



CITY OF MEMPHIS RETIREMENT SYSTEM

SUMMARY PLAN DOCUMENT

**Commissioned Officers
(Police and Fire Fighters)**

Revision: March 2015

TABLE OF CONTENTS

Joining the Plan.....	4
When You Can Retire.....	5
Calculation of Your Benefit Amount.....	7
Payment of Benefits.....	13
If You Become Disabled.....	17
What Assets Support Your Benefits/How to Claim Your Benefits.....	18
Federal Tax on Employee Contribution Refunds.....	20

INTRODUCTION

The City of Memphis Retirement System (Plan) is designed to help you enjoy an important part of your future....your retirement.

The Plan is a defined benefit pension plan established to provide retirement benefits for eligible employees and their beneficiaries. In addition, the Plan may also provide benefits if you die, become disabled, or leave before retirement.

This Plan Summary Document is for use by Police Officers and/ or Firefighters only.

For the purposes of this Plan, you are a police officer if you are an employee of the Police Services Division of the City, commissioned by the State as a law enforcement officer whose primary responsibility is the prevention and detection of crime. For the purposes of this plan you are a firefighter if you are an employee of the Fire Services Division of the City and have been commissioned by the Division's Director.

This booklet discusses the Plan as it applies to Police and Firefighters retiring on or after July 1, 2012 in simplified terms. It reflects the Plan as amended by various Pension Ordinances through July 1, 2012. This is however, only a summary. It does not cover everything described in the actual Plan Document. Should the provision of this Summary Plan Description and the actual legal Plan document differ, the legal document shall govern.

JOINING THE PLAN

What Is Required to Join The Plan?

If you are already a Participant in the Plan or an eligible employee, you do not need to do anything to join the Plan. Employees who are already Participants will continue to participate. If you are a new employee who is eligible to participate, you will automatically become a Plan Participant on your first day of employment.

Who Are Eligible Employees?

To be eligible, you must be a salaried commissioned officer. Additional eligibility and certain other requirements, limits, or benefits may apply to you depending on when you were hired, elected, reemployed, or transferred into or out of the Plan. Basically, every commissioned officer will be covered by the “1948 Plan” or the “1978 Plan”. You must determine whether you are a participant in the 1948 Plan or 1978 Plan to determine your eligibility and benefits. You can use the following summary as a guide.

Employees Transferred Into Or Out of the Plan

If you were an employee of (i) Memphis Light, Gas and Water Division, (ii) Memphis and Shelby County Public Library and Information Center, or (iii) Shelby County and became an employee of the City of Memphis (or vice versa) before July 1, 1978, you *may* be a participant in the 1948 Plan. Important limitations are contained in Sections 25-62 and 25-63 of the Plan.

If you were an employee of (i) Memphis Light, Gas and Water Division, (ii) Memphis and Shelby County Public Library and Information Center, or (iii) Shelby County and became an employee of the City of Memphis or (vice versa) on or after July 1, 1978, you may be (or may not be eligible to) a participant in the 1978 Plan. Important limitations are contained in Sections 25-162 and 25-163 of the Plan.

Former Participants Who Are Reemployed

If you were a participant in the 1948 Plan, you will again participate in the 1948 Plan if: (i) you were reemployed prior to July 1, 1978, or (ii) you were reemployed on or after July 1, 1978, after previously leaving employment and electing a deferred pension, normal retirement pension, disability pension, or an involuntary retirement pension.

If you were a participant in the 1948 Plan, were reemployed on or after July 1, 1978, and are not covered by the above paragraph, you are a participant in the 1978 Plan.

If you were a participant in the 1978 Plan and were reemployed, you are a participant in the 1978 Plan upon reemployment.

All Other Employees

If you are not covered by any of the preceding paragraphs and were hired on or after July 1, 1978, you are a participant of the 1978 Plan.

If you are not covered by any of the preceding paragraphs and were hired on or after October 1, 1948 and before July 1, 1978, and you were still an employee and participating in the 1948 Plan after December 31, 1989, you are a participant of the 1948 Plan.

WHEN YOU CAN RETIRE

What Is My Normal Retirement Date?

Your Normal Retirement Date is the day after you retire and either:

- a. Turn 55 and complete 10 Years of Service; or
- b. Complete 25 Years of Service

What Is My Early Retirement Date?

You are not eligible for any early retirement benefits.

What If I am Involuntarily Retired?

If you were a Plan participant prior to November 1, 2004 and your employment is discontinued without fault or delinquency on your part (or if you are an elected or appointed official and you fail to achieve or seek reelection or reappointment to a position covered by the Plan), and you have at least 12 years of service, then you are entitled to receive a retirement benefit. This provision does not apply to persons appointed, for the first time, after February 16, 2010.

1948 PLAN PARTICIPANTS: Your retirement benefit will begin as of your date of retirement.

1978 PLAN PARTICIPANTS: Your retirement benefit will begin as of your date of retirement.

1978 PLAN PARTICIPANTS HIRED ON OR AFTER JULY 1, 2012: Your retirement benefit begins when you attain:

- 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. 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.
- c. This provision shall not apply to elected or appointed employees governed by Chapter 25-181.

What If I Terminate My Employment Before Being Eligible To Receive a Normal, Involuntary Or Disability Retirement Benefit?

If you have completed at least ten Years of Service and you leave employment before you are eligible to receive a normal, involuntary or disability retirement benefit, you are entitled to receive a deferred retirement

benefit from the Plan equal to your accrued benefit payable as a single life annuity (with no spousal or dependent benefits). Your benefits will begin when you reach age 60. If, however, you have engaged in any act harmful to the City that results in your conviction, you will not be entitled to a deferred retirement benefit.

A participant who elected a deferred retirement benefit may also revoke his election at any time before age 60, and elect to receive a refund of his contributions without interest reflecting any gains or losses.

Deferred Retirement is hereby amended as follows: 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).

If I Elect Not To Receive A Deferred Retirement Benefit, and Am Not Entitled To Any Other Benefit, Will My Contributions Be Returned?

If your employment terminates for any reason other than death, you elect not to receive a deferred retirement benefit, and you are not entitled to a normal, involuntary or disability retirement benefit, your contributions will be returned without interest reflecting any gains or losses.

CALCULATION OF YOUR BENEFIT AMOUNT

How Is My Retirement Benefit Determined?

When you retire, your benefit is based on a formula using:

Compensation

1948 PLAN PARTICIPANT: Pay received for services, including shift premium pay, hazardous premium pay, holiday pay and incentive pay, but not including overtime pay.

1978 PLAN PARTICIPANT: Pay received for services, including shift premium pay, hazardous pay, longevity pay, and incentive pay, but excluding overtime pay or any double-time compensation for holidays.

Average Monthly Compensation

1948 PLAN PARTICIPANT: If you are credited with 30 or more Years of Service and are eligible for automatic promotion to captain (or comparable rank), your Average Monthly Compensation is the current monthly base compensation of a captain as of the date of your retirement, plus any shift premium pay, hazardous premium pay, holiday pay, longevity pay, and incentive pay (excluding overtime) earned during the immediately preceding 12 months.

In all other situations, it is the average of your monthly compensation received for any five consecutive Years of Service preceding your date of termination which produces the highest average. If the 12 months preceding your termination of employment produces a higher average, then that shall be your Average Monthly Compensation.

1978 PLAN PARTICIPANT: If you were hired before February 1, 1978, credited with 30 or more Years of Service, and are eligible for automatic promotion to captain (or comparable rank), your Average Monthly Compensation is the average monthly base compensation of a captain for the immediately preceding three years calculated by dividing the sum of the following by three:

- the monthly compensation of a captain (or comparable rank) as of your date of retirement, one year prior to your date of retirement, and two years prior to your date of retirement , and
- any shift premium pay, hazardous premium pay, longevity pay, and incentive pay (excluding overtime pay or any double-time

compensation for holidays) earned during the immediately preceding three years.

In all other situations, it is the average of your monthly Compensation received for any three consecutive Years of Service preceding your date of termination which produces the highest average.

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.

Years of Service

Years of Service are defined as each 12 month period that you work beginning with your first day of work. You will not receive any credit for Years of Service if you are on a leave of absence for more than 30 days. If you terminated employment with the City and received a lump sum payment, all your Years of Service prior to the lump sum will be disregarded unless the lump sum is repaid if and when you are reemployed as a plan participant for at least two years. You may also receive credit for any past service that you might have if you transfer into this Plan. Important limitations are contained in Section 25-1, paragraph 43 which describes when past service will count toward your Years of Service.

What Is My Retirement Benefit Formula?

Generally, your retirement benefit (starting on your Normal Retirement Date and payable as a single life annuity) is the sum of (i) 2 ¼% of your Average Monthly Compensation times Years of Service before January 1, 1990, plus (ii) 2 ½% of your Average Monthly Compensation times your Years of Service after January 1, 1990, plus (iii) 1% of your Average Monthly Compensation times your Years of Service in excess of 25, up to a maximum of 10, plus (iv) 1% of your Average Monthly Compensation times

your Years of Service in excess of 35 earned after January 1,1990, up to a maximum total retirement benefit of 72.5%. The sum of your Years of Service in (i) and (ii) cannot exceed 25.

In certain situations you will be entitled to receive the Plan's minimum benefit. You always have the option of receiving the sum of your contributions to the Plan (without interest or reflecting any gains or losses), provided you and your spouse, if necessary, elect in writing to receive your distribution in a lump sum. If the minimum benefit is greater than the general formula described above, then you will receive the Plan's minimum benefit unless the only benefit you are entitled to is a deferred retirement benefit.

The Plan's minimum retirement benefit (starting on your Normal Retirement Date and payable as a single life annuity) is the greater of (1) through (3).

- (1) The sum of (i) \$525 plus (ii) \$21.00 times the lesser of 10 or your Years of Service in excess of 25. This benefit will only apply if you are entitled to a Line-of-Duty disability or death benefit (see pages 14 and 15), or you are retiring with at least 25 Years of Service.
- (2) The sum of (i) \$500 plus (ii) \$1.00 times the lesser of 25 or your Years of Service. This benefit will only apply if you are retiring on or after reaching age 65 with 15 or more Years of Service.
- (3) The greater of (i) \$262.50 or (ii) \$21.00 times your Years of Service. This benefit will only apply if you are retiring with less than 25 Years of Service and before reaching age 65.

For Example:

John has worked for the City for 30 years (20 years before January 1, 1990 and 10 years after). His Average Monthly Compensation (as defined on page 7) is \$2000 (\$24,000 annually), and he is eligible to retire. Under the above formula, John's monthly retirement benefit (starting on his Normal Retirement Date as a single life annuity) is calculated as follows:

$$\$2000 \times 2 \frac{1}{4}\% \times 20 = \$ 900$$

$$\$2000 \times 2 \frac{1}{2}\% \times 5 = 250$$

$$\$2000 \times 1\% \times 5 = 100$$

	—————
John's Monthly Benefit	\$1250

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.

Does The City Contribute To The Plan?

Yes. The City makes a contribution to the Plan as required by the Pension Ordinance.

Do I Continue To Contribute To The Plan?

Yes. If you are a Participant in the 1948 Plan, your contributions are based on your Years of Service as of January 1, 1990, as follows:

Years of Service at 1/1/90	Contribution As a Percentage of Compensation
Less than 15	5.50%
15 but less than 20	5.25%
20 or more	5.00%

If you are a Participant in the 1978 Plan and you were hired before July 1, 1983, then you are required to contribute 6.25% of your Compensation; if you were hired on or after July 1, 1983, then you are required to contribute 6.5% of your Compensation.

Participants hired on or after July 1, 2012 shall contribute eight (8) percent of his compensation to the trust fund. Participants with less than ten (10)

years of service as of June 30, 2012 shall contribute to the trust fund a percentage of his or her 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.

Please refer to pages (7) and (8) for the definition of Years of Service and Compensation.

Do I Pay Federal Income Tax On My Contribution?

All employee contributions made after 1982 are treated as though they were contributed by the City for Federal Income Tax purposes. Therefore, you do not pay any Federal Income Tax on your contribution. When you begin to receive your retirement benefit, however, all your distributions will generally be taxed.

PAYMENT OF BENEFITS

When Are Retirement Benefits Normally Paid?

Retirement benefits normally will begin on your Normal Retirement Date. You will generally trigger the commencement of your benefits on or after your Normal Retirement Date by filing an election with the Board at least 30 days before the date you designate for your retirement. The actual issuance of your first retirement check may not coincide with your designated date of retirement, but should begin within approximately 45 days.

How Will My Retirement Benefit Be Paid?

Your retirement benefits (other than your disability benefits) will be paid to you for life, provided you do not return to employment with the City.

Do My Benefit Payments Continue If I Return to Work?

No. If you are receiving benefit payments from the Plan and you are reemployed, your benefit payments stop. Your new benefit payments will begin when you again leave employment with the City. The new benefit payments will be based on the benefit payable to you as of your later retirement date, less the actuarial value of any benefits received by you before you were reemployed, unless you were vested prior to January 1, 1990.

What If I Die While Working?

If you die as a direct result of an accident sustained while performing your duties for the City (without willful negligence), your surviving spouse or, if you are not married at the time of your death, your Children or Handicapped Children (defined below), are entitled to a “Line-of-Duty” death benefit. The Line-of-Duty death benefit for your spouse or Children is equal to the greater of 60% of your Average Monthly Compensation (see Page 7) as of the date of your death or your Accrued Benefit as of the date of your death. The Line-of-Duty death benefit for your Handicapped Children is equal to the greater of 30% of your Average Monthly Compensation or 50% of your Accrued Benefit as of the date of your death.

If you die and it is not a Line-of-Duty death, then your benefits will vary depending on whether you are a participant in the 1948 Plan or 1978 Plan.

1948 PLAN PARTICIPANTS

If, at the time of your death, you had not elected a deferred retirement, and your death does not qualify as a Line-of-Duty death nor did it occur while you were serving in the armed services and receiving Years of Service credit, your surviving spouse or, if you are not married at the time of your death, your Children or Handicapped Children will receive:

- The same retirement benefit you were receiving, if you died while receiving a benefit; or
- The normal, involuntary, or disability retirement benefit you would be entitled to at the time of your death, provided you die before benefits commence and after completing at least five Years of Service or suffering an Ordinary Disability (as defined on page 15).

1978 PLAN PARTICIPANT

If, at the time of your death, you had not elected a deferred retirement, and your death does not qualify as a Line-of-Duty death, your surviving spouse or, if you are not married at the time of your death, your children will receive:

- 75% of the retirement benefit you were receiving if you died while receiving a benefit; or
- 75% of the normal, involuntary, or disability retirement benefit you would be entitled to at the time of your death, provided you die before benefits commence and after completing at least five Years of Service or suffering an Ordinary Disability (as defined on page 15)

Handicapped children will receive 50% of the benefit payment any other child is entitled to receive.

If, at the time of your death you had elected a deferred retirement but had not commenced to receive payments, your employee contributions will be refunded (without interest or reflecting any gains or losses).

In all cases, no death benefit will be paid if you are not married or have no Children or Handicapped Children when you die.

DEFINITION OF CHILDREN AND HANDICAPPED CHILDREN

An individual will be considered your child if he or she is your legitimate or legally adopted son or daughter, and he or she has not:

- turned 18, or
- turned 25, and (i) is attending an accredited school (or non-accredited school if its credits are acceptable by an accredited school), (ii) is certified by your child's school to be carrying a full-time day student's course load, and (iii) is not employed full-time.
- unmarried

If your child is in high school, or trade or vocational school, he or she will be considered to be full-time if enrolled at least 20 hours per week, in a course of study that requires at least 13 weeks, and the school considers him or her to be a full-time student under its standards.

If your child is too old to qualify as a Child under the above definition, then he or she may qualify as a Handicapped Child. For your child to be considered a handicapped child, he or she must be 18 or older, unmarried, not in the care of a governmental institution, and so severely disabled by medically determinable impairments that he or she cannot engage in any substantial, gainful activity. You also must be able to demonstrate that the child was handicapped on the last day he or she qualified as a Child (under the above definition).

How Will My Death Benefit Be Distributed?

The manner in which your death benefits are paid depends on who is receiving those benefits.

Surviving Spouse

Your surviving spouse will receive death benefits until their death or remarriage (if they remarry before age 65)

Children or Handicapped Children

Your Children or Handicapped Children will begin to receive death benefits after the death or remarriage (before age 65) of your spouse or if you have no surviving spouse, shortly after your death. The payments will continue for as long as they are Children or Handicapped Children, as defined above.

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 children 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 YOU BECOME DISABLED

Do I Receive A Benefit If I Become Disabled?

If it is determined that you have incurred a Line-of-Duty disability, then you will be entitled to receive a disability retirement benefit equal to the greater of 60% of your Average Monthly Compensation (see page 7) or your Accrued Benefit as of the date of your disability. A Line-of-Duty disability is a physical or mental condition arising as a direct and proximate result of an accident sustained by a participant, after becoming a participant, while in the actual performance of his duties for the City at some definite time and place without willful negligence that totally and permanently prevents him from engaging in the duties for which he was employed. The determination of the Line-of-Duty disability will be made on medical evidence of at least two qualified physicians licensed to practice in Tennessee and selected by the Board.

If you incur a disability that was not in the Line-of-Duty (an "Ordinary Disability") and was not a result of your gross and willful misconduct, you will receive a disability benefit equal to your Accrued Benefit at the date of your disability. Generally, no benefits will be payable as a result of a disability incurred while you were serving in the Armed Forces.

An Ordinary Disability is a physical or mental condition arising after the participant is credited with five or more Years of Service that totally prevents him from engaging in the duties for which he was employed. An Ordinary Disability does not include any disability resulting from the participant's chronic alcoholism, self-addiction to narcotics, or participation in a felonious or criminal act or enterprise.

From time to time you may be asked to undergo a medical examination to determine whether you continue to suffer from the disability. If you refuse to be examined or it is determined that you have recovered from your disability, your benefits will be discontinued. In addition, if you engage in gainful employment, your disability benefits will be reduced so that the sum of your compensation and disability benefits does not exceed your Average Monthly Compensation as of the date you became disabled.

How Is My Disability Benefit Determined?

To figure your Accrued Benefit as of the date of your disability, use the same formula on page (8) that you would use to determine your Normal Retirement Benefit. Your Accrued Benefit will be based on your Average Monthly Compensation and your Years of Service as of your date of disability.

When Will I Receive My Disability Benefit?

Payments will normally begin as soon as it is determined that you are disabled by the Board of Administration. The actual issuance of your first check may not coincide with the date your disability is determined, but should begin within approximately 45 days.

WHAT ASSETS SUPPORT YOUR BENEFITS AND HOW TO CLAIM BENEFITS

Are My Benefits Supported Solely By The Trust Fund?

Yes, the only source for the payment of your benefits under the Plan is a trust fund, known as the "Retirement Fund of the City of Memphis." The

City, the Board, the Council, the Comptroller, or any employee of the City is not liable for any benefit promised by the terms of the Plan. Once the City pays contributions to the Trustee, the City loses all rights to the money transferred. Moreover, the Trustee is obligated under law to maintain the Plan's assets exclusively for the benefit of Plan Participants and beneficiaries.

How Do I Make a Claim For Benefits?

When you leave employment and you are entitled to benefits from the Plan, you will be asked to complete a form giving such information as your address, the name of your spouse or beneficiary, etc. Benefits will be paid automatically to you in accordance with the information you have given. If any of the information you have given changes before your benefits are payable – for instance, if you move- promptly update that information with the City.

You can generally trigger the commencement of your benefit on or after your Normal Retirement Date by filing an election with the Board at least 30 day before the date you designate for your retirement.

The actual issuance of your first retirement check may not coincide with your designated date of retirement, but should begin within approximately 45 days.

No benefits will be paid until a properly completed claim form is filed with and approved by the Board of Administration.

FEDERAL TAX ON EMPLOYEE CONTRIBUTION REFUND

Are My Refunded Contributions Subject To Mandatory Federal Income Tax Withholding When Distributed?

The rules concerning the Federal taxation of your benefit are complex. The Plan can provide you with a “Special Tax Notice Regarding Plan Payments,” that has been prepared by the Internal Revenue Service to describe the tax treatment of your distribution under a variety of situations. You can also call 1-800-TAX-FORM and request a copy of IRS Publication 575, “Pension and Annuity Income” for more information. In addition, because of the complexity of these rules, you may want to consult a professional tax advisor before you take a payment of your benefits from the Plan.

Plan Benefits Paid To You

You should be aware, however, that under the Plan none of the annuity distributions can be rolled over and are not subject to the 20% mandatory withholding. Only the taxable portion of a refund of your contributions is eligible to be rolled over to an individual retirement arrangement (IRA) or another qualified plan.

The taxable amount of such a refund is subject to a *mandatory 20% federal income tax withholding* if the amount is paid to you, rather than “directly” rolled over. Such a payment to you will be taxed in the year distributed unless you roll it over by paying it to your IRA or to another qualified plan within 60 days of receipt. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over. If you do not roll over the distribution, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59 ½, you also may have to pay an additional 10% tax. Again, because of the complexity of these rules, you may want to consult with a professional tax advisor before taking a distribution.

NOTES