

Ord. #546

An Ordinance to Amend Chapter 25 – Pension and Retirement System of the City of Memphis, Code of Ordinances to Modify the Pension Benefits Allowable Under the Ordinance

WHEREAS, the City of Memphis Retirement System is a single employer public employee retirement system; and

WHEREAS, substantially all regular full-time salaried employees of the City are required to participate in either of two contributory defined benefit pension plans- the 1948 Plan and the 1978 Plan (hereafter "the Plans"); and

WHEREAS, the Plans provide retirement benefits as well as death and disability benefits to participants of the Plans; and

WHEREAS, the City of Memphis Retirement System engages a qualified professional actuarial consultant to complete an annual actuarial valuation of the Plans; and

WHEREAS, the actuarial valuation report is used to determine the Plans' funding status and the annual suggested contribution required to sustain the long-term viability of the Plans; and

WHEREAS, the most recent actuarial valuation report prepared by PricewaterhouseCoopers as of July 1, 2010 and dated November 2010 estimated the Plans' unfunded liability at July 1, 2010 to be \$531 million and recommended a City contribution of \$80 million or 25.9% of covered payroll for the FY2011 Plan year; and

WHEREAS, due to declining revenues and other ongoing financial obligations of the City it is not feasible for the City to fully fund the suggested contribution of \$80 million or 25.9% of covered payroll; and

WHEREAS, in order to protect and enhance the Plans' actuarial soundness and ensure the long-term financial viability of the Plans it is necessary to amend the Code of Ordinances-Title 4- Pension and Retirement System;

NOW THEREFORE,

SECTION 1. BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that the definitions set forth in Section 25-1 - Pension and Retirement System, of the City of Memphis, Code of Ordinances, is hereby amended as follows:

(1) "Accrued benefit" means:

(a) As of any date, for each participant hired prior to July 1, 2012, a monthly benefit amount payable semi-monthly in the form of a single life annuity, equal to two and one-fourth percent of his or her average monthly compensation multiplied by the number of years of service completed before January 1, 1990, plus two and one-half percent of his or her average monthly compensation multiplied by the number of years of service completed after January 1, 1990; provided, however, that when a participant's years of service equals twenty-five (25) years, such participant shall accrue an additional one percent of his or her average monthly compensation for each year of service in excess of twenty-five (25) years for a maximum of ten

#52 Revised 12/20/11

(10) years; provided, however, if after thirty-five (35) years of service the total percentage of his or her average monthly compensation is less than seventy-two and five-tenths percent, such participant shall accrue an additional one percent of his or her average monthly compensation for each year of service in excess of thirty-five (35) years earned after January 1, 1990, until such total percentage shall equal seventy-two and five-tenths percent; or

(a)(1) As of any date, for each participant that is hired on or after July 1, 2012, a monthly benefit amount payable semi-monthly in the form of a single life annuity, equal to two and one-fourth percent of his or her average monthly compensation multiplied by the number of years of service completed after July 1, 2012; provided, however, that when such participant's years of service equals twenty-five (25) years, such participant shall accrue an additional one percent of his or her average monthly compensation for each year of service in excess of twenty-five (25) years for a maximum of ten (10) years; provided, however, if after thirty-five (35) years of service the total percentage of his or her average monthly compensation is less than seventy-two and five-tenths (72.5) percent, such participant shall accrue an additional one (1) percent of his or her average monthly compensation for each year of service in excess of thirty-five (35) years earned;

(4) "Average monthly compensation" means:

b. 1978 plan:

i. For each participant hired prior to July 1, 2012, the average monthly compensation, (excluding and disregarding any hiatus in the participant's employment by the city) for his or her five consecutive years of service for which such compensation was the highest. If his or her average monthly compensation for the twelve (12) months next preceding the date of his or her retirement exceeds the average of his or her highest five (5) consecutive years' compensation, then his or her average monthly compensation shall be based upon the twelve (12) month period next preceding the date of his or her retirement, and in the case of death or disability incurred by a participant in the performance of duties before he or she has five consecutive years of service, his or her average monthly compensation shall be the average monthly rate of compensation during all his or her years of service.

ii. For each participant that is hired on or after July 1, 2012, the average monthly compensation, (excluding and disregarding any hiatus in the participant's employment by the city) for his or her three (3) consecutive years of service for which such compensation was the highest. In addition, in the case of death or disability incurred by a participant in the performance of duties before he or she has five consecutive years of service, his or her average monthly compensation shall be the average monthly rate of compensation during all his or her years of service.

(30) Normal Retirement date:

b. 1978 Plan. "Normal retirement date" for each participant hired prior to July 1, 2012 means:

i. General employees: the first day of the month coincident with or next following

the earliest date on which a 1978 plan participant, other than a police officer or firefighter:

- (A) Attains age sixty (60) and completes ten (10) years of service; or
- (B) Attains age sixty-five (65) and completes five years of service; or
- (C) Attains twenty-five (25) years of service.

- ii. Police officers and firefighters: the first day of the month coincident with or next following the earlier date on which a 1978 plan participant who is either a police officer or firefighter:

- (A) Completes twenty-five (25) years of service; or
- (B) Attains age fifty-five (55) and completes ten (10) years of service.

- iii. Notwithstanding the foregoing, this Subsection (b) shall not apply to elected or appointed employees governed by Chapter 25-181.

1978 Plan. "Normal retirement date" for participants hired on or after July 1, 2012 means:

- i. General employees: the first day of the month coincident with or next following earliest date on which the participant, other than a commissioned police officer or firefighter:

Attains:

- a. age (sixty-five) 65 and completes five (5) years of service; or
- b. twenty-five (25) years of service and submits a written election designating the date he or she will retire not less than thirty (30) days before such designated date. Said participant shall be entitled to receive a retirement benefit equal to his or her accrued benefit reduced by 5.0% per year for each year that his or her early retirement date precedes the date the participant will attain age (sixty-two) 62.

- ii. Police officers and firefighters: the first day of the month coincident with or next following earliest date on which the participant:

Attains:

- a. age (fifty-five) 55 and (ten) 10 years of service; or
- b. twenty-five (25) years of service and submits a written election designating the date he or she will retire not less than thirty (30) days before such designated date. Said participant shall be entitled to receive a retirement benefit equal to his or her accrued benefit reduced by 5.0% per year for each year that his or her early retirement date precedes the date the participant will attain age (fifty-two) 52.

- iii. Notwithstanding the foregoing, this provision shall not apply to elected or

appointed employees governed by Chapter 25-181.

SECTION 2. BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that Section 25-183 (b) Deferred Retirement is hereby amended as follows:

- (b) The annuity commencement date of any participant hired on or after July 1, 2012 who is to receive his benefit pursuant to section 25-183(a) shall be the date he reaches age sixty-two (62).

SECTION 3. BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that the following definitions set forth in Section 25-193 (a) Distribution is hereby amended to read as follows:

(a)Beneficiary priority. The death benefit of section 25-190 or 25-191 shall be paid to the surviving spouse until the spouse's death or remarriage before she attains age sixty-five (65). If there is no spouse, or upon the spouse's death or remarriage before age sixty five (65), the death benefit shall be made or shall continue to be paid to or on the behalf of the participant's surviving children and handicapped children, for as long as they are children or handicapped children; provided, however, any handicapped child shall be entitled to receive only fifty (50) percent of the benefit payment any other child of the participant shall be entitled to receive. If a surviving spouse reverts to single status by virtue of the end of the spouse's remarriage by death, divorce or annulment, upon approval by the board of the spouse's written application for reinstatement, such spouse shall be reinstated as the primary beneficiary as of the first day of the first month following such approval. No surviving spouse shall lose any benefits as a result of remarriage after attaining age sixty-five (65) provided, however, no surviving spouse of such spouse shall be entitled to any benefits from this 1978 plan as a result of such spouse's interest in a benefit payable under sections 25-190 or 25-191.

For each participant hired on or after July 1, 2012, the death benefit of section 25-190 or 25-191 shall be paid to the surviving spouse until the spouse's death or remarriage. If there is no spouse, or upon the spouse's death or remarriage, the death benefit shall be made, or shall continue to be paid to or on the behalf of the participant's surviving children and handicapped children, for as long as they are children or handicapped children; provided, however, any handicapped child shall be entitled to receive only fifty (50) percent of the benefit payment any other child of the participant shall be entitled to receive.

SECTION 4. BE IT FURTHER ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that Section 25-170 is hereby amended by adding the following sections thereto:

(f) Police and Fire employees hired on or after July 1, 2012 shall contribute eight (8) percent of his compensation to the trust fund.

(g) Police and Fire employees with less than ten (10) years of service as of June 30, 2012 shall contribute to the trust fund a percentage of his compensation as follows:

<u>Contribution Period</u>	<u>Percentage</u>
On or after July 1, 2012	7
On or after July 1, 2013	7.5
On or after July 1, 2014	8

Upon attaining ten (10) or more years of service, such employee's contribution rate in effect at such time shall remain in effect.

SECTION 5. BE IT FURTHER ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that these changes to the City of Memphis, Code of Ordinances, section 25-Pension and Retirement System shall become effective on July 1, 2012.

SECTION 6. BE IT FURTHER ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS, that this Ordinance shall take effect from and after the date it shall have been passed by the Council, signed by the Chairman of the Council, certified and delivered to the Office of the Mayor in writing by the Comptroller, and become effective as otherwise provided by law.

Myron Lowery, Chairman
Memphis City Council

ATTEST:

Comptroller

THE FOREGOING ORDINANCE
5416 PASSED
1st Reading 8-16-11
2nd Reading 9-6-11
3rd Reading 12-6-11
Approved: Myron Lowery
Chairman of Council
Date Signed: 12/20/2011
Approved: [Signature]
Mayor, City of Memphis mbs
Date Signed: 12/21/2011
I hereby certify that the foregoing is a true
copy, and said document was adopted by the
Council of the City of Memphis as above in-
dicated and approved by the Mayor.
Valerie C. Snipes
Comptroller