

KALAMAZOO COUNTY

EMPLOYEES' RETIREMENT SYSTEM



In the Pursuit of Extraordinary Governance...

Employee Handbook

Updated 2018

TABLE OF CONTENTS

SUMMARY OF BENEFITS	4
Background	4
Eligibility -- How Much Do I Pay?	4
What It Means To Be "Vested"	5
Retirement	5
Service Credit	5
Final Average Compensation (FAC).....	6
Multiplier	6
The Benefit Formula	7
Calculate Your Own Benefit	7
Retirement Age.....	8
OPTIONS	8
Straight Life	9
Option A: 100% Survivor	9
Option B: 50% Survivor	9
Single Sum Benefit	9
ADDITIONAL SERVICE CREDIT	10
Military Service Credit.....	10
Prior Forfeited Kalamazoo County Employees' Retirement System Service.....	10
DEFERRED RETIREMENT	10
RECIPROCAL RETIREMENT ACT	11
DISABILITY	11
Road Commission Employee.....	11
General County and Kalamazoo Community Mental Health & Substance Abuse Services Employees.....	11
Road Commission Employees.....	12
General County and Kalamazoo Community Mental Health & Substance Abuse Services Employees.....	12
IN THE EVENT OF DEATH	12
TERMINATION OF MEMBERSHIP	12
RETIREMENT SYSTEM CHANGES	13

**TO: EMPLOYEES OF KALAMAZOO COUNTY,
KALAMAZOO COMMUNITY MENTAL HEALTH & SUBSTANCE ABUSE SERVICES, AND
ROAD COMMISSION**

This section has been prepared to assist General County, Kalamazoo Community Mental Health & Substance Abuse Services, and Road Commission employees in planning for retirement by outlining the main features of the Kalamazoo County Employees' Retirement System. This retirement program, along with Social Security benefits and employees' other investments, will help meet financial needs with more security during retirement years.

For many employees, the Retirement System is the largest savings plan you may have. The County strongly urges you to study and understand the Retirement System.

Throughout this booklet the term "County" is used. The Retirement System is a coordinated effort between the County of Kalamazoo, Kalamazoo Community Mental Health & Substance Abuse Services, the Kalamazoo County Road Commission, and as such, speaks to employees of all units. Aside from some differences in benefits, which are explained in the booklet, the Retirement System functions as one in a cost-effective, cooperative effort among the three units.

After reviewing the information contained in this booklet, if you have any questions concerning the System or your participation, please contact the Human Resources Department of the County or the business office of the Road Commission. Remember, this booklet is a summary to help you better understand the Retirement system. Final benefit determinations are subject to the terms of the Retirement Resolution rules. Copies of the complete Retirement Resolution are available from the Office of Finance.

Tracie L. Moored
County Administrator/Controller

Kalamazoo, Michigan
July 23, 2018

SUMMARY OF BENEFITS

Background

In the past, a retirement system was not a common form of fringe benefit. Today, it is a necessity since it not only provides a benefit to employees, but also is a tool to attract and retain qualified individuals. The County's objective is to maintain a system that is competitive and beneficial to its employees.

There are many types of retirement plans, such as profit sharing, Keogh, tax-sheltered annuities, deferred compensation, or Individual Retirement Accounts (IRA). Each of these may require the employee to contribute actual dollars which provide the benefit of an income tax deferral. There are also other forms of retirement plans with varying combinations of employer/employee contributions and resulting benefits.

The County's Retirement System was created March 1, 1960, and is a Defined Benefit Plan. The Retirement Resolution defines each employee's retirement benefit by a formula based on age, years of service, and final average compensation (FAC). Yearly, as age and service "credits" build, the County contributes dollars for the employees, knowing that at some point in the future each employee will be entitled to receive a benefit. The employee, of course, must be vested in the System, i.e., have eight (8) years of service prior to receiving a benefit and have attained normal retirement age or early retirement age for a reduced benefit. Members may retire with full benefits at the early retirement age after twenty-five (25) years of service based on the provisions in the Retirement Resolution and Collective Bargaining Agreements.

County employees holding regular positions, either full-time or part-time of twenty (20) hours or more per week are included by law in the County retirement program. Exceptions to that law are Sheriff's Department Fraternal Order of Police (F.O.P.) members, Kalamazoo County Sheriff's Sergeants' Association members, Kalamazoo County Sheriffs' Supervisors Association members, and pursuant to past negotiations, certain District Court employees and Judges elected after March 31, 1997.

The County does not wait until an individual retires to fund his/her benefit. Instead, money is contributed each year, based on a number of statistical assumptions. It is important to know that at the current time, the System for General County, Kalamazoo Community Mental Health & Substance Abuse Services, and Road Commission is fully funded. In essence, retirement benefits are guaranteed.

Eligibility -- How Much Do I Pay?

When first hired, an individual completes a membership form and returns it to the Human Resources Department to become a part of the County's Retirement System. As of January 1, 1991, the County, Kalamazoo Community Mental Health & Substance Abuse Services and Road Commission have made one hundred percent (100%) of the required contributions.

What It Means To Be “Vested”

An employee becomes vested in the Retirement System after eight (8) years of service credit. Once vested, if County service is terminated for any reason, the employee is entitled to retirement benefits. The dollar amount of the benefit will be based on the Final Average Compensation, number of years of service credit, and the multiplier that the service credit was earned under.

Retirement

Before you retire, you should take steps to begin your benefits by:

1. Determining the effective date of your retirement.
2. Making application not less than thirty (30) days before that date.

Applications for the General County and Kalamazoo Community Mental Health & Substance Abuse Services are submitted to the Human Resources Department and applications for the Road Commission are submitted to the business office of the Road Commission.

A “benefit formula” is applied that will determine the actual benefit to be received when the day of retirement arrives. The expected retirement benefit can be estimated by projecting what circumstances are expected to be at retirement age. Three factors make up the benefit formula:

1. Service Credit – Years of Service
2. Final Average Compensation (FAC)
3. Multiplier

Service Credit

Service credit is the total number of years and months of County service and is given to regular employees who are at least a 0.5 FTE (full-time equivalency). General County employees who are at least a 0.5 FTE but are not eligible for other benefits must also be paid at least 1,000 hours during the year in order to earn service credit. Service credit is not given to employees while on a leave of absence without pay (excluding Worker’s Compensation and Family Medical leave of absences). If an employee of the County enters or is called to serve in the military, the time spent in active duty military service will automatically be counted as service credit if the individual again becomes a County employee within one (1) year after leaving the military. This provision does not apply to military service acquired before becoming a County employee. A member must have ten days of service rendered in any calendar month to be credited with a month of service.

Final Average Compensation (FAC)

The Final Average Compensation (FAC) is the average of the compensation received during the highest five (5) consecutive years of the last ten (10) years of service. If less than ten (10) years were worked, the FAC is the average of the highest five (5) years' salary over the past eight (8) years of employment, eight (8) years being the minimum vesting time. For the purposes of calculating FAC, lump sum payments such as sick leave, final vacation pay, etc. are included for Road Commission employees. For General County and Kalamazoo Community Mental Health & Substance Abuse Services employees, lump sum payments for accrued sick leave earned subsequent to January 1, 1986, and vacation/annual leave are not included for FAC purposes.

Multiplier

The multipliers are as follows:

GENERAL COUNTY SALARY GROUPS		
Union Groups	Hired on or before 12/31/2014	Hired on or after 1/1/2015
Airport Union	2.2%	1.7%
Animal Services, Buildings and Grounds, & Parks Union Juvenile Court Union	2.5%	2.0%
Juvenile Home	2.4%	1.9%
Non-Union Groups	Hired on or before 3/31/2014	Hired on or after 4/1/2014
Exempt and Non-Exempt	2.5%	2.0%

KALAMAZOO COMMUNITY MENTAL HEALTH & SUBSTANCE ABUSE SERVICES SALARY GROUPS		
	Hired on or before 12/31/2015	Hired on or after 1/1/2016
Managerial, Professional and TOPS	2.5%	2.0%

ROAD COMMISSION SALARY GROUPS	
Non-Union	2.1%
Union	2.2%

The Benefit Formula

To estimate the annual retirement benefit (d), apply the following formula, inserting the numbers that apply for (a) FAC; (b) Multiplier; and (c) Years of Service. This is known as a “Straight Life” benefit.

$$\underline{FAC \times Multiplier \times Years \ of \ Service = Annual \ Benefit}$$

$$\text{or: } a \times b \times c = d$$

The annual benefit may be reduced by one or more of the following:

1. Early retirement (see “Retirement Age” for details)
2. If Option A or Option B is chosen (these options provide a benefit to the spouse in the event of the employee's death (see “Options” for details).
3. If death occurs while the employee is still in County Service, Option A is then assumed.

By law, the employer may only fund a maximum of 75% of your final average compensation (FAC) as a benefit.

Calculate Your Own Benefit

Kalamazoo County Employees’ Retirement System offers an online retirement benefit estimator to our members. The web estimator is very easy to use. Members simply log onto the secure web portal, agree to the terms of use and create a new estimate by entering their desired last date of employment and desired retirement date. The web estimator uses your accumulated earnings and service credit information to calculate a retirement estimate based on the dates that you provide. A few items to note about the estimator:

- Future earnings are based on the last posted payroll. Members should keep this in mind when running a calculation after a larger than normal payroll check as this will artificially inflate your retirement benefit.
- Estimates can only be created for a termination date in which the member is vested. Vesting occurs after 8 years of retirement service credit or less if you have Reciprocal Act service credit.
- These estimates assume no unpaid leave of absences and bases your service credit information on this assumption.
- Any estimates prepared by the web calculator will always be more accurate if prepared closer to your estimated retirement date as less information will need to be assumed to calculate the benefit.

- These figures are estimates only and we strongly advise members who are seriously considering retirement to request a reviewed retirement estimate by emailing retirement@kalcounty.com or by calling 269-384-8095 prior to making the decision to retire.

The web calculator can be accessed at:

<https://re.kalcounty.com/>

A user guide for the web estimator can be found on the Retirement Information & Forms section of the County website at: <http://www.kalcounty.com/rif/>

Retirement Age

Retirement age is described as “Normal Retirement Age” and “Early Retirement Age” and is identified in the table below.

If an employee is vested (eight or more years of service), the option is available to retire early and receive a reduced benefit.

GENERAL COUNTY	NORMAL RETIREMENT AGE	EARLY RETIREMENT AGE
Membership began prior to July 1, 2009	60	55
Membership began on or after July 1, 2009	65	60
KALAMAZOO COMMUNITY MENTAL HEALTH & SUBSTANCE ABUSE SERVICES SALARY GROUPS		
Managerial, Professional and TOPS	60	55
ROAD COMMISSION SALARY GROUPS		
Non-Union and Union	60	55

For each month of early retirement prior to reaching normal retirement age, the Straight-Life benefit is reduced by .4 of one (1%) percent (.004%). Example: If a KCMHSSA employee chooses to retire at age fifty-five (55), and does not have twenty-five (25) years of service, the benefit is reduced by twenty-four (24%) percent.

OPTIONS

The option chosen is a personal decision made at the time of retirement. If Option A, Option B, or Single Sum are not chosen, benefits will cease at the retirees death. The

actual dollar amounts and the factors that will determine whether to choose Option A, Option B, or Single Sum can be calculated best when actually planning retirement.

Straight Life

This option provides a monthly payment to the retiree which ceases upon his/her death.

Option A: 100% Survivor

This option provides for a continued retirement benefit to a spouse after the death of the retired employee. If this option were chosen, the retiree would receive a reduced benefit depending upon his/her age and the age of the spouse. If the retiree predeceases the spouse, benefits would continue at the adjusted rate until the spouse's death.

Option B: 50% Survivor

If this modification of the Straight Life option is chosen, the reduction in benefit is less than in Option A; but if the retiree predeceases the spouse, the for-life benefit the spouse receives would be reduced by one-half.

Single Sum Benefit

General County Members whose membership began after September 30, 2009 and Kalamazoo Community Mental Health & Substance Abuse Services members whose membership began after February 5, 2013 are not eligible for payment in the form of a single sum.

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To create the most beneficial tax advantages for those employees who choose this option, the County applied for and received approval from the IRS for the County's Retirement Plan to offer this benefit. Therefore, effective January 1, 1997, employees may elect to receive this benefit instead of the Straight-Life, Option A, or Option B. The Single Sum option represents the present value of future benefits, which an employee can expect to receive. It is calculated using the annual benefit amount (Straight-Life), the expected years of future lifetime as determined by mortality tables, and a discount rate. The discount rate used shall be the investment rate of return actuarial assumption as determined by the Retirement Investment Committee. Effective for retirement dates on or after January 1, 2015, the discount rate will be 7.50%. The discount rate is reviewed on an annual basis and is subject to change. If an employee elects a Single Sum option, there will be no future benefit payments to the employee or spouse.

Also, the Single Sum option may have Federal and State income tax and other implications, so employees considering the election of a Single Sum option are encouraged to contact a tax or financial planning professional before making such election.

ADDITIONAL SERVICE CREDIT

Service credit is simply the total number of years and months worked for the County which were eligible to count towards benefits in the plan. The County does not offer the option of purchasing additional service credit except under the following situations:

Military Service Credit

Members may purchase up to five (5) years of military service credit within one (1) year of vesting under the following guidelines:

- Must have entered the Armed Service of the United States before June 1, 1980 or after June 1, 1980 during a time of war or emergency situation (as described in section 1 of 1965 PA 190, MCL 35.61) and before commencing employment with the County.
- Must have been honorably discharged.
- Must provide proof of military service (copy of discharge paper—Form DD214, or copy of Order to Active Service and Order of Discharge.
- Service cannot be credited if it is credited under any other federal, state, or local publicly supported retirement system.

Prior Forfeited Kalamazoo County Employees' Retirement System Service

Members who leave the County's service and were not vested when they left may repurchase their prior service with payment of an amount equal to the aggregate amount of contributions the Employing Unit made at the time of the previous service plus accrued interest.

DEFERRED RETIREMENT

If an employee leaves the County following vestiture into the Retirement System, the accumulated benefit remains until normal retirement age or early retirement age, unless the individual elects at the time of termination to take any contributions he/she has made to the System. The retirement benefit will be based upon the factors in effect at termination.

Employees who are leaving County employment following vestiture may elect to receive a Single Sum Benefit in lieu of deferring retirement benefits. This option is not available to General County members whose membership began after September 30, 2009 or Kalamazoo Community Mental Health & Substance Abuse Services members whose membership began after February 5, 2013. Eligible individuals who presently have deferred retirement benefits may elect a Single Sum benefit at any time. The Single Sum benefit represents the present value of the future benefits that the employee is expected to receive.

RECIPROCAL RETIREMENT ACT

The County is a “reciprocal unit” under the provisions of the State Reciprocal Retirement Act. This Act allows employees who have participated in more than one State of Michigan municipal unit to combine years of service for vesting purposes only.

If an employee leaves the County and begins working for another governmental agency that is a member of the Reciprocal Retirement Act, it may be possible to combine the service credit of the two units of government for vesting purposes only.

Also, if an individual has been a County employee for at least thirty (30) months after working for another participating governmental agency and participating in their retirement plan, it may be possible to combine the service credit of the two units of government for vesting purposes only.

DISABILITY

If you become disabled when you are at work:

Road Commission Employees

If a worker became permanently and totally disabled while on duty (Duty Disability), that individual would be entitled to full retirement benefits. There is no vesting period for Duty Disability. There are several factors that affect the computation of the dollar amount of the retirement benefit:

- State law provides that the disability allowance will be no less than fifteen (15%) percent of final average compensation. That assures protection to an employee with little service time.
- It is also possible to receive Workers’ Compensation while Duty Disability is being collected. As a result, normal retirement benefits would begin when Workers’ Compensation ends; in addition, the years spent collecting Workers’ Compensation are credited to years of service and increase the individual's retirement benefit.

General County and Kalamazoo Community Mental Health & Substance Abuse Services Employees

No disability benefits are available under the System. Disability is provided by insurance but service credit for Duty Disability is the same as for Road Commission employees.

If you become disabled when you are off duty:

Road Commission Employees

Road Commission employees are entitled to non-duty disability benefits if they become permanently and totally disabled and have at least ten (10) years of service credit. The retirement benefit would be computed in the same way as with normal retirement, and the employee would also have the opportunity to select either Option A or Option B. However, with non-duty disability, credit for time while disabled does not count toward service credit.

General County and Kalamazoo Community Mental Health & Substance Abuse Services Employees

Non-duty disability insurance is also provided outside the system.

IN THE EVENT OF DEATH

The Retirement System provides death benefits in varying degrees to an employee's spouse if a vested employee dies before retirement (vestiture for death benefits differs from that for retirement benefits -- see below for details).

Unless the employee is normal retirement age or older at the time of death, vestiture is ten (10) years.

Regardless of the ages of the employee or spouse, retirement benefits under this section are calculated as an Option A benefit and referred to as an "assured" Option A benefit.

TERMINATION OF MEMBERSHIP

Membership in the Retirement System will be terminated when an individual leaves the County's service. If vested in the Retirement System, the benefit will be deferred, and retirement benefits will be received based on the "benefit formula" at the time of termination with the exception of the single sum calculation, which is based on the interest rate in effect at the time of retirement. If an individual leaves County service and is not vested, their credited service will be forfeited.

RETIREMENT SYSTEM CHANGES

The Retirement System is controlled by laws set by the State of Michigan. The County Board of Commissioners approves changes to the Retirement Resolution.

For Road Commission employees, the County Road Commission recommends changes to the County Board. For Mental Health employees, the Mental Health Board recommends changes to the County Board.

If there are any questions with this report, please call the Human Resources Department at 269-384-8095.



HUMAN RESOURCES DEPARTMENT
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This report can be found online at [www.kalcounty.com/rif/About your Plan](http://www.kalcounty.com/rif/About%20your%20Plan)