ORDINANCE NO.: 5599

AN ORDIANNCE TO AMEND CHAPTER 25, CODE OF ORDIANCES, CITY OF MEMPHIS, SO AS TO AMEND SECTION 25-200 OF THE 1978 PLAN TO ADD PARAGRAPH G TO ALLOW FOR LIMITED SUSPENSION OF THE DROP PROGRAM BY QUALIFIYING PARTICIPANTS

WHEREAS, the City of Memphis, Tennessee has established a Deferred Retirement Option Plan (DROP) as part of its 1978 plan which may has a defined benefit retirement plan known as City of Memphis Retirement System for General Employees, as subsequently amended and restated under the provisions of section 25-200 as codified a section 4-28-22

WHEREAS, the City of Memphis desires to allow certain individuals currently participating in the DROP program to suspend their current participation.

NOW, THEREFORE, the DROP program is modified by adding paragraph G. Section 4-28-22 reads as follows:

Sec. 4-28-22. Deferred retirement option plan (DROP).

A. *DROP overview.* Except as provided in subsection F of this section, an eligible employee (as defined in subsection B of this section), who has made the election described in subsection C of this section, will participate in the program and receive the benefit described in subsection D of this section, and receives distributions in the form described in subsection E of this section.

B. *Definition. Eligible employee* means any employee who is a participant who has attained his or her normal retirement date and has at least 25 years of service.

C. *Election.* An eligible employee can make an irrevocable election to participate in the DROP program (as described in subsection D of this section), during December, March, June, or September, by completing an election form to participate in the DROP program for a maximum one-year, two-year, or three-year period beginning on the effective date of the election, and agreeing to retire no later than the end of his or her one-, two-, or three-year period of participation in the DROP program. The December election is effective on the next January 15; the March election is effective on the next April 15, the June election is effective on the next July 15; and the September election is effective on the next October 15.

D. *Participation and benefits.* During the one-year, two-year, or three-year period elected by the employee:

1. The employee's contributions and the city's contributions to the plan shall cease as of the effective date;

#24

2. No additional years of service or compensation shall be considered (with the exception of possible ad hoc benefit increases granted by the city), so the employee's benefit under the plan is frozen (or fixed) as of the date his or her election is effective;

3. The employee's frozen benefit shall be calculated as though the employee retired on the effective date of his or her election, and a DROP account shall be established for such eligible employee; and

4. A DROP account shall be established for each electing employee. The DROP account shall be a recordkeeping account for the benefit of electing participants, which beginning on the effective date of the electing participant's election, shall be credited with an amount equal to the monthly pension benefit the electing participant would receive had he or she retired and begun receiving payments on the effective date.

Interest shall be credited each calendar quarter on the average monthly balance in the DROP account during such quarter based on 25 percent of the 90-day treasury bill yield published in the last Wall Street Journal of such quarter.

E. *Distribution from DROP program.* As soon as is administratively feasible after the employee has ceased to participate in the DROP program, the city will begin to pay the employee his or her monthly benefit, and also, pay the employee in a lump-sum the balance in his or her DROP account as of the end of the last quarter. The lump-sum payment of the DROP account may be rolled-over at the participant's direction.

F. *Exceptions and limitations.* In the event an employee who has elected to participate in the DROP program becomes disabled or dies in the line of duty as defined in section 4-4-1(27), 4-28-12(A) or 4-28-16, the participant's election shall be retroactively revoked and such participant or beneficiary shall be eligible for line of duty disability retirement or death benefits as defined in section 4-28-12(A) or 4-28-16 as if the DROP program had never been elected.

G. Notwithstanding any other limitations, for any employee who elected to participate in the DROP program between 9/1/2012 and 6/30/2015 and whose effective date of retirement is between 10/1/2015 and 9/1/2018, such employee may elect to temporarily "freeze" in place and suspend participation in the DROP program ("Drop Suspension"). Requests for a Drop Suspension must be submitted in writing on a DROP Suspension Form to the Human Resources Director's Office on or before 10/30/2015. The Drop Suspension Period shall commence on the first Business Day after Human Resources Director's Office receives the Drop Suspension Form and shall continue until the earlier of (i) the date the participating employee elects to "unfreeze" and resume participation in the DROP program by submitting a written notice to the Human Resources Director's Office, which may be made at anytime after the Drop Suspension Period commences, or (ii) two (2) years from the commencement of the Drop Suspension Period.

By electing to "freeze" and suspend participation in the DROP program, the participating employee agrees that during the Drop Suspension Period he or she will be deemed to be an "Employee"

under the City's Pension Plan and for all other City purposes and shall thereby receive creditable service for pension purposes as an regular employee during the Drop Suspension Period. The City and the electing employee will be required to make all City and Employee Contributions to the City's Pension Plan during the Drop Suspension Period.

During the Drop Suspension Period the City's payments to the employees DROP account will immediately cease. However, any amount accrued in the employees DROP account as of the commencement of the Drop Suspension Period will be held for the benefit of the electing employee and will accrue normal interest during the Drop Suspension Period.

Upon termination of the Drop Suspension Period, the employee's participation in the DROP Program shall recommence at that time and the employee shall be entitled to complete any time remaining in the original election period (1, 2 or 3- years) at the time the employee suspended participation in the DROP program, except that the City's payments into the employee's Drop Account from that point forward shall be based on recalculated Pension Benefits using the additional credible service earned during the Drop Suspension Period. The employee shall not receive pension credible service time for the period of time the employee previously participated in the DROP program. Upon re-entry of the DROP program the provisions of Subsection D will apply.

THE FOREGOING ORDINANCE
5599 PASSED
1st Reading 8-18-2015
2nd Reading 9-01-2015
3rd Reading 9-15-2015

Approved _____
Chairman of Council

Date Signed: _____

Approved: _____
Mayor, City of Memphis

Date Signed: _____

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 indicated and approved by the Mayor.

_____
Comptroller