

DEFINED BENEFIT PROGRAM

OMRF Capabilities

- Government retirement plan expert with 40 years of experience
- Low cost, reliable, established provider
- Wide array of plan services as defined by our members
- Owned by you—the cities and towns
- Dedicated and responsive service staff
- Membership “voice” through your election of the Board of Trustees
- Over 200 member municipalities representing over 11,000 employees

The Oklahoma Municipal Retirement Fund (OMRF) is a retirement program for cities, towns and municipal agencies—providing an opportunity to establish a qualified retirement plan while simultaneously pooling assets for investment purposes—in essence a system where retirement programs can be created and maintained at minimal time, cost and effort. Founded in 1966 as a cooperative endeavor, OMRF has a long history of assisting municipalities with their retirement programs. By design, OMRF specializes in governmental plans.

OMRF offers several retirement plan alternatives for municipal employees, so you can select the program that best meets your needs. The **OMRF Defined Benefit Program** provides employers a system where monthly income to retirees can be guaranteed for their lifetime. This type of plan provides benefits to vested employees based on a specific formula. The formula defines the benefit by multiplying a percentage of salary by the participant’s years of service. Many alternatives are available within this defined benefit plan structure.

Plan Design Highlights

• Participation and Plan Contributions

Participation is optional to all current employees when a municipality first establishes a plan. After implementation, participation is mandatory for all regular, full-time municipal employees with the exception of police and fire employees who are covered under their own programs.

• **Employer Contributions** are actuarially determined each year. The employer is obligated to fund the plan, net of the employee contributions. An actuarial study determines the contribution needed to provide specified plan benefits. It is based on the current employees who are covered under the plan and uses actuarial projections based on their age, length of service and income.

• **Employee Contributions** are determined by the employer and are designated in the plan when adopted. The maximum allowable monthly employee contribution is 6% of pay. The employer may elect to have eligible employees contribute toward the cost of the plan by means of payroll deductions. The maximum employee contribution rate for each of the benefit levels are listed below:

Plan AAA	6.00% of annual compensation
Plan AA	5.25% of annual compensation
Plan BB	4.50% of annual compensation
Plan CC	3.75% of annual compensation
Plan A	3.00% of annual compensation
Plan B	2.25% of annual compensation
Plan C	1.50% of annual compensation

Benefits Upon Termination or Retirement

• **Retirement benefits** are based on the employee’s compensation prior to retirement and their length of service. Retirement occurs after having completed a required number of years of continuous service. Benefits are payable for life with a minimum of 60 or 120 monthly payments. Normal retirement occurs at age 65 or as otherwise stated in the plan document. Early retirement can begin as early as age 55 on a reduced basis. The amount of benefit payable at normal retirement age is based on a formula. The plan level selected by the employer defines the formula. The final average compensation is the average of the five highest consecutive years out of the last ten years of service. Credited service is the last period of consecutive years of employment with the employer, but can be limited in the plan by the employer at the time of adoption.

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Plan AAA	3.00% of final average compensation X years of credited service
Plan AA	2.625% of final average compensation X years of credited service
Plan BB	2.25% of final average compensation X years of credited service
Plan CC	1.875% of final average compensation X years of credited service
Plan A	1.50% of final average compensation X years of credited service
Plan B	1.125% of final average compensation X years of credited service
Plan C	0.75% of final average compensation X years of credited service

- **Contribution refund** is the sum of an employee's contributions and interest. This amount is the minimum benefit payable to the employee or his beneficiaries after termination of service, retirement, disability or death.

- **Deferred retirement** benefits are payable at age 65 in the event of termination of employment prior to age 55; however payments on a reduced basis may begin as early as age 55.

- **Joint and survivor benefits** are available when an employee is retiring at age 55 or older. These alternatives provide benefits that continue for the lifetime of the retiree's spouse.

- **Disability retirement** benefits are payable for as long as the employee is totally disabled.

- **Benefits** are payable to designated beneficiaries in the event of an active employee's death before retirement.

Program Alternatives

OMRF offers various alternatives to assist you in tailoring a retirement program to fit your specific needs and objectives:

- **Cost of living** alternative annually adjusts monthly pensions on July 1st, with the change limited to a maximum of 3%, based on the CPI change in the previous year.

- **Government pick-up** alternative allows the employer to create a mandatory employee contribution, which is tax-deferred. This alternative may provide for tax savings in retirement when taxed at a lower rate.

- **Vesting** defines the number of years required for an employee to become eligible to receive full monthly benefits. OMRF offers three cliff vesting schedules: a five-year, seven-year and ten-year. With cliff vesting schedules, the employee must complete the total designated years of service to become vested.

- **Length of benefit payment** is for the retiree's lifetime. However, benefits will be paid to each retiree for a minimum of 60 months or 120 months, as designated by the employer.

- **Multiple plan levels** determine the amount of benefits payable to the retiree. This amount is designated as a percentage of compensation multiplied by the number of years of service. The percentages used in the calculation vary from .75% to 3.0%. Various levels are available to allow the employer to develop an affordable program.

- **Unreduced early retirement** benefits can be offered in one of 2 ways: 1) when age and length of service total "eighty" or 2) at 62 with 30 years of service.

- **Participant statements** are automatically produced annually with the actuarial evaluation.

- **Defined contribution hybrid program** provides increased benefits by paying the retiree his/her employee contributions in addition to the formula-based pension.

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Investment of Plan Assets

Although each municipality's plan is funded separately, all assets of the members are combined for investment purposes. The funds are invested for conservative long-term growth. All assets are held in a trust fund and the OMRF Trustees retain professional investment managers to invest the funds. The program has been able to blend different investment philosophies, which compliment each other through various economic trends, while still maintaining a conservative approach to investment growth. Plus, OMRF retains an independent investment consultant who evaluates each investment manager based on the investment policies and guidelines established by the OMRF Trustees.

How do we join?

In order to evaluate whether a defined benefit program is right for your municipality, your governing body should authorize a study by the actuarial firm retained by OMRF. The study will determine the cost of each of the seven benefit levels for your group of employees. Funding costs are re-evaluated each year automatically at no cost to the employer. With this update, the employer will be notified of any changes in the contribution rates. To obtain a study, complete the **Employee Data Form** and fax or mail it to OMRF. There is no fee for the actuarial study. After the results of the actuarial study are received and reviewed, you may select the plan level and alternatives best suited to your employees. Once you've determined the level of benefits, appropriate legal documents creating your system and adopting the OMRF Trust are available.

Program Costs

OMRF members share plan costs, enabling many municipalities to provide plans, which might not otherwise be affordable. Plan administrative costs, investment fees and consultant fees are shared pro rata based on plan assets and result in minimal expenses to individual plans. The fee charged is all-inclusive; there is no fee for plan documents or for an OMRF representative to meet with you to review your retirement program. The single objective is to provide the members a premier retirement program. In fact, OMRF has historically reduced fees with the continued growth of plan assets. OMRF has a non-profit status so sales commission or financial rewards are not paid to employees or consultants.

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Why OMRF?

By focusing on government plans, the dedicated staff and team of consultants bring extensive experience and provide specialization that is unmatched elsewhere. OMRF was established with the purpose of providing a sound pension plan for municipal employees. By providing a selection of plan types and a means to pool the assets from members into a single fund, OMRF seeks to provide member-specific retirement programs in a cost-effective manner.

The Oklahoma Municipal Retirement Fund program includes all of these retirement plan services:

- Determining the right plan
- Providing dedicated guidance, efficient administration and effective plan transaction support
- Preparing reliable plan documents and interpreting plan provisions
- Remaining accessible to answer ongoing questions
- Delivering multiple investment alternatives and regular updates
- Providing proven actuarial services and/or participant recordkeeping
- Delivering outstanding participant investment and retirement education

For questions, call **Jodi Cox** or **Chris Whatley** at **1-888-394-6673** or visit our website at **www.okmrf.org**. We'd be glad to set up an appointment and tell you about our program. Join OMRF today and provide your municipality with a comprehensive, flexible and custom retirement plan.