

# Answers to Commonly Asked Questions About The Hudson Valley Credit Union Pension Plan

## Who receives this benefit?

Employees hired on or before January 1, 2011

## What is a Pension Plan and how does it work?

A defined benefit pension plan is a plan where benefits are "defined" by the plan's benefit formula, to provide you with a known level of income at retirement. Benefits under this type of plan are determined using a formula which takes into consideration your salary and years of service with your employer. Generally, the employer bears full responsibility for funding the plan.

## How do pension plans differ from 401(k) Plans?

Unlike a pension plan, a 401(k) plan doesn't provide a definitely determinable benefit. Your benefit at retirement is a direct result of how much you contribute to the plan, whether your employer makes matching contributions, and how much your account earns. Under a 401(k) plan, you make the investment decisions, and bear the full risk associated with your investment choices.

## What is the Hudson Valley Credit Union Pension Plan benefit formula?

The benefit formula has several parts:

- 1) 45.25% of the participant's highest 60 consecutive months of salary with 15 years of Benefit Service.  
Plus
- 2) 55% of salary earned above floating covered compensation  
Plus
- 3) .25% of salary in excess of 15 years of Benefit Service

This benefit is paid as a straight life annuity at age 65. If your service is less than 15 years of Benefit Service then the above benefit formula is prorated. Covered Compensation Level (CCL) is the average Old-Age, Survivors and Disability Insurance (OASDI) contribution and benefit base for the 35 years ending with the year the employee reaches Social Security retirement age. The amount will vary based on participants date of birth. As an example: turning age 65 in 2023 the CCL is \$101,494; turning age 55 in 2023 the CCL is \$129,161.

**Effective January 1, 2024 the pension plan was frozen. That means the Benefit Service and plan compensation for all participants stopped accruing as of December 31, 2023.**



### **Are my pension benefits guaranteed? When am I guaranteed to receive my pension benefit?**

Once you are vested in the plan, which requires 5 years of service, you're entitled to a guaranteed retirement benefit. Since the plan membership was frozen January 1, 2011 all participants are now fully vested. Your pension plan is designed to provide you with a guaranteed income for life, and if you choose, the life of your beneficiary. Your benefits are guaranteed by a federal agency, the Pension Benefit Guaranty Corporation (PBGC), but the guarantee is subject to certain limitations.

### **Does market volatility affect my pension benefit? Will my pension benefit increase after the freeze date?**

Remember, your employer assumes the investment risk in a pension plan. Therefore, whether plan investments perform favorably or unfavorably it has no impact on your retirement benefit. Your frozen benefit will not increase unless you defer it until after age 65.

### **Do Pension Benefits Grow After Terminating Employment?**

Not in the typical sense of the word like a 401(k) plan, but they do "grow" the longer you defer receipt of your benefit. That's because pension benefits are based on a benefit formula that factors your years of service into consideration. Once you stop working for your employer, you stop earning service. But the level of benefit you receive when you're ready to retire will vary based on when you elect to receive your benefit. If you start receiving benefits at age 55, they'll be lower than if you defer receipt to age 65. Your benefit is reduced for early payment because it will have to be spread out over a longer period of time. The longer you defer receipt of your benefit, the less it will be impacted by early retirement reduction factors.

### **What if I want to retire early?**

The pension plan allows you to retire as early as age 55 with 15 years of Vesting Service. If you retire before age 65 your benefit will be reduced (generally 3% per year) to reflect that you are collecting your benefit over a longer period of time. However, if you are age 60 with 30 years of projected service at date of hire there is no reduction to your benefit.

### **What payment types are available?**

- Straight life annuity – paid for your life time only
- 100% Joint and Survivor Annuity with 10 year Certain – same amount paid to you or your spouse for life, with at least 10 years of payments guaranteed
- 50% Joint and Survivor Annuity – paid for your life time with 50% of the amount paid to your spouse should they survive you
- 75% Joint and Survivor Annuity – paid for your life time with 50% of the amount paid to your spouse should they survive you
- Lump Sum – one-time payment to you. Requires a minimum 15 years of service to be available.

The payment type, once elected at retirement can't be changed. The payment amount will vary based on type and on your date of birth and your spouse's date of birth.

### **Do participants of a frozen plan receive benefit statements?**

Yes, every 3 years a personal statement to provide to you until termination or retirement.

### **What do I do when I'm ready to retire?**

Take advantage of the defined benefit calculation website to model your benefit amount and payment options at various points in time. See separate handout on the website. Please note, the website can only provide an estimate and cannot be used to provide official retirement paperwork.

For official paperwork, please contact human resources or call Pentegra's Benefit Calculation Department at 1-800-872-3473 to request a benefit calculation.

Benefit calculation packages include:

- Estimated quote of benefits under standard and optional forms of payment
- Retirement application, forms, and instructions
- Summary of assumptions and date used to calculate benefits

### **Who soon should I start the retirement process?**

Generally, 1 month prior to retirement date. Below is a sample timeline regarding the retirement and benefit payment process assuming a May 1<sup>st</sup> retirement date.

April 15- participant terminates

April 22- Pentegra receives termination notice from employer

May 1- participant's official retirement date

May 6- May 13, Pentegra sends benefit calculations and retirement paperwork (10-15 business days after receipt of the termination notice)

May 31- assuming Pentegra receives all of the properly completed and notarized forms and documentation,

June 1- payments begin. Pension payments are made in arrears. The June 1<sup>st</sup> payment is for the month of May.

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