

**THE
AMENDED PENSION PLAN
FOR
EMPLOYEES OF THE CITY OF NEWARK

A SUMMARY OF PLAN FEATURES**

Updated: March 2011

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INTRODUCTION

The City of Newark established a voluntary, defined-benefit pension plan for its employees on January 1, 1969. The main purpose of the pension plan is to provide monthly income to employees who terminate employment with the City after meeting established minimum age and service criteria. The plan also provides optional benefits to the surviving beneficiaries of current and retired employees, disability benefits to employees who are physically or mentally incapacitated, and a refund of contributions plus interest to former employees.

The plan is actually a combination of three plans with distinctly different levels of benefits. The three plans are:

1. Non-Police - civilian, non-sworn, regular, full-time employees
2. Police - all police officers except the Chief of Police
3. Special Police - the Chief of Police

ENROLLMENT

Each newly hired, regular, full-time, civilian employee is required to enroll in the plan immediately upon hire. Service as a part-time or temporary employee is not considered. The City Manager's Office will notify each employee in writing to inform the employee of the employee's eligible status and the costs of participation. See Appendix A and B.

Each newly hired Police employee is required to enroll in the plan immediately upon hire. The City Manager's Office will notify each new police employee in writing to inform them of their eligible status and the costs of participation.

CONTRIBUTIONS/FUNDING

The plan receives funding from four different sources - employer contributions, employee contributions, state contributions and earnings on investments.

The City contributes a lump sum to the plan once each year. The amount of the contribution is determined by an actuarial consultant hired by the plan trustees to estimate the plan's liabilities and recommended funding levels. Unlike employee contributions, which are a fixed percentage rate, the City's contribution varies from year to year depending upon how much money the plan needs to properly fund its present and future liabilities.

Each participating employee is required to contribute a percentage of his/her regular salary - both base and longevity pay. During each calendar year, non-police employees contribute 2 1/2% of their current regular salaries. This amount is divided by twenty-six (26) for civilian employees and twenty-four (24) for police employees. The contribution is then deducted from the employee's paycheck before taxes.

The contribution rate for police employees may vary from year to year. Their contribution rate is equal to the City's actuarially recommended employer contribution rate during the previous calendar year subject to certain limitations. The police employee contribution rate may never exceed 7.0% and may not increase or decrease by more than 2.0% from the previous year's rate.

The State of Delaware also contributes to the pension plan. The amount of the contribution is based on the number of police officers currently employed by the City. These contributions may only be used to fund police pension benefits.

The final source of funding for the plan is earnings on the investment of the plan's assets. The amount of earnings or losses may vary from year to year. The plan employs professional investment advisors to assist in the management of the plan's assets. The trustees have adopted a formal Investment Policy Statement to govern the investment of plan assets. A copy of the Investment Policy Statement is available for review in the City Manager's Office.

BENEFIT FORMULA

Upon reaching a Normal Retirement Date, an employee is eligible to begin receiving a monthly retirement pension benefit based on the following formula:

Credited Service X Annual Benefit Accrual Rate X Final Average Compensation

CREDITED SERVICE

Each employee's pension is based on the number of years and months of service that the employee contributes to the pension plan. Credited service for each employee begins to accumulate on the first day of the month coincident with or immediately following the employee's date of hire. Credited service ceases to accumulate upon the employee's termination from employment.

Employees who decline to participate in the plan when first eligible to participate receive no credit for service for the period beginning with their hire date and ending with their later commencement of participation in the plan.

Employees who cease to contribute to the plan for periods in excess of thirty (30) calendar days do not earn credit for service during those periods. An employee who is absent as a result of a job-related disability is exempt from this rule.

Employees with gaps in their accumulation of service credits are not permitted later to purchase those service credits.

ANNUAL BENEFIT ACCRUAL RATE

For each year of credited service, each employee accumulates service credits referred to as the Annual Benefit Accrual Rate. Non-Police and Special Police employees accumulate service credits at the rate of 2.1% for each year of credited service. For example, a Non-Police or Special-Police employee with 10 years of credited service would have accumulated service credits in the amount of 21.0% (10 years x 2.1% per year).

Police employees accumulate service credits at a different rate. Any participating police employee hired after December 31, 1987 accumulates service credits up to the maximum at the rate of 2.5% for each year of credited service for each of the first twenty (20) years and 3.5% for each year after twenty (20). Police employees are limited to a maximum accrual of service credits in the amount of 67.50%.

FINAL AVERAGE COMPENSATION

Each employee's pension is based on the employee's average monthly salary over a specified time period multiplied by the employee's accumulated service credits. This average monthly salary is referred to as Final Average Compensation.

For Management employees, the Final Average Compensation is based on the employee's base salary and longevity pay during the employee's sixty (60) highest paid consecutive months of employment with the City.

For Police, Employees Council and AFSCME employees, the Final Average Compensation is based on the employee's base salary and longevity pay during the employee's last thirty six (36) months prior to the employee's termination from employment.

NORMAL RETIREMENT DATE

The Normal Retirement Date is that date upon which an employee is eligible to begin receiving a pension benefit equal to 100% of the employee's accumulated service credits.

Non-Police - The Normal Retirement Date is the later of the employee's 65th birthday or the employee's 5th anniversary of participation in the plan.

Police hired before January 1, 1989 - The Normal Retirement Date is the earlier of the employee's 50th birthday or the completion of twenty (20) years of Credited Service as a Police employee.

Police hired after January 1, 1989 - The Normal Retirement Date is the completion of twenty (20) years of Credited Service as a Police employee.

Special Police - The Normal Retirement Date is the later of the employee's 50th birthday or the employee's 5th anniversary of participation in the plan.

EARLY RETIREMENT DATE

Any Non-Police employee who has completed fifteen (15) or more years of Credited Service and who is at least fifty-five (55) years of age is eligible to receive an Early Retirement Pension. This benefit is actuarially reduced due to the fact that the employee will be receiving the benefit over a longer period of time. For more information, refer to Article VI of the pension plan.

A Police employee who terminates employment no more than five (5) years prior to the Normal Retirement Date is eligible to receive a pension benefit commencing on the Normal Retirement Date.

Any former employee who has completed five (5) or more years of Credited Service is eligible for a pension benefit commencing on the Normal Retirement Date or the Early Retirement Date. For more information, refer to Article VI of the pension plan.

EMPLOYEE PENSION RECORD

Each year, the City Manager's Office issues an individual Employee Pension Record to each employee participating in the plan. The record contains current beneficiary information, service dates, salary and contribution history, and accumulated and estimated benefits. The employee should notify the City Manager's Office of any inaccurate or out-of-date information contained on the record. See Appendix C.

APPLICATION FOR BENEFITS

An application for retirement pension benefits takes approximately four (4) to six (6) weeks to process. Therefore, any employee who is considering retirement, should notify the City Manager's Office at least two (2) months prior to the employee's retirement date. Last minute applications may result in significant delays in the commencement of benefits.

BENEFIT OPTIONS

Upon retirement, each employee is presented with eight (8) benefit options. The options are as follows:

1. A retirement benefit for the remainder of the employee's life.
2. A retirement benefit for a minimum of five (5) years and then only for the rest of the employee's life. If the employee does not live for five (5) years after terminating employment, then the employee's beneficiary would continue to receive the benefit for the remainder of the five (5) year period.
3. A retirement benefit for a minimum of ten (10) years and then only for the rest of the employee's life. If the employee does not live for ten (10) years after terminating employment, then the employee's beneficiary would continue to receive the benefit for the remainder of the ten (10) year period.

4. A retirement benefit for a minimum of fifteen (15) years and then only for the rest of the employee's life. If the employee does not live for fifteen (15) years after terminating employment, then the employee's beneficiary would continue to receive the benefit for the remainder of the fifteen (15) year period.
5. A survivor benefit equal to 50% of the employee's benefit, after the employee's death.
6. A survivor benefit equal to 66 2/3% of the employee's benefit, after the employee's death.
7. A survivor benefit equal to 75% of the employee's benefit, after the employee's death.
8. A survivor benefit equal to 100% of the employee's benefit, after the employee's death.

Option 1 produces the largest monthly benefit amount. However, there is no survivor benefit with Option 1.

The other seven (7) options all provide some form of survivor benefit. By choosing a survivor benefit, the employee reduces the amount of the benefit during the remainder of the employee's life. The greater the survivor benefit, the more the employee benefit is reduced. Option 8 is usually about 15 to 20% less than Option 1.

DISABILITY BENEFITS

Each employee who is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment may be eligible for a disability pension benefit. The benefit is equal to the employee's accumulated service credits. There are no survivor benefits with a disability benefit.

REFUND OF CONTRIBUTIONS

Each employee who terminates employment may request a complete refund of the employee's pension contributions. The contributions are refunded with interest which accumulates at the rate of 4% annually. An employee who receives a refund of contributions forfeits any right to future pension benefits.

CHANGE OF BENEFICIARY

Each participating employee must designate a primary beneficiary for survivor's pension benefits. A contingent beneficiary may also be designated. Any employee who wishes to change a beneficiary may do so on the form provided as Appendix D. This form must be submitted to the City Manager's Office to be implemented.

This booklet has been prepared for information purposes only. The booklet does not create or expand upon any benefits provided by the pension plan. If there is any conflict between this summary and the pension plan, then the language of the pension plan shall take precedence over this summary.



CITY MANAGER'S OFFICE

CITY OF NEWARK
220 Elkton Road • Newark, Delaware 19711

(302) 366-7026 • Fax (302) 366-7035 • www.cityofnewarkde.us

Appendix A

March 14, 2011

Name, Position
Department

Dear _____:

As a full-time employee, you are required to begin participation in the Pension Plan for Employees of the City of Newark. Participation in the pension plan is mandatory. You will receive credit for all employment with the City effective _____, your date of hire. You will be required to contribute _____% of your salary through payroll deduction. At your current rate of pay this amounts to a contribution of \$ _____ to be deducted from your paycheck bi-weekly/twice a month.

You must return your completed form to me no later than _____.

If you have any questions regarding the pension plan, feel free to contact me at any time.

Sincerely,

Charles M. Zusag
Assistant to the City Manager

CMZ/mp
Enclosure

CITY OF NEWARK PENSION PLAN

Appendix B

APPLICATION FOR PARTICIPATION AND DESIGNATION OF BENEFICIARY

I, the undersigned employee, upon satisfying the eligibility requirements, wish to participate in the City of Newark Pension Plan and hereby authorize you to deduct the required payroll contribution from my compensation.

I understand that the withheld money will be credited with interest and be made available to me or my beneficiary upon termination from employment or death, unless my beneficiary or I qualify for pension benefits, in which case my contributions will be distributed in the form of pension benefit payments.

I further certify that the following information is correct to the best of my knowledge.

PLEASE PRINT

EMPLOYEE INFORMATION			
Employee Name:		SS No.:	
DOB:	Gender:	Employment Date:	
Spouse's Name:		SS No.:	DOB:

I hereby name the following beneficiary(ies) to whom any unpaid accumulated contributions with interest would be paid upon my death:

PLEASE PRINT

PRIMARY BENEFICIARY	
Full Name:	Relationship:
SS No.:	DOB:

CONTINGENT BENEFICIARY (Optional)	
Full Name:	Relationship:
SS No.:	DOB:
Full Name:	Relationship:
SS No.:	DOB:

I understand that I may change my beneficiary at any time by completing a form for this purpose which will be furnished by your office upon my request.

_____	_____
Witness	Participant's Signature
_____	_____
	Date

APPROVAL

_____	_____
Assistant to the City Manager	Date

Appendix C



Committed to Service Excellence

**CITY OF NEWARK, DELAWARE
EMPLOYEE PENSION RECORD**

EMPLOYEE INFORMATION

EMPLOYEE NAME	_____	Date of Birth	_____
EMPLOYEE ID NUMBER	_____	Hire Date	_____
GENDER	_____	Enrollment Date	_____
EMPLOYEE GROUP	_____	Service Date	_____

BENEFICIARY INFORMATION

Beneficiary Name	_____	Status	_____
Relationship	_____	Birthdate	_____
		SSN	_____
Beneficiary Name	_____	Status	_____
Relationship	_____	Birthdate	_____
		SSN	_____
Beneficiary Name	_____	Status	_____
Relationship	_____	Birthdate	_____
		SSN	_____
Beneficiary Name	_____	Status	_____
Relationship	_____	Birthdate	_____
		SSN	_____

INTERRUPTIONS OF CREDITED SERVICE

<u>FROM</u>	<u>TO</u>	<u>REASON</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

REMARKS

PLEASE CHECK INFORMATION CAREFULLY
REPORT ANY INACCURATE OR INCORRECT INFORMATION TO THE CITY MANAGER'S OFFICE
KEEP YOUR BENEFICIARY INFORMATION CURRENT

CITY OF NEWARK PENSION PLAN

CHANGE OF BENEFICIARY FORM

Appendix D

I, _____, hereby designate the following individual(s) as my beneficiary(ies) for survivor's pension benefits:

1.	Name:	Check one: Primary <input type="checkbox"/> Contingent <input type="checkbox"/>
Relationship:		Percentage:
SS No.:		DOB:
2.	Name:	Check one: Primary <input type="checkbox"/> Contingent <input type="checkbox"/>
Relationship:		Percentage:
SS No.:		DOB:
3.	Name:	Check one: Primary <input type="checkbox"/> Contingent <input type="checkbox"/>
Relationship:		Percentage:
SS No.:		DOB:
4.	Name:	Check one: Primary <input type="checkbox"/> Contingent <input type="checkbox"/>
Relationship:		Percentage:
SS No.:		DOB:
5.	Name:	Check one: Primary <input type="checkbox"/> Contingent <input type="checkbox"/>
Relationship:		Percentage:
SS No.:		DOB:

Participant's Signature

Witness

Date

APPROVAL

Assistant to the City Manager

Date

Appendix E

AFSCME EMPLOYEE ELECTION FORM

SICK LEAVE/RETIREMENT INCENTIVE BENEFIT

The pay for unused sick leave benefit, as provided by Article II, Section 1-94.1 of the City Code, allows you to receive monetary compensation for accumulated, unused Sick Leave. The Sick Leave/Retirement Incentive Benefit, as provided by Section 14.4 of the pension plan, provides you with an alternative to receiving cash compensation for unused sick leave. In lieu of receiving cash compensation for unused sick leave, this benefit allows you to earn additional credited service toward a retirement pension.

According to this benefit, you may earn additional credited service as follows:

- (1) One (1) month of additional credited service for each complete calendar year after 1996 in which you use no more than sixteen (16) hours of sick leave.
- (2) One-half (1/2) month of additional credited service for each complete calendar year after 1996 in which you use more than sixteen (16) and up to forty (40) hours of sick leave.
- (3) At termination of employment, one-half (1/2) month of additional credited service for each twenty (20) days of unused sick leave.

You are required to choose either Pay for Unused Sick Leave or the Sick Leave/Retirement Incentive Benefit. This choice shall be irrevocable for your term of employment with the City.

I hereby choose the plan designated below.

- I choose to receive Pay for Unused Sick Leave
 I choose the Sick Leave/Retirement Incentive Benefit

Employee Signature

Date

Appendix F

MANAGEMENT EMPLOYEE ELECTION FORM

SICK LEAVE/RETIREMENT INCENTIVE BENEFIT

The pay for unused sick leave benefit, as provided by Article II, Section 2-94.1 of the City Code, allows you to receive monetary compensation for accumulated, unused Sick Leave. The Sick Leave/Retirement Incentive Benefit, as provided by the Section 14.4 of the pension plan, provides you with an alternative to receiving cash compensation for unused sick leave. In lieu of receiving cash compensation for unused sick leave, this benefit allows you to earn additional credited service toward a retirement pension.

According to this benefit, you may earn additional credited service as follows:

- (1) One (1) month of additional credited service for each complete calendar year after 1996 in which you use no sick leave.
- (2) One-half (1/2) month of additional credited service for each complete calendar year after 1996 in which you use more than fifteen (15) hours of sick leave.
- (3) At termination of employment, one-half (1/2) month of additional credited service for each twenty (20) days of unused sick leave.

You are required to choose either Pay for Unused Sick Leave or the Sick Leave/Retirement Incentive Benefit. This choice shall be irrevocable for your term of employment with the City.

I hereby choose the plan designated below.

- I choose to receive Pay for Unused Sick Leave
 I choose the Sick Leave/Retirement Incentive Benefit

Employee Signature

Date