

ORDINANCE NO. C-3 -2013

**CITY OF FARMINGTON HILLS
OAKLAND COUNTY, MICHIGAN**

**AN ORDINANCE TO AMEND THE FARMINGTON HILLS
CODE OF ORDINANCES BY AMENDING CHAPTER 2,
“ADMINISTRATION,” ARTICLE V, "EMPLOYEE
BENEFITS," IN ITS ENTIRETY.**

THE CITY OF FARMINGTON HILLS ORDAINS:

Section 1 of Ordinance. Ordinance Amendments

The Farmington Hills City Code, Chapter 2, “Administration,” Article V, "Employee Benefits" shall be amended in its entirety to read as follows:

ARTICLE V. EMPLOYEE BENEFITS

DIVISION 1 - GENERALLY

Secs. 2-241 - 260. Reserved.

DIVISION 2 – EMPLOYEES RETIREMENT SYSTEM

Sec. 2-261. - Retirement system effective date; continuation; purpose.

The City of Farmington Hills Employees Retirement System established effective January 1, 1966, as amended, is continued for the purpose of providing retirement income to qualifying employees and former employees, and survivor income to their qualifying beneficiaries.

Sec. 2-262. - Short title; application; effective date of restatement.

(a) This division may be cited as the City of Farmington Hills Retirement Ordinance.

(b) This restatement will apply to individuals employed by the city on and after July 1, 2013. The retirement rights of an individual whose city employment terminated before July 1, 2013, will be governed by the provisions of the retirement system in effect on the date the individual last terminated employment.

(c) This division was previously restated with a prior effective date of July 1, 2005, or such other date specified by the city council or charter when that restatement of this division was enacted.

(d) This restatement to interpret and clarify this division for proper implementation shall be put into effect as of July 1, 2013, upon final passage by the City Council of the City of Farmington Hills with an effective date of July 1, 2013, or such other date specified by the city council or charter when this division is enacted.

Secs. 2-263, 2-264. - Reserved.

Sec. 2-265. - Gender references.

Any references in this document to one (1) gender, whether male or female, should be understood to include the other gender as well.

Secs. 2-266—2-269. - Reserved.

Sec. 2-270. - Definitions.

As used in this division:

(a) *Accumulated member contributions* means the balance in a member's individual account in the reserve for member contributions, including accumulated interest on member contributions.

(b) *Actuarially equivalent* means that the two (2) benefits being compared have equal actuarial present values. Actuarial equivalents shall be calculated using assumptions adopted by resolution of the retirement board.

(c) *Beneficiary* means an individual who is being paid or who has entitlement to the future payment of a pension on account of a reason other than the individual's membership in the retirement system. The Beneficiary is required to have an "insurable interest" in the life of the member.

(d) *City* means the City of Farmington Hills, State of Michigan, and its various offices, boards, agencies and departments.

(e) *Compensation* means the salary or wages paid an employee for personal services rendered the city while a member of the retirement system. Salary and wages shall include: base pay; and pay for periods of absence from work by reason of vacation, holiday, and sickness. For members of all benefit groups, compensation shall include an amount equal to the applicable longevity pay percentage multiplied by base pay at the time of payment of longevity, except for in the fiscal year the employee retires if the employee retires before receiving longevity pay for that fiscal year, then, for the purpose of calculating the final average compensation only, longevity is not pro-rated, but is calculated on the base pay as of July 1st of that fiscal year. The applicable longevity payment will be the longevity payment in effect for each fiscal year without interpolation in accordance with the longevity seniority schedule for each benefit group. For members of Benefit Groups C, D, F and P only, compensation shall include lump sum holiday pay. For members of Benefit

Group F compensation shall also include four-ten premium pay. Compensation shall not include any remuneration or reimbursement not specifically stated to be included: such as, remuneration for overtime services, allowances for clothing, equipment, cleaning and travel; reimbursement of expenses; bonuses; termination pay; severance pay; payments in consideration of unused vacation and sick leave; the value of any fringe benefit.

(f) *Deferred Retirement* means that if a member terminates employment after being vested but prior to eligibility for normal or early retirement and leaves all accumulated contributions in the retirement system, then the vested former member is eligible for a pension beginning at an age and service level established by contract or policy. Vested Former Member means a former member who terminated employment after attaining the service requirement for vesting but prior to eligibility for normal or early retirement and leaves all accumulated contributions in the retirement system,

(g) *Defined contribution plan* means the City of Farmington Hills 401(a) defined contribution pension program as established by the city.

(h) *Early Retirement* means that a member is eligible for a reduced pension benefit at an age and service level established by contract or policy.

(i) *Final average compensation* means the average of the monthly rate of compensation paid a member as of the three (3) consecutive July 1sts producing the highest average contained within the ten (10) years of credited service immediately preceding the member's last termination of employment with the city.

(j) *Firefighter* means a full-time employee of the department of public safety, fire division, with the rank of firefighter or higher.

(k) *Insurable interest*. As used in this Retirement Ordinance , the only persons considered to have an "insurable interest" in the life of an individual are the individual's legal spouse, a natural or adopted child of the individual, a parent of the individual and a sibling of the individual; and, when applicable, an individual's former spouse may have an insurable interest, if there is an appropriate entered eligible domestic relations order (EDRO), or domestic relations order (DRO) ordering such.

(l) *Member* means any person who is included in the membership of the City's defined benefit retirement system.

(m) *Normal Retirement* means a retirement as provided at Sec. 2-231 wherein a member is eligible for an unreduced pension benefit at an age and service level established by contract or policy.

(n) *Paid callback firefighter* is a person who is employed on an "on call" basis with the department of public safety, fire division, without regularly scheduled full-time employee hours and is not eligible for fringe benefits afforded career firefighters.

(o) *Part-time employees* are employees hired on a part-time basis and shall not work more than an average of twenty-nine (29) hours per week calculated over a twelve (12) month time frame.

(p) *Pension* means a series of monthly payments by the retirement system. Payment may be for a temporary period or throughout the future life of a retired member or beneficiary.

(q) *Police officer* means an employee of the department of public safety, police division, with rank of patrol officer or higher.

(r) *Retired member* means an individual who is being paid a pension on account of the individual's membership in the defined benefit retirement system.

(s) *Retirement system* means the City of Farmington Hills Employees Retirement System, a defined benefit plan, as established pursuant to article V, division 2 of the Code of Ordinances of the city.

(t) *Service* means personal service rendered the city while a member of the retirement system and qualifying military service pursuant to [section 2-300](#)

(u) *Temporary employees* are employees hired on a temporary basis for a period not to exceed four (4) consecutive months or a total of six (6) months in a calendar year.

Secs. 2-271—2-279. - Reserved.

Sec. 2-280. - Membership in retirement system.

A person who is employed by the city in an included position is a member of the retirement system. Included positions are:

Positions held by all individuals who are employed by the city, its offices, boards, agencies or departments, in a permanent position unless employed in an excluded position enumerated in [section 2-281](#). For purposes of this section, a permanent position is defined as a position on a regular rather than a temporary or seasonal basis. In case of doubt, the retirement board shall decide who is a member.

Sec. 2-281. - Excluded positions.

Excluded positions are:

(a) Positions filled by part-time or temporary employees.

(b) Positions which are compensated on a basis not subject to the withholding of federal income taxes or FICA taxes by the city or to existing fringe benefits provided by the city.

(c) Any position held by a retired member.

(d) Paid call back firefighters.

(e) Positions, other than judgeships, for which less than half the public compensation is paid by the city.

(f) Any position held by a person who is included by law, by action of the city council, by collective bargaining agreement or by individual employment agreement in any other pension or retirement plan by reason of the compensation paid by the city, except the Federal Old Age, Survivors and Disability Insurance Program.

(g) Positions of city manager or department director, if the person has elected, with consent of the city council, not to be a member. Thereafter, the city council may provide an option for the person to become a member of the retirement system as of such date and subject to such terms and conditions as established by city council resolution or as contained in the person's employment agreement, provided however, that such terms and conditions shall be in accordance with applicable law.

(h) Employees of Benefit Groups A, E or G that are hired on or after July 1, 2006, Employees of Benefit Group D that are hired on or after January 1, 2007, and Employees of Benefit Group T that are hired on or after January 1, 2008. In lieu of membership in the retirement system, such employees shall participate in the defined contribution plan. Contribution rates in the defined contribution plan for the employer and employee will be calculated on base pay, as that term is defined in the defined contribution plan document. Employees will contribute five (5) percent of base pay and the city will contribute ten (10) percent of the employee's base pay into the defined contribution plan. Employees shall be fifty (50) percent vested in the city's contributions to the defined contribution plan after three (3) full years of employment with the city, seventy-five (75) percent vested after five (5) full years of employment, and one hundred (100) percent vested after seven (7) full years of employment.

Sec. 2-282. - Termination of membership.

(a) An individual shall cease to be a member of the retirement system upon termination of employment or upon becoming employed in an excluded position. Upon reemployment by the city in an included position entitling the employee to membership, the individual shall again become a member.

(b) A former employee from Benefit Groups A, D, E, G & T who withdrew his or her accumulated member contributions prior to reemployment, shall participate in the defined contribution plan in lieu of membership in the retirement system (as provided in subsection 2-281(h)).

(c) Except for members of Benefit Groups C, F and P, an individual whose retirement system membership terminates before retirement shall not qualify for any of the medical benefits provided by the city and the retirement system, to individuals whose retirement system membership continued until retirement.

Secs. 2-283, 2-284. - Reserved.

Sec. 2-285. - Vested termination of membership.

An employee who ceases to be a member for a reason other than retirement or death shall be a vested former member if each of the following condition is met:

- (a) The person's accumulated member contributions have not been refunded; and
- (b) The person satisfies the service requirement that applies to the person's benefit group

<u>Benefit Groups</u>	<u>Credited Service</u>
All groups except C, F and P	8 years
C, F and P	15 years

A vested former member shall not receive credited service while absent from city employment.

Secs. 2-286—2-289. - Reserved.

Sec. 2-290. - Credited service—Earned.

Service rendered by a member shall be credited to the member's individual credited service account in accordance with rules the retirement board shall prescribe. Service shall be in calendar months. For employees whose regular work schedule is based on 8 hour days and 40 hours a week, ten (10) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. For employees whose regular work schedule is based on 10 hour days and 40 hours a week, eight (8) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. For employees whose regular work schedule is based on 48 hours a week, seven (7) or more days of paid service during a calendar month will qualify a member for credited service for that calendar month. No credit will be given to a member for a calendar month during which the member has fewer than the minimum qualified days of paid service as provided herein. In no case shall a member receive more than one (1) year of credited service for all service rendered by the member during any one (1) calendar year.

Sec. 2-291. - Same—Forfeiture.

Credited service shall be forfeited if an individual who is not a retired member receives a refund of his or her accumulated member contributions upon termination of service. Credited service shall also be forfeited if an individual who is not a retired member or vested former member has a break in membership of five (5) years or more, at which time all accumulated member contributions will be refunded.

Sec. 2-292. - Same—Reinstatement.

A member may have forfeited credited service restored upon satisfaction of each of the following conditions:

- (a) The retirement system is paid the total amount of accumulated member contributions previously withdrawn by the member, if any, plus compound interest at the rate(s) determined by the retirement board from the date(s) of withdrawal to the date(s) of repayment; and
- (b) The repayment is initiated and completed within the time periods established by the retirement board.

Service credit earned prior to the member's most recent break in membership of five (5) years or more shall not be restored.

Secs. 2-293—2-299. - Reserved.

Sec. 2-300. - Intervening military service—Conditions for credited service.

A member who leaves the employ of the city to enter any armed service of the United States during time of war, period of compulsory military service, or period of national emergency recognized by the city council shall be entitled to credited service for periods of active duty if each of the following conditions are satisfied:

- (a) The individual is reemployed by the city within the time period required by the Uniformed Services Employment and Reemployment Rights Act (P.L. 103-353), as amended;
- (b) The individual becomes a member and pays the retirement system the total amount of accumulated member contributions previously withdrawn, plus compound interest from the date of withdrawal to the dates of repayment;
- (c) No more than five (5) years of credited service shall be granted on account of all military service of the member; and
- (d) Credited service shall not be granted for periods of military service which are or could be used for obtaining or increasing a benefit from another retirement plan, except for service that is or would be credited under the federal government for service in the reserves.

In case of doubt as to the period to be credited to a member, the retirement board shall have the final power to determine such question.

Secs. 2-301—2-309. - Reserved.

Sec. 2-310. - Benefit groups—Composition.

The following benefit groups are designated for the purpose of determining benefit eligibility conditions, benefit amounts, and member contribution rates, as well as other non-uniform provisions.

- (a) *Benefit Group A (AFSCME)*. All members who are covered by the AFSCME collective bargaining agreement.
- (b) *Benefit Group C (Police Command)*. All members who are full time sworn police officers and who are not in Benefit Group P (Police Officer).
- (c) *Benefit Group D (Dispatcher)*. All members who are full time police dispatchers.
- (d) *Benefit Group E (Executive)*. All members who are designated as full time executive employees, including the city manager, assistant city managers, the assistant to the city manager and department heads.
- (e) *Benefit Group F (Fire)*. All members who are full time firefighters.
- (f) *Benefit Group G (General-Exempt)*. All members not included in another benefit group.
- (g) *Benefit Group J (Court)*. All members who are full time employees of the 47th District Court.
- (h) *Benefit Group P (Police Officer)*. All members who hold the full time rank of police officer.
- (i) *Benefit Group T (Teamsters)*. All members who are covered by the Teamsters collective bargaining agreement.

In case of doubt, the retirement board shall determine the benefit group(s) that apply to a member.

Sec. 2-311. - Benefit groups—Effect on retirement eligibility.

Benefit eligibility conditions shall be those applicable to the member's benefit group at time of termination of employment.

Sec. 2-312. - Benefit groups—Effect on pension amount.

If a retiring individual has credited service with more than one (1) benefit group, then the individual's pension will be as follows:

- (1) If the individual has three (3) or more years of service with the benefit group the individual was in at termination of employment and has met the retirement eligibility

requirements for the benefit group, the pension shall be calculated based on the provisions of that benefit group.

(2) If the individual does not satisfy the requirements of the preceding paragraph, then the amount of the individual's pension shall be the sum of the amounts for each benefit group the individual has service with. The amount for each benefit group the individual has service with shall be determined as follows:

(a) Determine the amount of pension that would apply if the individual's total credited service in force had been earned with the first benefit group (sections 2-330 and 2-331).

(b) Determine the proportion of the individual's total credited service that was earned with that benefit group.

(c) Multiply (a) by (b). This is the pension amount attributable to service with the specified benefit group.

(d) Repeat steps (a), (b) and (c) for each other benefit group the individual has service with.

(e) Add the results from step (c) for each benefit group the individual has service with. This sum is the amount of the pension under optional form of payment SL.

These calculations shall be based upon the retirement system provisions in effect at the time the individual terminates membership.

Secs. 2-313—2-319. - Reserved.

Sec. 2-320. - Age retirement—Conditions.

A member or vested former member may retire with a normal or early retirement pension upon satisfaction of each of the following requirements:

(a) A written application for retirement, in the form prescribed by the retirement board, has been filed with the retirement system;

(b) Employment is terminated prior to the effective date of retirement; and

(c) The member meets the applicable age and/or service requirements for retirement.

Sec. 2-321. - Normal retirement—Age and service requirements.

The age and service requirements for normal retirement are:

(a) *Benefit Groups A, D, E, G, J and T.* The member has attained age sixty (60) with eight (8) years of service, or the member has attained age fifty-five (55) and the sum of the member's years of age and years of service is greater than or equal to eighty (80).

(b) *Benefit Group P.* For employees hired prior to January 1, 2008, the member has twenty-five (25) or more years of credited service earned while employed by the city as a police officer. For employees hired on or after January 1, 2008, the member has attained age fifty (50) years and has twenty (25) or more years of credited service earned while employed by the city as a police officer. For purposes of meeting the service eligibility requirements of this subsection, credited service earned while the member was a police cadet shall not be considered.

(c) *Benefit Group C.* The member has attained age fifty (50) years and has twenty-five (25) or more years of credited service earned while employed by the city as a police officer (a member who has twenty-five (25) or more years of credited service and has attained the age of 48, may elect to purchase up to two years of service at the members cost to be eligible for normal retirement) or the member has thirty (30) or more years of credited service with the city regardless of age, provided the member has twenty-five (25) years or more of service while employed by the city as a police officer. For purposes of meeting the service eligibility requirements of this sub-section, credited service earned while the member was a police cadet shall not be considered.

(d) *Benefit Group F.* For employees hired prior to July 1, 2008, the member has twenty-five (25) years or more of credited service, earned while employed by the city as a firefighter, regardless of age. For employees hired on or after July 1, 2008, the member has attained age fifty (50) years and has twenty-five (25) or more years of credited service earned while employed by the city as a firefighter,

Upon retirement as provided in this section, a member shall be paid a pension computed according to the provisions of sections 2-330.

Sec. 2-322. - Normal retirement—Vested former member.

(a) A vested former member may retire upon satisfying the age and service credit retirement conditions that applied to the person's benefit group when the member was last employed by the city.

(b) Withdrawal of accumulated member contributions shall result in the loss of credited service and shall constitute forfeiture of all rights to any pension provided by the retirement system.

(c) Upon retirement as provided in this section a vested former member shall be paid a pension computed according to the provisions of the retirement ordinance in effect for the member on the date the former member ceased to be an employee.

Secs. 2-323—2-329. - Reserved.

Sec. 2-330. - Normal retirement—Amount of pension.

The annual benefit amount under form of payment SL (straight life) is determined as follows:

(a) *Benefit Group A.* The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75%) percent of the member's final average compensation.

(b) *Benefit Groups G, J and T.* The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed eighty (80%) percent of the member's final average compensation.

(c) *Benefit Groups C and E.* The normal retirement benefit amount will be the member's final average compensation multiplied by the sum of three (3.0) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed eighty (80%) percent of the member's final average compensation.

(d) *Benefit Group D.*

(1) Until the retiree attains age sixty-seven (67), the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and sixty-five-hundredths (2.65) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy (70%) percent of the member's final average compensation.

(2) At age 67, the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and three hundred seventy-five thousandths (2.375) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy (70%) percent of the member's final average compensation.

(f) *Benefit Group F.*

(1) For employees hired prior to July 1, 2008, the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75%) percent of the member's final average compensation.

(2) For employees hired on or after July 1, 2008, the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and one quarter (2.25) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed sixty (60%) percent of the member's final average compensation.

(g) *Benefit Group P.*

(1) For employees hired prior to January 1, 2008, the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and eight-tenths (2.8) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed seventy-five (75%) percent of the member's final average compensation.

(2) For employees hired on or after January 1, 2008, the normal retirement benefit amount will be the member's final average compensation multiplied by the sum of two and one quarter (2.25) percent times years and fraction of a year of credited service not in excess of twenty-five (25) years, and one (1) percent times years and fraction of a year of credited service in excess of twenty-five (25) years, with the total benefit not to exceed sixty (60%) percent of the member's final average compensation.

If the member or vested former member has credited service with more than one (1) benefit group, the pension amount shall be computed in accordance with the provisions of [section 2-312](#).

Secs. 2-331—2-339. - Reserved.

Sec. 2-340. - Early retirement—Age and service requirements.

The age and service requirements for early retirement are:

(a) *Benefit Groups A, D, E, G, J and T.* The member has attained age fifty-seven (57) years and has eight (8) or more years of credited service.

(b) *Benefit Group C*. The member has attained age fifty (50) years and has fifteen (15) or more years of credited service, served while employed by the city as a sworn police officer, or the member is less than the age of fifty (50) years and has attained 25 or more years of service credit as a sworn police officer,

(c) *Benefit Group F*. The member has attained age fifty (50) years and has twenty (20) or more years of credited service earned while employed by the city as a firefighter.

(d) *Benefit Group P*. The member has attained age fifty (50) years and has twenty (20) or more years of credited service, served while employed by the city as sworn police officer.

Secs. 2-341—2-349. - Reserved.

Sec. 2-350. - Early retirement—Amount of pension.

The benefit amount under form of payment SL (straight life) is determined as follows:

(a) A normal retirement pension under sections [2-330](#), is computed based upon the member's credited service and final average compensation on the member's early retirement date.

(b) The amount computed in subsection (a) above, is reduced based on the reduction factors shown in the following table and the number of months between the date as of which the member would attain the age shown in the table below and the member's pension commencement date:

<u>Benefit Group</u>	<u>Reduction Factor</u>	<u>Age Benefit is Reduced From</u>
A, E, G, J	2/10 of 1% per month	From age 60
D, T	½ of 1% per month	From age 60
C (age 50 with 15 years of service)	2/10 of 1% per month	From age 55
C (less than age 50 with 25 years of service)	6/10 of 1% per month	From age 50
F	2/10 of 1% per month	From age 55
P	2.08/10 of 1% per month	From age 55

Sec. 2-351 – Defined Contribution Pension Plan Withdrawals.

Former employees are eligible to take withdrawals from their 401(a) Defined Contribution Pension Plan when they leave employment of the City for any reason.

Secs. 2-352—2-359. - Reserved.

Sec. 2-360. - Reemployment by city—Effect on pension payments.

If a retired member becomes employed by the city in a position that would entail membership in the defined benefit retirement system were the individual not a retired member, the following rules shall apply:

(a) The retired member's pension payments will be suspended effective as of the first of the month following the retired member's rehire date, unless reemployment by the city has ended by that date.

(b) The retired member's pension payments will be reinstated as of the first of the month following termination of the retired member's reemployment.

(c) The amount of the reinstated pension shall be the amount the retired member would have received had the retired member not become reemployed by the city. Pension payments shall not be suspended provided:

(1) The retired member is employed on or after July 1, 2006, and is a member of Benefit Group A, E or G; or

(2) The retired member is employed on or after January 1, 2007, and is member of Benefit Group D; or

(3) The retired member is employed on or after January 1, 2008, and is a member of Benefit Group T; or

(4) The retired member meets all of the following requirements:

(i) The retired member is reemployed by the city in a part-time or temporary position;

(ii) The retired member will not be employed for more than one thousand (1,000) hours during any period of twelve (12) consecutive calendar months;

(iii) The retired member will not be eligible for city-sponsored fringe benefits; and

(iv) The retired member's reemployment shall not qualify the member for membership in the defined benefit retirement system.

(d) Former employees who were 100% vested in the City's 401(a) Defined Contribution Pension Plan when their employment terminated with the City, may be re-employed by the City at the discretion of the City and may be eligible for participation in the City's 401(a) Defined Contribution Pension Plan.

Secs. 2-361—2-369. - Reserved.

Sec. 2-370. - Form of payment of a pension.

A member or vested former member may elect to have pension payments made under any one (1), and only one (1), of the following forms of payment, except that form of payment D:

(1) Is available to All Benefit Groups, except for Benefit Group J; and

(2) May be elected in conjunction with any other form of payment.

The election and naming of a survivor beneficiary must be made on a form furnished by and filed with the retirement system prior to the date the first pension payment is made. An election of form of payment may not be changed on or after the date the first pension payment is made. A named survivor beneficiary may not be changed on or after the date the first pension payment is made, except that a named survivor beneficiary may be changed, or may be more than one (1) person, only if form of payment SL is elected. A named survivor beneficiary must have an insurable interest in the life of the member or vested former member when named. Payment shall be made under form of payment SL if there is not a timely election of another form of payment.

The amount of pension under forms of payment A, B, C and D shall have the same actuarial present value, computed as of the effective date of the pension, as the amount of pension under form of payment SL.

Form of payment SL—Straight life pension. The retired member is paid a pension for life under form of payment SL. All payments stop upon the death of the retired member.

Form of payment A—Life payments with full continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment A. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death in the same amount the retired member was receiving. Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment B—Life payments with three-quarters continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment B. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death of three-quarters the amount the retired member was receiving. Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment C—Life payments with one-half continuation to survivor beneficiary. The retired member is paid a reduced pension for life under form of payment C. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death of one-half the amount the retired member was receiving. Should the named survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a straight life pension (form of payment SL).

Form of payment D—Life payments with annuity withdrawal. The retired member is paid at retirement the retired member's accumulated member contributions, as defined by City Policy or Collective Bargaining Agreement; and a reduced pension for life thereafter under form of payment D. Contributions made pursuant to [section 2-300\(b\)](#), as well as any other contributions deposited to purchase credited service, shall not be refunded. The pension shall be reduced by the amount for which the actuarial present value shall be equal to the amount of accumulated member contributions withdrawn. The actuarial present value of the pension reduction shall be computed using (i) the interest rate prescribed by the Pension Benefit Guaranty Corporation as the immediate annuity rate for lump sum valuations for the month that includes the member's retirement effective date, or other rate adopted for this purpose by the retirement board; and, (ii) the mortality tables and blending percentages adopted by the retirement board for this purpose.

If form of payment D is elected in conjunction with form of payment SL, the reduced form of payment D pension will stop upon the death of the retired member. If form of payment D is elected in conjunction with form of payment A or form of payment B or form of payment C, the reduced form of payment D pension will be further reduced for the election of form of payment A, B or C. Upon the death of the retired member during the lifetime of the named survivor beneficiary, the named survivor beneficiary is paid a pension until death equal to the applicable fraction of the amount the retired member was receiving. Should the survivor beneficiary die before the retired member, the retired member's pension shall be recomputed (pop-up) to a reduced form of payment D straight life pension.

A form of payment D election shall be made on a form furnished by and filed with retirement system. The elected refund shall be paid by the later of (i) thirty (30) days after the date of retirement and (ii) sixty (60) days after the filing with the retirement system of a valid election for such refund. Payments shall be made in accordance with and subject to Internal Revenue Code rules and regulations.

Secs. 2-371—2-379. - Reserved.

Sec. 2-380. - Disability retirement—Conditions.

The retirement board may approve disability retirement for a member who becomes incapacitated for continued employment by the city if each of the following conditions are met:

- (a) Application for disability retirement is filed with the retirement system by either the member or the member's department head, while the member is in the employment of the city;
- (b) The member has not met the age and service requirements for normal retirement;
- (c) The member undergoes all medical examinations and tests ordered by the retirement system made by or under the direction of a physician (or physicians) designated by the retirement board, and releases to the retirement system all requested medical reports and records;
- (d) The physician (or physicians) selected by the retirement board by majority opinion in writing, shall certify that (i) the member is mentally or physically incapacitated for any continued employment by the city, and (ii) the member should be retired;
- (e) The retirement board concurs with the certification of the physician(s);
- (f) The member is incapacitated for employment by the city due to personal injury or disease which the retirement board finds to be a natural and proximate result of the actual performance of the member's duty in the employ of the city;
- (g) The member is in receipt of worker's compensation on account of the disability arising out of and in the course of the member's city employment.

The effective date of a disability retirement shall not predate the later of (i) the date of disability, (ii) the date the member ceases to be paid by the city, and (iii) six (6) months before the application for disability retirement is filed with the retirement board.

Secs. 2-381—2-389. - Reserved.

Sec. 2-390. - Disability retirement—Pension amount; form of payment.

The amount of a disability pension shall be a percentage of the member's monthly rate of compensation at disablement. The percentage for all benefit groups except C, F and P shall be forty (40) percent. Ten (10) percent shall be added to such forty (40) percent for each of the member's unmarried children under the age of eighteen (18) years, subject to a maximum additional percentage of twenty-five (25) percent. The percentage shall be adjusted if a covered child is adopted, marries, dies or attains age eighteen (18). The percentage for Benefit Groups C, F and P shall be sixty-six and sixty-seven hundredths (66.67) percent.

The disability retired member shall have the right to elect a form of payment provided in [section 2-370](#).

Secs. 2-391—2-394. - Reserved.

Sec. 2-395. - Disability retirement—Recomputation of pension amount (Benefit Groups C, F and P only).

Upon attainment of the age requirement for normal retirement for the member's benefit group, the disability retired member will begin to receive a normal retirement pension based upon the member's final average compensation at the time of disability retirement, the member's credited service at the time of disability retirement increased by the period while on disability retirement and the pension provisions in effect at the effective date of disability retirement.

For purposes of the recomputation, the member's final average compensation shall be the greater of (a) and (b):

(a) A final average compensation based upon the member's compensations until the date of disability retirement.

(b) A final average compensation based upon the salary levels established by the city for an employee of rank equal to the rank of the member at time of disability retirement.

Secs. 2-396—2-399. - Reserved.

Sec. 2-400. - Disability retirement—Limitations on pension amount.

(a) If a disability retired member, who has not attained the normal retirement age, is or becomes engaged in a gainful occupation, business or employment, and the sum of the earnings from such occupation, business, or employment plus the disability pension exceeds the individual's annual rate of compensation at the time of the individual's disability retirement, the disability pension shall be reduced to an amount which when added to the amount so earned by the retired member shall equal, but not exceed, the individual's annual rate of compensation.

(b) The amount of a disability pension shall be reduced by the amount of benefits paid on account of the disability of the member as considered income. A disability retired member's considered income is the annualized sum of the following amounts:

(1) Worker's compensation weekly benefits, redemptions, and settlements, on account of the same disability for which the member retired. If there is a redemption or settlement of the worker's compensation benefit, weekly benefits at the established amount shall be considered to continue until the weekly benefits paid after the effective date of the settlement equal the amount of the redemption or settlement. Thereafter, the member will be considered to have no income from worker's compensation benefits. Worker's compensation benefits for bona fide medical expenses, as determined by the retirement board, shall not be considered income.

(2) Payments from any program of salary continuance, sickness and accident insurance, disability benefits, or program of similar purpose, financed in whole or in part by the

city. Disability benefits paid the retired member under the federal Social Security program shall be disregarded.

(3) Unemployment insurance or similar payments by reason of the member's city employment.

(c) The retirement system shall annually request substantiated income information from retired members subject to this section. Failure to provide the requested information within ninety (90) days of the request shall cause suspension of payment of the pension until the information is received.

(d) The provisions of this section shall apply during the period, if any, between the effective date of a disability pension and the date the disability retired member attains normal retirement age. Application of the limitation shall be to the amount of pension under form of payment SL. The effect of an election of any other form of payment shall be taken into account after application of the provisions of this section.

Secs. 2-401—2-404. - Reserved.

Sec. 2-405. - Disability retirement—Continuation subject to re-examination; suspension/termination of pension.

(a) The retirement system may require a disability retired member to undergo periodic medical or other re-evaluation by or under the direction of a physician or physicians designated by the board if the individual has not attained the normal retirement age for the member's benefit group. If the disability retired member refuses to submit to re-evaluation, payment of the pension may be suspended by the retirement board. If the refusal continues for one (1) year, the retirement board may revoke the disability retired member's rights to the disability pension. A disability pension shall be terminated if the physician or physicians selected by the retirement board reports that the disability retired member is no longer mentally or physically incapacitated for continued employment by the city and the retirement board concurs with the report.

(b) The membership status of a terminated disability retired member who is returned to city employment shall be governed by the provisions of sections 2-280 and 2-281. Actual credited service at time of disability retirement shall be restored upon again acquiring membership. Credited service shall not be granted for the period of disability retirement.

(c) A terminated disability retired member who does not re-acquire membership and restoration of credited service shall have actual credited service at time of disability retirement restored if such restoration enables the individual to become a vested former member.

Secs. 2-406—2-409. - Reserved.

Sec. 2-410. - Survivor pension—Conditions for automatic pension to spouse.

A pension shall be paid for life to the surviving spouse of a deceased member if each of the following conditions are met:

- (a) The member has attained age fifty-seven (57) years and has eight (8) or more years of credited service, or the member has ten (10) or more years of credited service regardless of age;
- (b) The member was married to the surviving spouse at time of death;
- (c) The member died while actively employed by the city;
- (d) No eligible domestic relations orders are in effect which would be inconsistent with the award of this benefit to the surviving spouse.

Sec. 2-411. - Survivor pension—Amount of automatic pension to spouse.

The amount of an automatic pension payable to the surviving spouse shall be computed as if the deceased member had retired the day preceding death under the normal retirement provisions (sections [2-330](#) and [2-331](#)), elected form of payment A and nominated the said spouse as beneficiary (section [2-370](#)). Upon the death of the spouse, the pension shall terminate.

Secs. 2-412—2-414. - Reserved.

Sec. 2-415. - Duty-related survivor benefits—Conditions and amount.

A pension shall be paid for life to the surviving spouse of a deceased member if each of the following conditions are met:

- (a) Application for duty-related survivor benefits is filed with the retirement system by the surviving spouse of the deceased member in the form prescribed by the retirement board;
- (b) The death of the member is due to personal injury or disease which the retirement board finds to be a natural and proximate result of the actual performance of the member's duty in the employ of the city;
- (c) The member was married to the surviving spouse at the time of death;
- (d) The member died while actively employed by the city;
- (e) No eligible domestic relations orders are in effect which would be inconsistent with the award of this benefit to the surviving spouse;
- (f) No survivor pension under sections [2-410](#) and [2-411](#) has been or will be granted.

The pension paid as a duty-related survivor benefit shall be calculated as a disability pension as described in [section 2-390](#). The duty-related survivor benefit shall be paid as a straight life pension during the lifetime of the surviving spouse and shall terminate upon the death of the surviving spouse.

Sec. 2-420. - Guaranteed minimum aggregate payout.

If all pension payments permanently terminate before the total payments from the system on behalf of the former member equal the retired member's, deceased member's, or deceased vested former member's accumulated member contributions at time of retirement or death if earlier, the difference between the amount of accumulated member contributions at time of retirement or death if earlier and the aggregate amount of pension payments made shall be paid to such individual or individuals as the former member may have named on a form provided by and filed with the retirement system. The individual or individuals named are not required to have an insurable interest in the former member. If no such named individual survives, the difference shall be paid to the legal representative of the last to survive of the former member and named individuals.

Secs. 2-421—2-429. - Reserved.

Sec. 2-430. - Pensions—Payment.

All payments from the retirement system shall be made according to provisions of law, this division, and city procedures and shall be made by the director of finance/treasurer in accordance with [section 2-560\(c\)](#) or, in the finance director's absence, by the deputy city treasurer.

Secs. 2-431—2-439. - Reserved.

Sec. 2-440. - Pensions—Commencement, duration, and change.

(a) A normal or early pension shall commence on the first day of the calendar month coincident with or next following the effective date of the member's or vested former member's retirement. A pre-retirement survivor pension shall commence on the first day of the calendar month coincident with or next following the death of the member. A post-retirement survivor pension shall commence on the first day of the calendar month coincident with or next following the termination of the retired member's pension. A disability pension shall commence on the first day of the calendar month coincident with or next following the date the member qualifies for disability retirement and after which all city financed wage continuation payments cease.

(b) Pensions are paid in twelve (12) equal installments on the first day of each month.

(c) Termination of payment of a pension shall occur at the end of the calendar month in which occurred the event causing termination. Payment shall be made for the full month of termination.

(d) A change in the amount of a pension shall occur on the first day of the calendar month coincident with or next following the date of the event causing the change.

Secs. 2-441—2-449. - Reserved.

Sec. 2-450. - Medical benefits.

Members are provided retiree medical benefits in accordance with the provisions of [chapter 2](#), article v, division 3 of the city's ordinances, the applicable health plan documents or applicable collective bargaining agreements. Retiree medical benefits are not administered by the retirement board.

Secs. 2-451—2-459. - Reserved.

Sec. 2-460. - Member contributions—Amounts; procedures.

(a) Member contributions to the retirement system shall be deducted from each member's paychecks and shall be the following percentage of the member's annual compensation as defined in [section 2-270](#)(d):

- (1) Benefit Group A—4.5% for pensions
- (2) Benefit Group C—4.5% for pensions
- (3) Benefit Group D—4.5% for pensions
- (4) Benefit Group E—4.5% for pensions
- (5) Benefit Group F—4.5% for pensions
- (6) Benefit Group G—4.5% for pensions
- (7) Benefit Group J—4.5% for pensions
- (8) Benefit Group P—4.5% for pensions
- (9) Benefit Group T—4.5% for pensions

(b) Continuation of employment by the member shall constitute consent and agreement to the deduction of the applicable member contributions. Payment of compensation less the deduction shall be full and complete discharge of all claims and demands for compensation for personal service rendered the city.

(c) The person responsible for preparing the city payroll shall cause the member contributions to be deducted from the compensation of each member on each and every

payroll. The deducted contributions shall be paid to the retirement system within five (5) working days and shall be credited to the members' individual accounts in the reserve for member contributions.

Secs. 2-461—2-464. - Reserved.

Sec. 2-465. - Member contributions—Refunds.

(a) A member's accumulated member contributions shall be refunded to the member if all of the following conditions are met:

- (1) Membership in the retirement system has been terminated for at least ten (10) days; or, the member has been laid off for at least thirty (30) days.
- (2) The member has not met any applicable age and service conditions for normal retirement (section [2-321](#)), or for early retirement (section [2-340](#)).
- (3) A disability pension (sections [2-380](#) through [2-390](#)) is not payable or being paid to the member;
- (4) A survivor pension (sections [2-410](#) through [2-411](#)) is not payable or being paid on the member's behalf.
- (5) The member makes application for the refund on a form provided by and filed with the retirement board.

(b) If an individual dies and no pension becomes or will become payable on account of the death, the individual's accumulated member contributions shall be refunded in accordance with the deceased individual's instructions made on a form provided by and filed with the retirement board. The refund is not limited to an individual or individuals with an insurable interest in the deceased member. If there be no such instructions or if the individuals who are to be paid the refund no longer live, the accumulated member contributions shall be refunded to the legal representative of the deceased member.

(c) Refunds of accumulated contributions, as provided for in this division, may be made in equal installments according to such rules and regulations as the retirement board shall from time to time adopt.

Secs. 2-466—2-469. - Reserved.

Sec. 2-470. - Denial of claim for benefits; appeal to retirement board.

A benefit claimant shall be notified in writing within thirty (30) days of a denial of a claim for such benefits. The notification shall contain the basis for denial. The benefit claimant may appeal the denial and request a hearing before the retirement board. The appeal shall be in writing and filed with the retirement system within ninety (90) days of the date of the

notification of denial. The request for appeal shall contain a statement of the claimant's reasons for believing the denial to be improper. The retirement board shall schedule a hearing of the appeal within sixty (60) days of receipt of the request for appeal.

Secs. 2-471—2-479. - Reserved.

Sec. 2-480. - Retirement board—Authority and responsibility.

The administration, management and responsibility for the proper operation of the retirement system, and for interpreting and making effective the provisions of the retirement ordinance are vested in the retirement board.

Secs. 2-481—2-489. - Reserved.

Sec. 2-490. - Retirement board—Composition.

The retirement board, as a quasi-judicial body, shall consist of the following seven (7) individuals:

- (a) The Finance Director, by virtue of the position.
- (b) Two (2) members from benefit groups other than C, F and P to be elected by the members of the retirement system.
- (c) Two (2) members from Benefit Group C, Benefit Group F or Benefit Group P to be elected by the members of the retirement system.
- (d) Two (2) citizens appointed by the mayor who are electors and taxpayers of the city, who are not members, retired members or beneficiaries of the retirement system.

The retirement board shall establish rules and regulations for elections required by paragraphs (b) and (c).

Secs. 2-491—2-499. - Reserved.

Sec. 2-500. - Retirement board—Term of office; oath of office; vacancies.

- (a) The term of office of the elected retirement board members shall be three (3) years, expiring on December 31. The terms of members from the same benefit group shall not expire at the same time.
- (b) Each retirement board member shall, within ten (10) days of taking office, take an oath of office administered by the city clerk.
- (c) A vacancy shall occur on the retirement board if an elected board member ceases to be a member. A vacancy shall occur on the retirement board if a board member (i) fails to

attend three (3) consecutive meetings unless excused for cause by the board members attending the meetings, or (ii) ceases to be an elector of the city. A vacancy shall occur on the retirement board if any board member resigns or is removed from office.

A vacancy shall be filled within thirty (30) days, for the unexpired term, in the same manner as the position was previously filled.

Secs. 2-501—2-509. - Reserved.

Sec. 2-510. - Retirement board—Meetings; quorum; voting; record of proceedings.

The retirement board shall hold meetings regularly, at least one (1) in each calendar quarter, and shall designate the time and place of each meeting. All meetings of the retirement board shall be public. Notice of the meetings will be posted at City Hall prior to the meeting date. Four (4) board members shall constitute a quorum at any meeting of the retirement board. Each board member shall be entitled to one (1) vote on each question before the retirement board. At least four (4) concurring votes shall be required for a valid action by the retirement board. The retirement board may adopt its own rules of procedures and shall keep a written record of its proceedings.

Secs. 2-511—2-519. - Reserved.

Sec. 2-520. - Retirement board—Officers; services.

(a) The retirement board shall annually elect from its membership a chairperson and a vice chairperson. The chairperson shall preside over the meetings of the retirement board. If the chairperson is unable to preside over a meeting, the vice chairperson shall preside over that meeting.

(b) The Finance Director shall be the secretary of the retirement system, the administrative officer and the treasurer of the retirement system. The Finance Director shall be custodian of the assets of the retirement system except as to such assets as the retirement board may from time to time place in the custody of a nationally chartered bank or trust company.

(c) An attorney, which may be the city attorney, selected by the board of trustees shall be the legal advisor to the board and shall serve at the pleasure of the board. The legal advisor must be licensed to practice law in the State of Michigan.

(d) The retirement board shall appoint an actuary who shall advise the board on the actuarial operation of the retirement system. Actuary shall mean a member of the American Academy of Actuaries or an individual who has demonstrated the educational background necessary to effectively render actuarial advice to the retirement system and who has at least five (5) years of relevant pension actuarial experience. A partnership or corporation may be designated as actuary if the duties of actuary are performed by or under the direct supervision of an individual who meets the preceding requirements.

(e) The retirement board shall designate an independent certified public accountant or public accounting firm to perform an annual financial audit of the system's assets and financial records.

(f) The retirement board is authorized and empowered to employ such professional and other services as it requires for the proper discharge of its responsibilities. The retirement board may utilize the services of city employees if made available.

(g) All fees and administrative expenses necessary for the proper operation of the retirement system shall be paid by the retirement system.

Secs. 2-521—2-529. - Reserved.

Sec. 2-530. - Retirement board—Records; reports.

(a) The retirement board shall keep or cause to be kept such records as are required to properly manage and report the operations of the retirement system. The retirement board shall keep such additional records as are recommended by the actuary as necessary for the operation of the retirement system on an actuarial basis.

(b) The retirement board shall prepare an annual report for each calendar year. The annual report shall comply with State Law and contain information about the financial, actuarial and other activities of the retirement system during the year. copy of the annual report shall be posted on the City's Internet Website and furnished to the city council within one hundred (100) days of receipt of the actuarial valuation for the calendar year.

Secs. 2-531—2-539. - Reserved.

Sec. 2-540. - Retirement board—Experience tables and regular interest.

The retirement board shall from time to time adopt such mortality and other tables of experience, and a rate or rates of regular interest as are necessary in the operation of the retirement system on an actuarial basis. The retirement board shall adopt the amortization period or periods over which the unfunded accrued liability or over funding will be amortized.

Secs. 2-541—2-549. - Reserved.

Sec. 2-550. - Retirement board—Investment authority and restrictions.

The retirement board is the trustee of the assets of the retirement system. The retirement board has the authority and power to invest and re-invest, sell, transfer, assign and dispose of the assets of the retirement system subject to all terms, conditions, limitations and restrictions imposed by the State of Michigan on the investments of public employee retirement systems. The retirement board may employ investment counsel to advise the board in the making and disposition of investments. The retirement board may delegate to

such investment counsel the authority to directly invest and reinvest assets of the pension system as long as proper control reports and review procedures are in effect.

In exercising its discretionary authority with respect to the management of the monies and assets of the retirement system, the retirement board shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing, that an individual of prudence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and similar objectives.

Secs. 2-551—2-559. - Reserved.

Sec. 2-560. - Retirement board—Use of assets; prohibited actions.

(a) All assets of the retirement system shall be held and invested for the sole purpose of meeting the legitimate obligations of the retirement system and shall be used for no other purpose.

(b) Members of the retirement board and its employees are prohibited from:

(1) Having a beneficial interest, direct or indirect, in an investment of the retirement system.

(2) Borrowing money or assets of the retirement system.

(3) Receiving any pay or payment from any individual or organization providing services to the retirement system, other than compensation for personal services or reimbursement of authorized expenses paid by the retirement system.

(c) The Finance Director/Treasurer of the retirement system shall disburse or cause to be disbursed monies for all pension benefit payments, refunds of member contributions, asset acquisitions, and any other disbursements necessary for the operation of the retirement system. Such payments may be delegated to a financial institution's trust department approved by the retirement board. Continuing monthly pension benefit disbursement resolutions will be approved by the retirement board at the first regular meeting following a member's retirement. Refunds of members' contributions will be reported and approved by the retirement board at regular quarterly meetings. Payment methods, procedures and reports may be amended or established as needed by the retirement board as part of its rules and procedures approved under [section 2-510](#)

Secs. 2-561—2-564. - Reserved.

Sec. 2-565. - Retirement board—Compensation.

Retirement board members shall not be paid for their service on the retirement board. All board members may be reimbursed for the actual and necessary expenses incurred in performing their duties as retirement board members.

Secs. 2-566—2-569. - Reserved.

Sec. 2-570. - Financial objective of the retirement system; city contributions.

(a) The financial objective of this division is to provide for city contributions to the retirement system each fiscal year:

(1) Which together with the contributions made by members during the fiscal year shall be sufficient to fully fund the cost of benefits likely to be paid on account of service rendered by members during the year and finance unfunded costs of benefits likely to be paid on account of service rendered by members prior to the current year over a period of not more than thirty (30) years; and

(2) Which expressed as percents of the aggregate annual compensation of members will remain approximately level from generation to generation of city taxpayers.

(b) City contribution amounts required to meet the financial objective shall be determined by annual actuarial valuations made in accordance with generally accepted actuarial principles and in conformance with any applicable laws. The retirement board shall certify to the city council and the city manager the amount of annual contribution needed to meet the financial objective and the city council shall appropriate and cause the contribution to be paid to the retirement system.

Secs. 2-571—2-579. - Reserved.

Sec. 2-580. - Reserve for accumulated member contributions.

(a) The reserve for accumulated member contributions is the account in which is accumulated the contributions deducted from the compensation of members or otherwise paid to the retirement system by a member or on a member's behalf and which shall be charged with refunds and transfers of accumulated member contributions. This reserve shall include as sub-accounts, an account for pension contributions and an account for retiree health contributions.

(b) A member's accumulated contributions shall be transferred from the reserve for accumulated member contributions to the reserve for benefit payments if a pension becomes payable on account of the member's retirement or death.

(c) At the expiration of a period of five (5) years from the date of a member ceases to be a member and does not become a vested former member, the individual's accumulated member contributions unclaimed by the individual or the individual's legal representative shall be transferred to the reserve for undistributed investment income.

Secs. 2-581—2-589. - Reserved.

Sec. 2-590. - Reserve for benefit payments.

(a) The reserve for benefit payments is the account which is charged with all pension payments, all retiree health payments and refunds of accumulated member contributions which have been transferred to this account. This reserve shall include as sub-accounts, an account for pension payments and an account for retiree health payments. If a disability pension is terminated and the individual again becomes a member or becomes a vested former member, the pension reserve at the date of termination of disability shall be transferred from the reserve for benefit payments to the reserve for member contributions and the reserve for employer contributions in the proportion transfers were made from such accounts because of the retirement.

(b) Each year following receipt of the report of the annual actuarial valuation, the balance in the reserve for benefit payments shall be set equal to the actuarial present value of benefits being paid retired members and beneficiaries by a transfer to or from the reserve for employer contributions. The pending transfer shall be taken into account by the actuary when making the actuarial valuation.

Secs. 2-591—2-599. - Reserved.

Sec. 2-600. - Reserve for employer contributions.

The reserve for employer contributions is the account to which is credited city contributions and from which shall be made transfers to the reserve for benefit payments. This reserve shall include as sub-accounts, an account for pension contributions and an account for retiree health contributions. If a pension becomes payable on account of a member's retirement or death, the difference between (i) the present value of the expected payments on behalf of the member and (ii) the amount transferred from the reserve for accumulated member contributions on behalf of the member shall be transferred from the reserve for employer contributions to the reserve for benefit payments. This transfer may be made on an individual basis, or in the aggregate after the report of the annual actuarial valuation.

Secs. 2-601—2-609. - Reserved.

Sec. 2-610. - Reserve for undistributed investment income.

(a) The reserve for undistributed investment income is the account to which is credited all interest, dividends, and other income from retirement system assets; all gifts and bequests; all unclaimed accumulated member contributions and, all other monies received by the retirement system the disposition of which is not specifically provided. There shall be transferred from the reserve account all amounts required to credit interest to the other reserve accounts.

(b) Whenever the retirement board determines that the balance in the account is more than sufficient to cover current charges, the excess or any part thereof may be used to fund

contingency reserves, meet special requirements of the other reserve accounts, or be transferred to the reserve for employer contributions. Whenever the balance in the account is insufficient to cover current charges, the amount of the insufficiency shall be transferred to the account from the reserve for employer contributions.

Secs. 2-611—2-619. - Reserved.

Sec. 2-620. - Other reserves.

The retirement board may create such other reserves as it deems necessary for the proper operation of the retirement system.

Secs. 2-621—2-629. - Reserved.

Sec. 2-630. - Assets not segregated.

The descriptions of the reserve accounts shall be interpreted to refer to the accounting records of the retirement system and not to the physical separation or investment of assets by reserve account.

Secs. 2-631—2-634. - Reserved.

Sec. 2-635. - Interest credited to reserve accounts.

(a) The retirement board shall at the end of each fiscal year credit interest on the individual beginning of year balances in the reserve for accumulated member contributions, and on the mean balances in the reserve for pension payments and the reserve for employer contributions. The amounts of interest so credited shall be charged to the reserve for undistributed investment income.

(b) The retirement board shall determine the rate or rates of interest to be used for crediting of interest.

Secs. 2-636—2-639. - Reserved.

Sec. 2-640. - Assignments prohibited.

(a) The right of an individual to a pension, to a refund of accumulated member contributions, the pension itself, or any other right accrued or accruing to any individual, and the monies and assets of the retirement system, shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or other process of law, except as specifically required by State of Michigan or federal law or as provided in this division and shall be unassignable except as provided in this division or as required by State of Michigan or federal law.

(b) If an individual is covered under a medical care plan participated in by the retirement system or the city, and makes a permitted election to continue such coverage as a retired member or as a beneficiary, the individual may authorize the retirement board to deduct from the individual's pension, payments required to continue coverage under such medical care plan.

Secs. 2-641—2-649. - Reserved.

Sec. 2-650. - Subrogation; right of setoff.

(a) If an individual becomes entitled to a pension or other benefit payable by the retirement system as a result of an accident or injury caused by the act or the failure to act of a third party, the city shall be subrogated to the rights of the individual against the third party to the extent of city-financed benefits which the retirement system pays or becomes liable to pay.

(b) The retirement system shall have the right of setoff to recover overpayments made by the retirement system and to satisfy any claim arising from embezzlement or fraud committed by a member, retired member, vested former member, beneficiary, or other individual having a claim to benefits.

Secs. 2-651—2-659. - Reserved.

Sec. 2-660. - Correction of errors.

The retirement system shall correct errors in the records of the retirement system. The retirement board shall seek to recover overpayments and shall make up underpayments. Recovery of overpayments may be accomplished by reducing the amount of future payments so that the actuarial present value of payments to the recipient is equal to the actuarial present value of the payments to which the recipient was correctly entitled.

Secs. 2-661—2-669. - Reserved.

Sec. 2-670. - Internal Revenue Service qualification.

(a) The city intends the retirement system to be a qualified pension plan under section 401 of the Internal Revenue Code, as amended, or successor provisions of law, and that the trust be an exempt organization under section 501 of the Internal Revenue Code. The retirement board shall recommend for adoption by the city council such additional provisions to the retirement system as are necessary to fulfill this intent.

(b) *Prohibition against reversion.* The retirement system and trust have been created for the exclusive benefit of the members and beneficiaries as set forth herein. The funds thereof have been established for the benefit of the members and for the operation of the retirement system. No part of the principal and income of any of the funds of the system and trust

shall revert to or be returned to the city prior to the satisfaction of all liabilities hereunder to all members, beneficiaries and anyone claiming by or through them.

(c) *Actuarial valuation assumptions.* Actuarial valuation assumptions may be changed by the retirement board after consulting with the actuary. Actuarial equivalence will be determined on the basis of the interest rate and mortality tables adopted by the board. Actuarial assumptions that will be used to determine the amount or level of any optional benefit forms will be the actuarial equivalent of the normal retirement benefit. Optional benefits provided under the plan shall be actuarial adjusted in relation to the straight life annuity. For purposes of determining the IRC § 415 limitations, the interest rate assumption will not be less than the greater of five (5) percent or the rate specified in the plan for determining actuarial equivalence for the particular form of retirement benefit. The actuarial early retirement reduction and reduction of the dollar limit if the member has less than ten (10) years of participation under IRC § 415 do not apply to income received as a pension or annuity as a result of a member's personal injury, sickness or death and shall be administered in accordance with IRC § 415(b)(2), as amended.

(d) *Termination.* In the event of termination of this plan, a member's interest under the plan as of such date is nonforfeitable to the extent funded in conformity with applicable sections of the Internal Revenue Code and regulations.

(e) *Merger, consolidation or transfer.* In conformity with section 414(1) of the Internal Revenue Code, in the case of any transfer of assets or liabilities of this plan to any other plan, each plan participant would (if the plan then terminated) receive a benefit immediately after the transfer that is equal to or greater than the benefit the participant would have been entitled to receive immediately before the transfer (if the plan had then terminated).

(f) *Limitations of benefits.* The retirement system shall not pay any benefits in excess of the limitations for governmental plans of section 415(b) of the Internal Revenue Code, as amended. The amount of annual benefits and contributions credited a member in any given year shall be subject to the following limitations:

(1) Defined benefit plans.

(i) The maximum permissible annual pension benefit with respect to any member shall be in accordance with IRC § 415(b) which provides that such annual pension benefit shall not exceed ninety thousand dollars (\$90,000.00), as adjusted for inflation pursuant to IRC § 415(b) (the "dollar limit").

(ii) *Special dollar limitations.* If the benefit is payable prior to age sixty-two (62), the dollar limitation shall be reduced to the actuarial equivalent of a benefit commencing at age sixty-two (62). If the benefit is not payable until after age sixty-five (65), the dollar limitation shall be increased to the actuarial equivalent of a benefit commencing at age sixty-five (65).

(iii) In the case of a member who has less than ten (10) years of participation in the plan, the dollar limitation shall be reduced one-tenth (1/10) for each year of participation in accordance with IRC § 415(b)(5).

(2) Defined contribution plans.

(i) For limitation years beginning after December 31, 1986, annual addition means, for purposes of this section, the sum, credited to a member's account for any limitation year, of:

(a) Employer contributions;

(b) Member contributions; and

(c) Forfeitures.

(ii) Annual additions that may be contributed or allocated to a member's account for a limitation year will not exceed the lesser of:

(a) One hundred (100) percent of member's compensation, within the meaning of IRC § 415(c)(3), or

(b) Forty thousand dollars (\$40,000.00), as adjusted for increases in the cost of living pursuant to IRC § 415(d).

(iii) *Valuation of investments.* Investments of the plan shall be valued as of the last day of each plan year in accordance with the methods consistently followed and uniformly applied to determine fair market value and in accordance with the requirements of Revenue Ruling 80-155. Contributions to the plan, along with earnings thereon, shall be distributed in accordance with the terms of the plan.

(3) *Excess benefit payment.* The retirement system shall not pay any benefit that would exceed the benefit limitations for governmental plans as set forth in IRC § 415 and regulations, as amended.

(4) *Compensation.* For purposes of compliance with this section, compensation, as defined by IRC § 415(c)(3)(D) and Treas. Reg. § 1.415-2(D)(2)(i), means amounts actually paid to the member during the limitation year, including: wages, salary, professional fees, percentage of profits, commissions, tips and bonuses paid or made available to the member during the limitation year for personal services actually rendered in the course of employment, any elective deferral, and any amount which is contributed or deferred by the employer at the election of the member and which is not includible in the gross income of the member by reason of IRC §§ 125, 132(f), OR 457.

(g) *Distributions.* Distributions from the retirement system will comply with the requirements of Internal Revenue Code section 401(a)(9), and the regulations thereunder, including requirements regarding the beginning date for distributions and the period over which a member's interest in the retirement system will be distributed. Distributions from the plan shall comply with the requirements of IRC § 401(a)(9), and the regulations thereunder. A member's interest in the trust must begin to be distributed by the later of (i) April 1, of the calendar year following the calendar year that the member attains the age of seventy and one-half (70½), or (ii) April 1, of the calendar year the member retires. with respect to distributions under the plan made for calendar years beginning on or after January 1, 2001, the plan will apply the minimum distribution requirements of IRC § 401(a)(9), in accordance with the regulations under IRC § 401(a)(9), that were proposed in January 2001, notwithstanding any provision in the plan to the contrary. this amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under IRC § 401(a)(9), or such other date as may be specified in guidance published by the Internal Revenue Service.

(1) *Effective date.* The provisions of this section will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(2) *Precedence.* The requirements of this section will take precedence over any inconsistent provisions of the plan.

(3) *Requirements of treasury regulations incorporated.* All distributions required under this section shall be determined and made in accordance with the treasury regulations under section 401(a)(9) of the Internal Revenue Code.

(4) *TEFRA section 242(b)(2) elections.* Notwithstanding the other provisions of this section, other than paragraph (c), distributions may be made under a designation made on or before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the plan that relate to section 242(b)(2) of TEFRA.

Time and manner of distribution.

(5) *Required beginning date.* The member's entire interest will be distributed, or begin to be distributed, to the member no later than the member's required beginning date.

(6) *Death of member before distributions begin.* If the member dies before distributions begin, the member's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the member's surviving spouse is the member's sole designated beneficiary, then, except as provided in the plan, distributions to the surviving spouse will begin by December 31, of the calendar year immediately following the calendar

year in which the member died, or by December 31, of the calendar year in which the member would have attained age seventy and one-half (70½), if later.

(ii) If the member's surviving spouse is not the member's sole designated beneficiary, then, except as provided in the plan, distributions to the designated beneficiary will begin by December 31, of the calendar year immediately following the calendar year in which the member died.

(iii) If there is no designated beneficiary as of September 30, of the year following the year of the member's death, the member's entire interest will be distributed by December 31, of the calendar year containing the fifth anniversary of the member's death.

(iv) If the member's surviving spouse is the member's sole designated beneficiary and the surviving spouse dies after the member but before distributions to the surviving spouse begin, this paragraph (6) will apply, other than paragraph (6)(i), as if the surviving spouse were the member. For purposes of paragraph (6) and paragraphs (13), (14) and (15), distributions are considered to begin on the member's required beginning date (or, if paragraph (6)(iv) applies, the date distributions are required to begin to the surviving spouse under paragraph (6)(i)). If annuity payments irrevocably commence to the member before the member's required beginning date (or to the member's surviving spouse before the date distributions are required to begin to the surviving spouse under paragraph (6)(i)), the date distributions are considered to begin is the date distributions actually commence.

(7) *Form of distribution.* Unless the member's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with paragraphs (8) through (13) of this section. If the member's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the IRC and the Treasury regulations. Any part of the member's interest which is in the form of an individual account described in section 414(k) of the IRC will be distributed in a manner satisfying the requirements of section 401(a)(9) of the IRC and the Treasury regulations that apply to individual accounts.

Determination of amount to be distributed each year.

(8) *General annuity requirements.* If the member's interest is paid in the form of annuity distributions under the plan, payments under the annuity will satisfy the following requirements:

(i) The annuity distributions will be paid in periodic payments made at intervals not longer than one (1) year;

(ii) The distribution period will be over a life (or lives) or over a period certain not longer than the period described in paragraphs (13) through (15);

(iii) Once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted.

(9) *Amount required to be distributed by required beginning date.* The amount that must be distributed on or before the member's required beginning date or, if the member dies before distributions begin, the date distributions are required to begin under paragraphs (6)(i) or (ii) is the payment that is required for one (1) payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the member's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the member's required beginning date.

(10) *Additional accruals after first distribution calendar year.* Any additional benefits accruing to the member in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

*Requirements for minimum distributions where
member dies before date distributions begin.*

(11) *Member survived by designated beneficiary.* Except as provided in the adoption agreement, if the member dies before the date distribution of his or her interest begins and there is a designated beneficiary, the member's entire interest will be distributed, beginning no later than the time described in paragraphs (6)(i) or (ii), over the life of the designated beneficiary or over a period certain not exceeding:

(i) Unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the member's death; or

(ii) If the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(12) *No designated beneficiary.* If the member dies before the date distributions begin and there is no designated beneficiary as of September 30, of the year following the

year of the member's death, distribution of the member's entire interest will be completed by December 31, of the calendar year containing the fifth anniversary of the member's death

(13) *Death of surviving spouse before distributions to surviving spouse begin.* If the member dies before the date distribution of his or her interest begins, and the member's surviving spouse is the member's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this section will apply as if the surviving spouse were the member, except that the time by which distributions must begin will be determined without regard to paragraph (6)(i).

Definitions.

(14) *Designated beneficiary.* The individual who is designated as the beneficiary under the plan and is the designated beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(15) *Distribution calendar year.* A calendar year for which a minimum distribution is required. For distributions beginning before the member's death, the first distribution calendar year is the calendar year immediately preceding the calendar year, which contains the member's required beginning date. For distributions beginning after the member's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to paragraph (6).

(16) *Life expectancy.* Life expectancy as computed by use of the single life table in section 1.401(a)(9)-9 of the Treasury regulations.

(17) *Required beginning date.* The date specified in this section.

(h) *Application; payment of eligible rollover distributions to other retirement plan; definitions applicable to this subsection.* This subsection applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this subsection, a distributee may elect, at the time and in the manner prescribed by the retirement board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee as a direct rollover. The following definitions shall apply with regard to this subsection:

(1) *Eligible rollover distribution:* An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one (1) of series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more and any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code. A portion of a distribution shall

not fail to be an eligible rollover distribution because it consists of after-tax employee contributions which are not includible in gross income. Such portion may be paid only to an individual retirement account or annuity under section 408(a) or (b) of the Internal Revenue Code or to a qualified plan under section 401(a) or 403(b) of the Internal Revenue Code that agrees to account separately for amounts so transferred including the portion of the distribution which is includible in gross income and the portion of the distribution which is not includible in gross income.

(2) *Eligible retirement plan*: An eligible retirement plan is an individual retirement account described in section 408(a) of the Internal Revenue Code, an individual retirement annuity described in section 408(b) of the Internal Revenue Code, an annuity plan described in section 403(a) of the Internal Revenue Code, an annuity contract described in section 403(b) of the Internal Revenue Code, an eligible plan under section 457 of the Internal Revenue Code, which is maintained by a state or political subdivision of a state and which agrees to account separately for amounts transferred to it, or a qualified trust described in section 401(a) of the Internal Revenue Code, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse or to a spouse or former spouse who is the alternate payee under a domestic relations order.

(3) *Distributee*: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse is a distributee with regard to the interest of the surviving spouse.

(4) *Direct rollover*: A direct rollover is a payment by the retirement system to the eligible retirement plan specified by the distributee.

(i) *Rollovers from other plans*. The retirement system will accept an eligible rollover distribution for the purchase of intervening military service (section [2-300](#)), repayment of previously withdrawn contributions (section [2-292](#)), and/or permissive service credit which is authorized pursuant to the express provisions of the retirement system and amendments thereto. The retirement system will accept a direct rollover of an eligible rollover distribution from a qualified plan described in section 401(a) or 403(a) of the Internal Revenue Code, including after-tax employee contributions; an annuity contract described in section 403(b) of the Internal Revenue Code, excluding after tax employee contributions; an eligible plan under section 457(b) of the Internal Revenue Code, which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. The retirement system shall provide a separate accounting for all pre-tax and after-tax contributions received, and earnings thereon.

(j) *Plan year*. This plan year shall be the twelve (12) consecutive calendar months beginning each July 1.

(k) *Maximum compensation*. Compensation during a plan year in excess of the limitations set forth in section 401(a)(17) of the Internal Revenue Code shall be excluded from the determination of all benefits provided by the retirement system. For plan years beginning

on or after January 1, 1989 and before July 1, 1996, the annual compensation of each member taken into account for determining all benefits provided under the plan for any determination period shall not include any amounts in excess of the annual compensation limit (originally two hundred thousand dollars (\$200,000.00)) provided for in IRC § 401(a)(17) prior to the Omnibus Budget Reconciliation Act of 1993 ("OBRA '93") and adjusted for inflation in the manner provided by IRC § 401(a)(17). For plan years beginning on or after July 1, 1996, the annual compensation of each member taken into account shall not exceed the annual compensation limit provided for in IRC § 401(a)(17), as amended by the Omnibus Budget Reconciliation Act of 1993 ("OBRA '93"). This limit may be adjusted as required by federal law for qualified government plans and shall be further adjusted for inflation in the manner provided by IRC § 401(a)(17). Annual compensation means compensation during the plan year or such other consecutive twelve-month period over which compensation is otherwise determined under the plan. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

(l) *Military service.* The years and fractional parts of a year that an employee serves in the military service of the Armed Forces of the United States, the United States Merchant Marine or the United States Coast Guard, voluntarily or involuntarily, after separation from employment as an employee of the city to perform training or service, and reemployment on or after December 12, 1994, shall be added to the member's years of credited service for all purposes, provided that all of the following apply:

(1) The employee must return to employment by the city within the time period required by the Uniformed Services Employment and Reemployment Rights Act (P.L. 103-353), as amended.

(2) The employee deposits into the retirement system the amount of money that the member would have contributed had the individual remained an employee during the individual's absence. The deposits for the absent time must be made during the period beginning when the employee returns to city employment and ending at the earlier of the fifth anniversary of the employee's return to city employment and the elapse of a period from return to city employment equal to three (3) times the period of the individual's military service under this section.

(3) The credited service for military service under this section shall not exceed five (5) years.

(4) The employee was discharged, or released from service, under honorable conditions or other circumstances meeting the minimum conditions of the Uniformed Services Employment and Reemployment Rights Act (P.L. 103-353), as amended.

(5) Notwithstanding any provision of the plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with IRC § 414(u) and regulations.

(m) *Vesting*. A member shall be vested in his/her accrued benefit in accordance with IRC § 411(e) as in effect in 1974.

(n) *Death During Qualified Military Service*. In the case of a death occurring on or after January 1, 2007, if a Member dies while performing qualified military service (as defined in Internal Revenue Code § 414(u)), the survivors of the Member are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Member had resumed and then terminated employment on account of a non-duty related death. For these purposes, the Member shall be entitled to service credit under the Plan for the period of qualifying military service.

Secs. 2-671—2-679. - Reserved.

Sec. 2-680. - Fraud penalty.

Whoever with intent to deceive shall make any statement or report under this resolution which is untrue, or shall falsify or permit to be falsified any record or records of the retirement system, or who shall otherwise violate the provisions of this division as it may from time to time be amended, with intent to deceive, shall be guilty of a misdemeanor and upon conviction shall be fined not to exceed five hundred dollars (\$500.00) plus costs of prosecution, or shall be imprisoned for not to exceed ninety (90) days, or both, in the discretion of the court.

Sec. 2-681. - Mandatory bargaining subjects.

Notwithstanding any other provisions of this division, any matter relating to the retirement system provided by this division applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the Public Employment Relations Act, Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws. The provisions contained in the collective bargaining agreements shall supersede any conflicting provisions contained in this division.

Secs. 2-682—2-699. - Reserved.

DIVISION 3 – MEDICAL BENEFITS

Sec. 2-700. - Benefit groups—Composition.

The following benefit groups are designated for the purpose of determining benefit eligibility conditions, benefit amounts, and retired member contribution rates, as well as other non-uniform provisions.

(a) *Benefit Group A (AFSCME)*. All retired members who were covered by the AFSCME collective bargaining agreement, when they retired.

(b) *Benefit Group C (Police Command)*. All retired members who were full time sworn police officers and who were not in Benefit Group P (Police Officer), when they retired.

(c) *Benefit Group D (Dispatcher)*. All retired members who were full time police dispatchers, when they retired.

(d) *Benefit Group E (Executive)*. All retired members who were designated as full time executive employees, including the city manager, assistant city managers, the assistant to the city manager and department heads, when they retired.

(e) *Benefit Group F (Fire)*. All retired members who were full time firefighters, when they retired.

(f) *Benefit Group G (General-Exempt)*. All retired members not included in another benefit group, when they retired.

(g) *Benefit Group J (Court)*. All retired members who were full time employees of the 47th District Court, when they retired.

(h) *Benefit Group P (Police Officer)*. All retired members who held the full time rank of police officer, when they retired.

(i) *Benefit Group T (Teamsters)*. All retired members who were covered by the Teamsters collective bargaining agreement, when they retired.

In case of doubt, the retirement board shall determine the benefit group(s) that apply to a retired member.

Sec. 2-701. - Medical benefits.

Each retired member and beneficiary shall be provided coverage under a group medical insurance or non-insured arrangement participated in by the city if the member or beneficiary meets the applicable requirements stated in (a) below. A beneficiary shall be treated as meeting the requirements in (a) below if the employee on whose behalf the beneficiary is receiving coverage met those requirements. The retired member's spouse shall be provided coverage if the retired member is being provided coverage and the spouse meets the requirements of (c)(5) below. The level of coverage shall be as shown in (b) below.

(a) The requirements for retired member medical benefits are:

Benefit Group	Eligibility Requirement

A, E, & G	For employee hired prior to July 1, 2006; Age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).
C	Age fifty (50) with twenty-five (25) years of service.
D	For employee hired prior to January 1, 2007; Age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).
F	For employee hired prior to July 1, 2008; after twenty-five (25) years of service, regardless of age.
J	Age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and years of credited service is at least eighty (80).
P	For employee hired prior to January 1, 2008; after twenty-five (25) years of service, regardless of age.
T	For employee hired prior to January 1, 2008; age sixty (60) with fifteen (15) years of service; or, age fifty-five (55) with a minimum of twenty (20) years of service and the sum of age in years and credited service is at least eighty (80).

The age and service requirements for receiving retiree medical benefits do not apply if a retired member is receiving a disability pension.

The retired member shall (i) authorize the retirement board to deduct the difference, if any, between the cost of the coverage and the applicable maximum amount specified in subsection (c) from the retired member's pension payments, or (ii) remit said difference to the retirement board at least one (1) month in advance of the premium payment date.

The retired member or beneficiary and the spouse of the retired member shall not be eligible for any coverage or benefits described in this [section 2-701](#), for any period of time during which the member or beneficiary has accepted a health insurance waiver allowance provided under [section 2-702](#).

(b) The medical care coverage shall provide the applicable levels of coverage as stated in each Benefit Groups contract or City Policy, as may be amended from time-to-time. A coverage that is equivalent may be provided in lieu of any of the coverages stated.

(c) The applicable retired member medical benefits shall be provided subject to the following restrictions:

(1) The maximum premium or payment that the retirement system will pay for medical care coverages for the combination of the retired member and spouse, if any, is as follows:

Benefit Group	Eligibility Requirement	Maximum Monthly Premium Paid By The System
A, D, E, G, J, T	Age 60 with 15 years of service;	\$400.00
	Or age 55 with a minimum of 20 years of service and the sum of age in years and years of service is at least 80	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.
C	Age 50 with 25 years of service	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.
F	After 25 years of service, regardless of age	Employees Retired Prior to October 1, 2013 - No maximum. Employees Retired on or after October 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-to-time.
P	After 25 years of service, regardless of age	Employees Retired Prior to January 1, 2013 - No maximum. Employees Retired on or after January 1, 2013 - The Retiree will pay a premium co-pay, with the amount determined by Contract and/or City Policy, as may be amended from time-

		to-time.
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With the exception of the four hundred dollar (\$400.00) maximum premium (net of any retiree co-pay) paid by the retirement system, as described above, no maximum premium and no co-pay shall apply to retired members once the member is covered by Medicare, ~~ir~~ regardless of medicare eligibility of the member's spouse.

(2) The retired member, beneficiary and/or spouse must apply for Medicare (or any other government sponsored program of health benefits for which the individual might be eligible) when eligible. Upon qualification for such program, the retired member or beneficiary shall be provided coverage that is complementary to Medicare (or other government sponsored program).

(3) There shall be a coordination of benefits with any other health insurance held by the retired member or beneficiary or the spouse.

(4) In the coordination described in paragraphs (2) and (3) above, the retirement system medical benefits shall be considered the secondary benefits.

(5) The only person covered by the retired member medical benefits as the retired member's spouse is the person to whom the retired member was lawfully married on the date the retired member's pension commenced. Subject to the other provisions of this section, the retired member's spouse shall be eligible for medical benefits as long as the retired member is alive and receiving pension payments, and after the retired member's death while the spouse is receiving pension payments due to the retired member's election of form of payment A, B or C.

(6) A retiree and spouse will be ineligible for retiree health benefits if the retiree is receiving the city's retiree health waiver allowance in lieu of retiree health benefits. Re-enrollment in the retiree health plan shall be subject to the provisions of the city's retiree health waiver program and the bargaining agreement, if any, covering the participant at retirement. The retiree health waiver allowance is paid by the Retiree Health Care Plan rather than the City.

(7) The retirement system shall provide the medical benefits for retired members, spouses and beneficiaries as described in this section from the retirement system's retiree medical benefit assets. Effective May 15, 2000, the city established the City of Farmington Hills Post-Retirement Health Care Fund as the new funding vehicle for retiree health benefits for retired City of Farmington Hills employees. Effective May 15, 2000, the obligation of the City of Farmington Hills Employees' Retirement System with regard to retiree health benefits shall be solely to invest its retiree health assets until they have been exhausted and to make disbursements from those retiree health assets for the retiree health benefits for qualifying retirees and beneficiaries until those retiree health assets have been exhausted.

Sec. 2-702. - Medical benefits waiver.

A retiree who is eligible for retired member medical benefits from the retirement system may voluntarily waive his or her rights to all medical benefits coverage after providing evidence that the retiree then has other health insurance coverage. For any month during which a valid waiver is in effect, the retirement system shall provide no retiree medical benefits coverage for the retiree and no retiree medical benefits coverage for the spouse of or any dependent of the retiree on behalf of the retiree. For any month during which a valid waiver is in effect, the retirement system and the city shall not be responsible for any health related claims for the retiree or for the spouse for any dependent of the retiree on behalf of the retiree. For any month during which a valid waiver is in effect, the city shall pay the retiree a waiver allowance. The amount of the waiver allowance is \$200 per month for single coverage and \$400 per month for double coverage, or as may be amended from time-to-time, but shall not exceed the waiver allowance provided in [section 4.03](#) of the city's medical reimbursement plan, for an active employee eligible for the same health insurance coverage for the same month. If a waiver is in effect for a month during which the cost to the retirement system is not paid for by insurance premiums, the cost to the retirement system of one (1) person retiree medical benefits for a retiree shall be determined by the retirement board on a basis that is intended to fairly represent such cost.

Sec. 2-703. - Member contributions—Amounts; procedures.

(a) Member contributions to the retirement system shall be deducted from each member's paychecks and shall be the following percentage of the member's annual compensation as defined in subsection [2-270](#)(d).

- (1) Benefit Group A — 1.5% for medical benefits
- (2) Benefit Group C — 1.5% for medical benefits
- (3) Benefit Group D — 1.5% for medical benefits
- (4) Benefit Group E — 1.5% for medical benefits
- (5) Benefit Group F — 1.5% for medical benefits
- (6) Benefit Group G — 1.5% for medical benefits
- (7) Benefit Group J — 1.5% for medical benefits
- (8) Benefit Group P — 1.5% for medical benefits
- (9) Benefit Group T — 1.5% for medical benefits

(b) Continuation of employment by the member shall constitute consent and agreement to the deduction of the applicable member contributions. Payment of compensation less the

deduction shall be full and complete discharge of all claims and demands for compensation for personal service rendered the city.

(c) The person responsible for preparing the city payroll shall cause the member contributions to be deducted from the compensation of each member on each and every payroll. The deducted contributions shall be paid to the retirement system within five (5) working days and shall be credited to the members' individual accounts in the reserve for member contributions.

Sec. 2-704. - Retirement health savings plan.

Employees hired on or after July 1, 2006, and who are members of Benefit Groups A, E or G; employees hired on or after January 1, 2007, and who are members of Benefit Group D; employees hired on or after January 1, 2008, and who are members of Benefit Groups P or T, and employees hired on or after July 1, 2008, and who are members of Benefit Groups F shall not be eligible for any of the retirees medical benefits provided in division 3 of this article. In lieu of the retiree medical benefits provided in this division, such employees shall participate in a retirement health savings (RHS) plan as adopted by the city. For members in Benefit Groups A, E, F, G, P & T, the city will contribute one thousand five hundred dollars (\$1,500.00) annually, which equates to one hundred dollars (\$125.00) per month of service; and for members in Benefit Group D contribute one thousand two hundred dollars (\$1,200.00) annually, which equates to one hundred dollars (\$100.00) per month of service. The term service is defined in article V, division 2, [section 2-270\(t.\)](#) of the Code of Ordinances for each affected employee. Employees shall contribute on an annual basis one and five-tenths (1.5) percent of the employee's annual salary. Employees may make additional voluntary contributions to the RHS plan in accordance with the terms and conditions of the RHS plan. Employees shall be fifty (50) percent vested in the city's contributions to the RHS plan after three (3) full years of employment with the city, seventy-five (75) percent vested after five (5) full years of employment, and one hundred (100) percent vested after seven (7) full years of employment.

Sec. 2-705. - Mandatory bargaining subjects.

Notwithstanding any other provisions of this division, any matter relating to the retirement system provided by this division applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the Public Employment Relations Act, Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws. The provisions contained in the collective bargaining agreements shall supersede any conflicting provisions contained in this division.

Section 2 of Ordinance. Repealer

All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 3 of Ordinance. Savings

The amendment of the Farmington Hills Code of Ordinances set forth in this Ordinance does not affect or impair any act done, offense committed, or right accruing, accrued, or acquired or liability, penalty, forfeiture, or punishment, pending or incurred prior to the amendment of the Farmington Hills Code of Ordinances set forth in this Ordinance.

Section 4 of Ordinance. Severability

If any section, clause, or provision of this Ordinance is declared to be invalid by a court of competent jurisdiction, such declaration shall not affect the validity of the remaining sections, clauses, or provisions of this Ordinance, which shall continue in full force and effect, and to this end, this ordinance is declared to be severable.

Section 5 of Ordinance. Effective Date

The provisions of this ordinance are ordered to take effect twenty-one (21) days after enactment.

Section 6 of Ordinance. Date and Publication

This Ordinance is declared to have been enacted by the City Council of the City of Farmington Hills at a meeting called and held on the 24th day of June, 2013 and ordered to be given publication in the manner prescribed by law.

AYES: BATES, BRICKNER, BRIDGES, BRUCE, LERNER AND MASSEY
NAYS: NONE
ABSTENTIONS: NONE
ABSENT: OLIVERIO

STATE OF MICHIGAN)
) ss.
COUNTY OF OAKLAND)

I, the undersigned, the qualified and acting City Clerk of the City of Farmington Hills, Oakland County, Michigan, do certify that the foregoing is a true and complete copy of the Ordinance adopted by the City Council of the City of Farmington Hills at a meeting held on the 24th day of June, 2013, the original of which is on file in my office.

PAMELA B. SMITH, City Clerk
City of Farmington Hills

Introduced: June 10, 2013
Adopted: June 24, 2013
Effective: July 15, 2013
Published: June 30, 2013