first check in your hands on or about the day you retire, you should submit your application at least six to eight weeks before then.

If you are retiring from the Pension Trust and a reciprocal system such as CalPERS, please allow more lead time when filing your application. The reciprocal systems need time to communicate with one another to verify membership, to verify applicable service credit and to determine your highest final compensation.

When you apply for benefits, you will have to provide official proof of your birth date. Also, if you are married you will have to provide official proof of your spouse's birth date and your date of marriage.[1]

Sometimes it can be difficult to obtain the required documentation to establish age or marital status. If you have difficulty obtaining a copy of your birth or marriage certificate, please contact the Pension Trust Office to review other acceptable options.

OPTIONAL BENEFIT ALLOWANCES

The Unmodified Allowance is the maximum benefit you can receive. The Unmodified Allowance equals your Attained Age Factor x your PTSC x your Final Compensation. The Unmodified Allowance is the maximum allowance payable to you at retirement. However, the Unmodified Allowance only provides limited benefits for your beneficiary. If you have an Eligible Survivor, the Unmodified Allowance provides that your Eligible Survivor receives ½ of your monthly allowance upon your death. There is no refund or pay out of your remaining contributions.

If you wish to provide additional benefits to your Eligible Survivor or to a beneficiary you may select one of four options. It is difficult to estimate the options far in advance of retirement because of various factors such as whether you have an Eligible Survivor or the age of your beneficiary. Just remember that Options 1, 2, 3 and 4 are derived from the Unmodified Allowance. Consequently, selection of one of

[1] If you are divorced you may be required to provide a complete copy of your community property settlement pertaining to your retirement benefits.

these options will result in reduced payments to you (compared to the Unmodified Allowance).

OPTION #1

You receive a slightly reduced monthly allowance for your entire lifetime. Part of this allowance is funded by your Accumulated Normal Contributions (often known as the Annuity Portion). The remaining part is funded by Employer Appropriations (often referred to as the Pension Portion of your allowance). When you die, if the total of the Annuity Portion payments made to you is less than your Accumulated Contributions (one half of your Accumulated Contributions, if you have an "eligible survivor"), then the remaining amount of your Accumulated Contributions will be paid to your beneficiary or estate. In addition, one half of your Unmodified Benefit will be paid monthly to your "eligible survivor".

OPTION #2

You will receive a reduced monthly allowance for as long as you live so as to provide for a monthly allowance to your beneficiary. The continuing monthly allowance provided by Option 2 is equal to the amount you were receiving at the time you became deceased. This beneficiary has to be designated at the time you apply for retirement.

OPTION #3

You will receive a reduced monthly allowance for as long as you live so as to provide for a monthly allowance to your beneficiary. This beneficiary has to be designated at the time you apply for retirement. If the beneficiary is not your Eligible Survivor, the monthly allowance will be 50% of the Option 3 allowance. If your beneficiary is an Eligible Survivor, the monthly allowance will be less than the monthly allowance payable under Option 2 but greater than the monthly allowance payable to an Eligible Survivor under Option 1 or the Unmodified Allowance.

OPTION # 4

If you do not wish to elect one of the Options described above, you may consider Option 4. The benefit payable to you and your beneficiary under this option must be the actuarial equivalent of the Unmodified Allowance and cannot provide a larger allowance to your beneficiary than is available under Option 2.

SURVIVOR OR BENEFICIARY?

There is a difference between an Eligible Survivor and a Beneficiary. The Retirement Plan describes an Eligible Survivor as your surviving spouse (provided you were married one year prior to retirement), or your unmarried children under age eighteen, or your dependent parents. State law extends survivor benefits to Registered Domestic Partners as well.

A beneficiary, on the other hand, is someone <u>you</u> designate to receive a benefit in the event of your death. In certain cases, the rights of the Eligible Survivor to benefits will supersede any beneficiary designation you elect to make. Contact the Pension Trust Office for further details.

DISABILITY RETIREMENT

The Retirement Plan has provisions to provide eligible Active Members with a monthly income should they become permanently disabled. Determination of your disability will be made by the Pension Trust Board of Trustees, based on medical evidence.

There are two kinds of permanent disability retirement:

1. ***Ordinary Disability Retirement***
2. ***Industrial Disability Retirement***

ORDINARY DISABILITY RETIREMENT

The Ordinary Disability retirement allowance formula is complex. Basic factors used in determining the allowance payable as a result of an Ordinary Disability are final compensation and years of Pension Trust Service Credits. In addition, if your current membership began on or after January 1, 1974, you must have five or more years of Pension Trust Service Credit to be eligible for Ordinary Disability Retirement. If your membership began before January 1, 1974, you must have a minimum of $500.00 of

Accumulated Normal Contributions and interest earned in your account to be eligible to apply for Ordinary Disability Retirement.

INDUSTRIAL DISABILITY RETIREMENT

Industrial Disability Retirement is available to Safety Members and Probation Officer Members (it is not available to Miscellaneous Members). If a Safety Member or Probation Officer Member is found to be permanently disabled from the duties of his or her position by the Pension Trust Board of Trustees, and if the Members' disability is determined to be service-connected in the judgment of the Pension Trust Board of Trustees, then and only then is that Member determined to be eligible for an Industrial Disability Retirement Allowance. There are no minimum service credit or contributions on deposit needed to be eligible for Industrial Disability Retirement. This benefit provides protection for Safety Members and Probation Officer Members beginning with their first day of employment. The Industrial Disability monthly allowance is equal to one-half of final compensation.

If you meet the minimum eligibility requirements and feel you are entitled to a permanent disability benefit, you MUST file an Application for Disability Retirement with the Pension Trust Office PRIOR TO THE TERMINATION OF YOUR EMPLOYMENT (Applications for Disability Retirement received AFTER termination of employment are not valid and will not be processed pursuant to the provisions of the Retirement Plan).

COST-OF-LIVING ADJUSTMENT

The Retirement Plan provides for annual Cost Of Living Adjustments (COLA) to the monthly retirement allowances paid to eligible Retired Participants and Beneficiaries. The maximum COLA allowable under the Retirement Plan is 3%.

Every year, subject to approval by the Board of Trustees, retirement allowances are adjusted to reflect the previous annual calendar year change in California Consumer Price Index (CCPI). The CCPI is taken as the two year average of the Los Angeles-Riverside – Orange County and San Francisco-Oakland area Cost-of-Living indexes published by the U.S. Department of Labor, Bureau of Labor Statistics. These adjustments are implemented on April 1 of each year that they are approved.

To qualify for the Cost of Living Adjustment you must be a recipient of a Retirement Allowance on or before January 1 of the year in which the COLA is granted.

Cost of Living Adjustments may not exceed 3% per year. If the Cost of Living index rises more than 3% in a given year, the amount of increase in excess of 3% is carried forward to the next year. For example, if the CCPI increases by 5% this year, your retirement allowance would increase by 3% the following April 1. (The remaining 2% is "banked"). During the next year, let's assume the CCPI increase by only 1%. You will still receive a 3% Cost of Living Adjustment, because you had carried over 2% banked COLA from the prior year.

COMMUNITY PROPERTY AND THE PENSION TRUST

California Family Code Section 2610 requires the court in dissolution of marriage or legal separation cases to make whatever orders are necessary or appropriate to ensure that each party to the proceedings receives the party's full community property share in any retirement plan. Section 2610 also requires the court, upon the agreement of the non-employee spouse, to order the division of accumulated community property contributions and service credit.

In obtaining court orders bear in mind that the Pension Trust will only apply the community property interest to the allowance and benefits specifically set forth in the court order. If the court order states that "any" or "all" benefits are payable to one or the other of the parties, then the order would be interpreted by the Pension Trust to mean "all" of the benefits payable under the Retirement Plan, including any lump sum death benefits payable. If the court order provides only for a portion of the Member's monthly retirement allowance to be divided and does not mention one or more of the Retirement Plan's benefits, then the Pension Trust must be joined as a party to your dissolution of marriage proceedings. In all cases we recommend that you consult with legal counsel.

The Pension Trust must be joined as a party to the dissolution of marriage action. This is known as a Joinder. The "Joinder" must comply with the applicable procedures of the California Family Code and the rules of the court.

NOTE: If you also participate in the County's Deferred Compensation Plan you must obtain a separate Joinder for that plan and you should obtain a separate court order dividing the community property interest in the County's Deferred Compensation Plan as well.

The Pension Trust and the County Deferred Compensation Plan are TWO SEPARATE ENTITIES and must be dealt with separately in the case of dissolution of marriage.

Generally there are two methods used to divide the community property interest in the Pension Trust.

1. If you are an Active Member or a Reserve Participant your account and PTSC can be divided. Your former spouse would become an Alternate Payee and would receive an account composed of ½ of the community interest Accumulated Contributions and ½ of the community interest PTSC.

3. If you are already a Retired Participant then the "time rule" is used to determine the community interest portion of your monthly allowance and that portion is then divided pursuant to the court order.

SAN LUIS OBISPO COUNTY PENSION TRUST DEFERRED RETIREMENT OPTION PROGRAM ("DROP")

WHAT IS IT?

The Deferred Retirement Option Program ("DROP") is an optional, voluntary program that allows you to have your retirement benefits deposited in a special investment account and cease making contributions to the Pension Trust, all while you continue to work for the County or those contract agencies who have elected to participate in the DROP program In other words, it is a voluntary method of receiving a distribution of your retirement benefits; it is not an additional retirement benefit.

The DROP program may not be beneficial to all Members. Each Member must determine how the DROP program option will affect the Member's retirement allowance prior to making an election to enter the DROP program.

You can participate in the DROP program only one time, for a minimum of six months and a maximum of five years. Your retirement allowance is determined as of the date you enter the DROP program and accumulate in your DROP account while you continue to work. When you enter DROP, you also cease making contributions to the Pension Trust, which may increase your net paycheck while you are in the DROP program.

ELIGIBILITY FOR DROP

1. You must be eligible for a service retirement under the Pension Trust (Age 50, with a minimum of 5 years of service).
2. You must be an Active Member of the Trust (that is you must be employed by the County or a contract agency that has elected to participate in DROP).
3. You are part of a benefit group (Member Class and Bargaining Unit) that has agreed to participate in the DROP provisions through the collective bargaining process.

PARTICIPATION PERIOD

The maximum participation period is five years. Because the participation period cannot be extended you must retire at its conclusion; however, you can end your participation in DROP and terminate employment with the County and begin your retirement at any time after the initial six month participation period and prior to the end of the five-year period.

GENERAL PROVISIONS

DROP is not intended to jeopardize in any way the tax-qualified status of the Pension Trust under the

Internal Revenue Code. Full rights are reserved to modify the provisions of the San Luis Obispo County Employee's Retirement Plan relating to the DROP program to the extent necessary or appropriate to ensure that DROP complies with applicable federal laws, regulations, and administrative rulings. No amendment shall be enacted which has the effect of decreasing the amount credited to a Member's DROP account.

DISABILITY

If you become disabled while participating in DROP, you will be eligible to apply for disability retirement and be subject to the same disability eligibility requirements as if you were not in DROP. The amount of the disability retirement allowance shall be the same as the amount being credited monthly to your DROP account. If you have established reciprocity with a prior agency, your benefit from that agency may be affected.

DROP ACCOUNT

A DROP account is set up for each participant with a third party administrator, currently Great West Retirement Services (the County's Deferred Compensation Provider); the amount of your retirement benefit is credited to your DROP account each month. The DROP account is a self directed account. You will have numerous options available in which to invest your DROP account funds including mutual funds.

THINGS TO BEAR IN MIND REGARDING DROP

There is no guaranteed rate of interest paid on your DROP account. You control the investment of the funds in your DROP account. You and only you are responsible for the prudent management of your DROP account.

DROP account funds cannot be withdrawn until retirement from County service. There are no provisions for emergency or hardship withdrawals under the DROP program.

Based upon the Board of Trustees legal counsel's interpretation of current tax rules, it appears that the DROP account is not subject to federal income tax until the money is withdrawn.

Upon termination of DROP participation and retirement from the County, you can receive the amounts credited to your DROP account, including any investment earnings or interest. In addition to your DROP account, you also will begin to receive your monthly retirement allowance in the amount being credited to your DROP account. You may select the method of withdrawing the money from your DROP account from the following options:

1. Lump-sum distribution payable to yourself; or
2. A rollover of the DROP Account Balance to an Individual Retirement Account (IRA); or
3. Monthly installment payments (a pay-out period not less than ten years and not greater than the single, or if married, joint life expectancies of the Member and the Member's spouse); or
4. Such other form of distribution as is adopted by the Board and in accord with applicable provisions of the Internal Revenue Code.

Quarterly statements will be provided for each DROP account. You must name a beneficiary for your DROP account.

YOUR STATUS DURING THE DROP PERIOD

- Upon entering DROP you cease being an Active Member and become a DROP Participant;
- The Pension Trust considers you to be retired for purposes of benefit calculations;
- No PTSC is earned or accrued during your DROP participation period;
- No contributions will be paid for Social Security based on your DROP account, only on your regular employment with the County as a DROP participant.

YOUR STATUS WITH YOUR EMPLOYER DURING THE DROP PERIOD

All terms and conditions of your employment are unaffected by participating in the DROP program; however, you must retire no later than the date indicated in your DROP Application after you begin DROP participation. Remember, the maximum DROP participation period is five years.

BENEFIT CALCULATION AT THE START OF DROP

The retirement option you select at the start of DROP cannot be changed later. When you enter DROP, the method and/or options you select to calculate your retirement allowance are used to calculate your DROP allowance payment while in DROP. Your monthly DROP deposit is eligible for cost-of-living increases at the same time and in the same manner as such increases are granted to Retired Participants.

In accordance with provisions of the Retirement Plan governing the Pension Trust providing for the election of a modified retirement allowance, all Member's must select one (1) of the following options at the time of entry into the DROP program.

- **Unmodified –** A monthly retirement allowance payable throughout your life with no payment to beneficiary upon death, except if the beneficiary is an Eligible Survivor in which case he or she will receive an automatic monthly allowance until death.
- **Option 1 –** A monthly retirement allowance payable throughout your life with the provision that your accumulated contributions (less the sum of the actual monthly annuity payments) shall be paid to your listed beneficiary upon your death. In addition, if the beneficiary is an Eligible Survivor he or she will receive an automatic monthly continuance until his/her death.
- **Option 2 –** A monthly retirement allowance payable throughout your life with the provision that upon your death, a monthly allowance shall be continued during the lifetime of the designated beneficiary.
- **Option 3 –** A monthly retirement allowance payable throughout your life with the provision that upon your death, a monthly allowance shall be continued during the lifetime of the designated beneficiary.

BENEFIT CALCULATION AT THE END OF DROP

Once you retire you will begin receiving the retirement allowance calculated at the start of DROP plus the cost-of-living increases that have accrued during the time you were in DROP. Upon termination of DROP participation and retirement from your employer you will receive the amounts credited to your DROP account, including earnings or losses from the investment options you selected while in DROP.

IMPORTANT!!!

When your Application for DROP is approved by the Board of Trustees, the Pension Trust Office will notify the County Auditor–Controller's Office and your Department Head. This notification is required in order to stop the deduction of your Normal Contribution to the Pension Trust and to permit your department to address any budgetary issues resulting from your change to a DROP Participant.

USEFUL CONTACTS

Pension Trust (805) 781-5465
Email: PensionTrust@co.slo.ca.us
Web Site www.slopensiontrust.org

Deferred Compensation (800) 701-8255
KEYTALK: (800) 274-8491 EXT 20095
Web Site: www.gwrs.com

Social Security Administration (805) 544-5251
Web Site: www.ssa.gov

SLO County Risk Management (805) 781-5007

SLO County Human Resources Department (805) 781-5959
Email: Personnel@co.slo.ca.us

ADMINISTRATIVE FACTS ABOUT THE PLAN

The San Luis Obispo County Pension Trust is an independent public retirement system managed and administered by a seven-member Board of Trustees. The Trustees consist of the County Treasurer, three Trustees appointed by the Board of Supervisors and three Trustees elected by (and from) the Active Members.

Pursuant to Section 17 of the California State Constitution and the Provisions of the Retirement Plan, the Board of Trustees has sole responsibility for the administration of the Pension Trust and investment of the Trust fund. The Trustees administer the Trust in accordance with the provisions of the Retirement Plan. All expenses administering the Plan are paid by the Pension Trust. The Pension Trust Board of Trustees meets the fourth Monday of each month. The meetings are public and all interested persons are invited to attend.

The Board of Supervisors is the Legislative Body of the Pension Plan and has sole authority to amend the Plan or any part of it, should circumstances require such action. The Plan's fund can only be used for the benefit of the Plan Members and Beneficiaries. No Plan amendment can retroactively reduce any Member's benefits which have already accrued under the Plan.

Money & Your Future

TIER II MISCELLANEOUS MEMBER

MANAGEMENT AND CONFIDENTIAL EMPLOYEES

A summary of Retirement Plan benefits and Provisions for the Management and Confidential Employees of the County of San Luis Obispo

Tier Two Retirement Benefits

Miscellaneous Members who became employed in County Bargaining Units 7,8,9,10,11 or 17 on or after **December 26, 2010*** are covered by the provisions of **Retirement Plan Article 27: Tier Two.**

The following benefits apply to Members who are subject to Article 27:

1. **Retirement Formula – 2% @ 60**
2. **Minimum Retirement Age - 50**
3. **Vesting Requirement – 5 years of Pension Trust Service Credit**
4. **36 Month Final Compensation (average of the final or highest consecutive 36 months of basic salary).**
5. **Up to 2% Post Retirement Maximum Cost of Living Adjustment (No Carry Over)**
6. **Maximum 90% of Final Compensation Benefit Limit.**
7. **Members covered under Article 27 are not eligible to participate in the Deferred Retirement Option Program (DROP).**
8. **Members covered under Article 27 are subject to provisions of that Article and may also be subject to other provisions of the Retirement Plan unless otherwise noted in the Retirement Plan.**

This statement and booklet are intended to provide you with a general overview of the Retirement Plan provisions that may be applicable to you. Your eligibility for benefits is governed by the Retirement Plan and not by this statement or by this booklet. If there is any conflict between this statement or this booklet and the Retirement Plan, the provisions of the Retirement Plan take precedence and will apply.

* This applies only to individuals hired by the County of San Luis Obispo on or after December 26, 2010 – for questions regarding the applicability of Tier II to your situation, please contact the Pension Trust Office at (805) 781-5465.