

2023

Summary Plan Description

for

**City of Madison Police Officers' &
Firefighters' Retirement System**



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Introduction

The City of Madison consolidated its existing retirement plans for police officers and firefighters and established the City of Madison Police Officers' and Firefighters' Retirement System (hereinafter referred to as the "Plan"), effective November 12, 2019. The purpose of the Plan is to establish the terms and conditions under which retirement benefits will be provided to members and their beneficiaries. The Plan is operated for the exclusive benefit of members, retirees and their beneficiaries. The rights of members of the city's predecessor police officer and firefighter retirement plans on the effective date of the consolidated plan were not affected by the creation of the consolidated plan.

When and How You Become a Participant (Sec. 2-63)

If you were already a Participant in the predecessor Plans, you continued as a Participant in this Plan with no break in participation, and you will remain in this Plan until you are no longer employed by the City as either a police officer or firefighter. If you are hired by the City as a police officer or firefighter, you will begin participating in the Plan as of the date you are employed as a certified police officer or firefighter. You are required under Chapters 175 and 185, Florida Statutes, and by City Ordinance to participate in the Plan as a condition of employment; and you must make contributions to the Plan as described below.

Contributions (Sec. 2-66)

Each member of the Plan must make contributions to the Plan in the amount of 5% percent of his or her salary.

Your Employee Contributions have been "picked-up" by the City in accordance with the provisions of section 414(h)(2) of the Internal Revenue Code. This allows your contributions to be treated as pre-tax employer contributions. This treatment affords two advantages to you as a participant:

- Your employee contributions will not be subject to taxation until you begin receiving benefits after retirement.
- Since your total income will usually be lower in your retirement years, the taxes you ultimately pay on this portion of your retirement income will be less than it would have been if you paid taxes on the contributions during your working years.

The Plan's actuary determines the amount of the City's required contribution each year necessary to fund benefits and pay off unfunded liabilities. The City contributes an amount to the Plan annually that is equal to the total annual contribution amount not covered by other funding sources. A portion of the Plan's funding comes from premium tax revenue distributions from the State of Florida, pursuant to Chapters 175 and 185, Florida Statutes. The largest source of Plan funding is usually returns on the Plan's investments.

Vesting and Retirement Eligibility

Vesting (Sec. 2-70)

You are 100% vested after attaining 10 years of Credited Service as a police officer or firefighter with the City. This means that after 10 years of service with the City as a member of this Plan, you are guaranteed a future benefit.

Deferred Retirement Option Plan (DROP) (Sec. 2-91)

If you become eligible for normal retirement and you are still employed by the City as a Police Officer or Firefighter, you have the option of "retiring" from the Plan but continuing your employment for an additional 5 years. You must request, in writing, to enter the DROP. If you elect to participate in DROP, you must terminate employment at the end of the DROP period.

Upon entering the DROP, your retirement benefit is immediately calculated and each monthly benefit payment is deposited into your DROP account. Your account earns an investment return approximately equal to the other assets of the Plan. You could experience losses as well as gains. Once you enter the DROP, you are no longer eligible for disability or pre-retirement death benefits, nor do you accrue any additional Credited Service. Your retirement benefit is fixed as of your entry date. You pay no employee contributions to the Plan once you enter the DROP.

At the time of termination of employment at the end of the DROP period, you will receive your account balance in a lump sum or in another optional form and you will also begin receiving your monthly retirement benefit. Participation in the DROP is not a guarantee of employment and DROP participants shall be subject to the same employment standards and policies that are applicable to employees who are not DROP participants.

Additional information about the DROP can be obtained from the Board or by contacting the Plan Administrator.

Cost of Living Adjustment (COLA) (Sec. 2-67).

After you are retired and receiving monthly retirement benefits for five years (60 months), you will begin to receive an annual cost-of-living adjustment. Beginning with your first monthly benefit payment of your sixth year of retirement, your benefits will be increased by 1.35%, and will be increased by 1.35% annually thereafter. If you participated in the DROP, your cost-of-living adjustment will begin after five years have elapsed since termination of DROP participation.

Forms Of Benefit Payment

If the total value of your benefit is over \$5,000, distribution will automatically take the form of an annuity.

An annuity is the payment of a benefit in equal installments, usually monthly, over a period of time. You may choose among several different benefit options. Depending on your choice, you can even provide a lifetime monthly income to your Spouse or another beneficiary after your death.

Normal Form of Payment (Sec. 2-67)

The form under which your Plan Benefit is automatically paid is a Life Annuity with a 10-year period certain. In other words, you receive monthly payments as long as you live. If you die within 10 years of your Annuity Starting Date, your designated Beneficiary (or estate) will receive the same monthly payments for the remainder of that 10-year period. If you die more than 10 years after your Annuity Starting Date, no further benefits will be paid after your death.

- If you were not eligible for normal or early retirement benefits on your date of death, your spousal beneficiary shall receive a benefit payable for 10 years, beginning on the date that you would have been eligible for early or normal retirement, at the option of your beneficiary. The benefit shall be calculated as for normal retirement based on your Credited Service and Average Final Compensation as of your date of death and reduced as for early retirement, if applicable. Your spousal beneficiary may also elect to receive an immediate benefit, payable for 10 years, which is actuarially reduced to reflect the commencement of benefits prior to your early retirement date.
- If you were eligible for normal or early retirement on your date of death, your spousal beneficiary shall receive a benefit payable for 10 years, beginning on the first day of the month following your death or at your otherwise normal or early retirement date, at the option of your spouse-beneficiary. The benefit shall be calculated as for normal retirement based on your Credited Service and Average Final Compensation as of the date of your death and reduced as for early retirement, if applicable.
- Your spousal beneficiary may not elect an optional form of benefit, however, the Board may elect to make a lump sum payment.
- Your spousal beneficiary may, in lieu of any benefit provided for in (1) or (2) above, elect to receive a refund of your accumulated contributions.

If you die prior to retirement from cancer (defined under section 112.1816, Florida Statutes) diagnosed after July 1, 2019, or the treatment of that cancer, the Board will consider your death to have been suffered in the line of duty.

If You Are Vested On Your Date of Death (Non-Spouse beneficiary) (Sec. 2-68). If you die prior to retirement and you are 100% vested, your non-spouse beneficiary shall be entitled to a benefit as follows:

- If you were not eligible for normal or early retirement on your date of death, your beneficiary will receive a benefit payable for ten (10) years, beginning by December 31 of the calendar year immediately following the year you died. The benefit will be calculated as for normal retirement based on your credited service and average final compensation and actuarially reduced to reflect the commencement of benefits prior to your normal retirement date.
- If you were eligible for normal or early retirement on your date of death, your beneficiary will receive a benefit payable for ten (10) years, beginning on the first day of the month following your death. The benefit will be calculated as for normal retirement based on your credited service and average final compensation and reduced for early retirement, if applicable.
- A beneficiary may not elect an optional form of benefit; however the Board may elect to make a lump sum payment.
- A beneficiary, may, in lieu of these benefits, elect to receive a refund of your accumulated member contributions.

(5) If a surviving beneficiary commences receiving a benefit under subsections (c)(1) or (c)(2) above, but dies before all payments are made, the actuarial value of the remaining benefit will be paid to the surviving beneficiary's estate by December 31 of the calendar year of the beneficiary's death in a lump sum.

Calculating Your Benefit

Credited Service (Sec. 2-62)

Your Credited Service amount is used to determine your eligibility for benefits under the Plan and to determine the amount of your monthly benefit payment. You earn Credited Service from the date you begin employment with the City as a certified police officer or firefighter, and continue to earn it until your employment with the City as a police officer or firefighter terminates or you enter the deferred retirement option plan (DROP). Service is credited in completed full calendar years and partial calendar years on the basis that 365 days of Service is a completed full year of Service.

Absences That May Qualify As Credited Service (Sec. 2-62).

The following periods of unpaid absences from employment may still be counted towards your Credited Service:

- Absence because of active duty with the Armed Forces of the United States, as long as you are eligible for reemployment rights under federal law and you apply for active employment within 90 days after you are eligible for release from active duty. No more than 5 years of Service will be credited for any single period of absence. See the Uniformed Services Employment and Reemployment Rights Act (USERRA) (P.L. 103-353) for specific rights.
- Any part of the twelve-month period ending March 1 that you were on leave without pay from the City under the Family and Medical Leave Act (FMLA) can be included in your Credited Service for all purposes except vesting, as long as:
 - You contribute to the Plan the amount you would have contributed, based on your salary and member contribution rate in effect at the time of the credited service is requested, plus any associated costs, as determined by the actuary.
 - Your request for credited service for FMLA leave time and payment of professional fees for the prior twelve-month period, must be made on or before March 31.
 - Payment for the Credited Service must be made on or before April 30 for the preceding twelve-month period ending March 1 and must be made in one (1) lump sum

Purchase of Additional Service Credit

In addition to Credited Service earned through employment with the City in a covered position, you may also purchase additional Credited Service as follows:

“Buy-Back” for Family and Medical Leave Act. If you are absent on unpaid leave under the Family & Medical Leave Act, you may purchase Credited Service in excess of 160 hours by making an actuarially determined contribution to the Plan, such that there is no cost to the Plan in allowing such Service and Credited Service, within strict time periods provided for in the Plan document. The first 160 hours is automatically included in Credited Service and no payment or request for credit is required.

“Buy-Back” for Military Service Prior to Employment. Up to 4 years of the time you served on active duty in the active military service of the Armed Forces of the United States, the United States Merchant Marine or the United States Coast Guard, voluntarily or involuntarily, honorably or under honorable conditions, prior to first and initial employment with the City can be added to your years of Credited Service provided that:

- The amount that you would have contributed to the Plan, based on your Earnings and the contribution rate in effect at the time that the Credited Service is requested, had you been a Participant in the Plan for the years or fractional parts of years for which you are requesting credit, plus
 - An additional amount to be determined by the Board's actuary so that there is no cost to the Plan in giving you the additional years of Credited Services, plus
 - The amount charged by the actuary for determining the amount you must contribute.
- Multiple requests may be made any time prior to retirement
 - Payment of the required amount must be made within 6 months of your request for credit, but not later than your retirement date, and must be made in one lump sum payment.
 - The maximum amount of credit for service other than with the City of Madison is 2 years of credited service. The credited service will count for all purposes, except vesting and eligibility for not-in-line of duty disability benefits. There is no maximum purchase of credit for prior service with the City of Madison and such credit counts for all purposes, including vesting.

Salary Counted Towards Retirement Benefit (Sec. 2-62)

For purposes of determining the amount of your retirement benefit, Salary means your wages for services rendered to the City as a police officer or firefighter as reported to you for federal income tax purposes on your W-2 form plus all tax deferred, tax sheltered, or tax exempt items of income derived from elective employee payroll deductions or salary reductions. For service earned after July 1, 2011, salary does not include more than 300 hours of overtime per year and also does not include payments for accrued unused sick or annual leave.

Earnings Limitation. The yearly amount of Earnings that may be used in determining your Plan Benefit cannot exceed the limit imposed by the federal government, which is announced annually. You can access this information at www.IRS.Gov/retirement and search "COLA Increases Table" for the current earnings limitation.

Your Average Final Compensation (Sec. 2-62)

Average Final Compensation is the greater of:

- your average monthly Salary you received for any 5 highest years during the last 10 years before your termination of employment; or
- your Average Final Compensation received during your career as a full-time police officer or firefighter, prior to retirement or entering DROP.

For purposes of calculating Average Final Compensation, ~~1-above~~, a year is defined as 12 consecutive months.

The following amounts will not be taken into account in determining your Average Final Compensation:

- Earnings for employment on and after the date you commence participation in the Deferred Retirement Option Plan (DROP). The date in which such election is effective is treated as your retirement date for purposes of the Plan.

(Optional forms of benefits) and Sec. 2-85 (Direct Transfers of Eligible Rollover Distributions) for additional information.

If the Board chooses to pay your Vested Plan Benefit in a single sum cash payment as described above, you will be given the opportunity to elect whether to (1) receive payment yourself or (2) have the payment rolled over directly to an IRA or other eligible plan that you select. If you do not make an election within the period prescribed by the Board and the present value of your Vested Plan Benefit is \$1,000 or less, a single sum cash payment will be made directly to you, whether or not you elect to receive such payment. If you do not make an election and the present value of your Vested Plan Benefit is more than \$1,000, your Vested Plan Benefit will continue to be held under the Plan until either (i) you affirmatively elect to receive distribution or (ii) you reach your Normal Retirement Date.

Tax Treatment

If you terminate employment before age 55 and receive a single sum cash payment of your Plan Benefit, your Plan Benefit may be subject to both ordinary income tax and a 10% additional tax. However, the 10% additional tax will *not* apply to taxable Plan Benefit payments that are:

- Made after you reach age 59 1/2 or
- Made to your Beneficiary when you die or
- Used to pay unreimbursed medical expenses for you or your dependent in excess of 7.5% of your adjusted gross income as reported on your Form 1040 federal tax return or
- Made under the terms of a Qualified Domestic Relations Order.

The Plan Administrator will provide you with information regarding the tax consequences of your distribution, when it is made. However, you should consult your own tax advisor for more complete information regarding your own situation. For the most current tax information, pick up a free copy of IRS Publication 575 "Pension and Annuity Income" at your local IRS office.

Direct Rollover Distributions (Sec. 2-85)

If you receive your Plan Benefit in a single sum cash payment, you may choose to have all or part of the taxable portion of such payment rolled over to a qualified defined contribution plan or to an IRA. The portion of your Plan Benefit that is directly rolled over will be exempt from the mandatory 20% tax withholding rules that are otherwise applicable to single sum cash payments.

The Plan Administrator will provide you with more detailed information as to how to elect a direct rollover. However, for more information as to the tax consequences related to single sum cash payments that are *not* directly rolled over to a qualified defined contribution plan or IRA, you should consult your own tax advisor.

Special Rules Applicable To Participants Who Die During Military Absence

If you are absent from employment with the Employer because of military service and die after December 31, 2006, while performing qualified military service (as defined under the Internal Revenue Code), you will be treated as having returned to employment with the Employer on the day before your death for purposes of determining your Vested Plan Benefit and your Beneficiary's eligibility for a Survivor Plan

Ineligibility for Benefits

Here is a summary of some of the more common circumstances which may affect your eligibility for benefits.

- **Employment in an ineligible position:** Any period of time you are employed by the City in a position that does not require you to be certified as a police officer or firefighter will not be counted towards benefits under this Plan. (See above and sections 2-62, 2-63).
- **Reemployment After Retirement:** If you retire and then return to work for the City, your Plan Benefit payments may be suspended. They will resume when you retire again. (See Sec. 2-90).
- **If you terminate employment before you are vested,** you will not be eligible for a Vested Plan Benefit. However, you will receive a refund of your contributions. (See above and Sec. 2-70).
- **Withdrawing Your Mandatory Contributions.** If you take a refund of your contributions when you terminate employment, you will not be eligible to receive any future benefits from the Plan.

Receiving Your Plan Benefit

Applying For Your Benefit

You or your Beneficiary will need to complete a benefit claim form available from the Plan Administrator. This form will allow the Plan Administrator to calculate your benefit and begin to process it.

Payment Of Your Benefit

If your application is approved, payments will be mailed to you monthly or deposited directly into your bank account.

Claims and Procedures

You may request, in writing, that the Board review any claims for benefits under the Plan at an initial hearing. The Board will review your claim at the initial hearing and enter a decision as it deems proper within a period of not more than 90 days from the date of receipt of the written request, and in the case of a disability claim, receipt by the Board of a written medical release authorization and a completed set of interrogatories. The Board may extend this time period if necessary to complete the review, and you and the Board may subsequently agree to further extensions. The Board's decision on your claim will be set forth in an order which will be in writing. You have the right to be represented by counsel, at your expense, at any or all times throughout the claims procedure. For more information, a copy of Plan claims procedures is available from the Plan Administrator.

Initial Hearing

The decision of the Board will not be final until after the time has expired to request a full hearing, or if a full hearing is requested, until the Board makes a decision at the conclusion of a full hearing. At the initial hearing, the only evidence considered by the Board will be documentary evidence contained in the pension file, including but not limited to, correspondence, medical records and reports of treating physicians and/or examining physicians and evidence related to the claimant's presentation. The claimant's presentation is limited to comments and/or arguments as to the evidence already contained in the pension file.

Following the initial hearing, the Board will provide a written order which shall include:

1. The specific findings and conclusions of the Board, including specific references to pertinent provisions of the plan.

copy of this document, you may obtain one by writing to the Board, whose location is listed above. There may be a small charge for this service.

In addition to administering the Plan, the Board is responsible for benefit information and the Plan's adherence to legal requirements. The Plan Administrator is the designated agent for service of legal process.

Additional Information

- **Plan Name:** City of Madison Municipal Firefighters' Retirement Trust Fund
- **Effective Date:** November 2019.
- **Plan Year:** The Plan Year is the 12-month period ending on September 30.
- **Recordkeeping Period:** Records for the Plan are kept on a Plan Year basis.
- **Plan Sponsor:** City of Madison, FL
- **Plan Sponsor EIN:**
- **Type Of Plan:** This is a defined benefit pension plan which provides a fixed retirement benefit to its participants based on specific formulas. Ongoing contributions to provide this benefit to you are made to a fund. The amount of the contribution is actuarially determined.
- **Administration:** 5-member Board of Trustees: (1 elected firefighter member, 1 elected police officer member, 2 members appointed by City Commission and 1 chosen by other 4 members)
- **Plan Costs:** Both you and the City share the cost of your Plan Benefit.
- **Applicable law:** The Plan is governed by Chapters 112, 175 and 185 Florida Statutes, the Florida Constitution, the United States Internal Revenue Code and related Treasury Regulations, and the City of Madison Code of Ordinances.

Continuation Of The Plan

While the City of Madison fully intends to continue the Plan indefinitely, it does reserve the right to modify, suspend or terminate the Plan at any time. However, modification, suspension or termination of the Plan cannot reduce any Plan Benefits you have already accrued.

Should the Plan be terminated, you will not earn any additional benefits, but you will be 100% vested in your Accrued Plan Benefit at the time of the Plan's termination. The assets of the Plan will be allocated to provide all Accrued Plan Benefits and meet any other legal requirements. After such allocation is completed, any remaining assets will be paid to the City.

Since the City of Madison is a governmental entity, benefits under this Plan are not insured by the Pension Benefit Guaranty Corporation if the Plan terminates.

NOTE: Florida law requires the plan to include attachment with current financial and actuarial information on the solvency and actuarial soundness of the plan