CITY OF MEMPHIS RETIREMENT SYSTEM

SUMMARY PLAN DOCUMENT

GENERAL EMPLOYEES

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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 not intended for use by Police Officers or Firefighters.

This booklet discusses the Plan as it applies to individuals retiring on or after November 1, 2004 in simplified terms. It reflects the Plan as amended by various Pension Ordinances through November 1, 2004. 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 employee other than: officials or employees of the Board of Education; employees of the Light Gas and Water Division of the City; temporary employees classified by the City; part-time employees; or any employee mandated by law to contribute to the federal Social Security system and not eligible to be a participant by job classification. 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 employee 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.

Elected Employees

If you were an elected employee on or after July 1, 1978, and you elected to participate in the 1978 Plan within 90 days of being elected, you are a participant in the 1978 Plan. (The retroactive payment of employee contributions, plus interest is required.)

If you were an elected employee after April 1, 1951 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.

Part-Time Employees

If you were hired on or after April 1, 1960, 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 in the 1948 Plan. Except for part-time city attorneys (and other part-time employees specifically included by a Plan amendment), part-time employees cannot participate in the 1978 Plan.

You are considered a part-time employee if your position requires less than a 40 hour average workweek and less than 50% of the available work hours in a 12 month period. Positions requiring a work week of at least 40 hours, but which are seasonal, are also part-time.

Employees Who Transferred Into And 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 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 participate in the 1948 Plan if: (i) you were reemployed prior to July 1, 1978, or (ii) you were reemployed on or after July1, 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 your reemployment.

All Other Employees
If you are not covered by any of the preceding paragraphs and were hired on or after July1, 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?

1948 PLAN PARTICIPANTS
Your Normal Retirement date is the day after you either:

a. Turn 60 and complete 10 Years of Service; or
b. Complete 25 Years of Service

1978 PLAN PARTICIPANTS
Your Normal Retirement Date is the day after you either:

a. Turn 65 and complete 5 Years of Service;
b. Turn 60 and complete 10 years of Serivce; or
c. 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.

If you became a plan participant on or after November 1, 2004, see above (1978 Plan Participants) for your eligible retirement date.

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 spouse 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 (equal to one times to three times your contributions, depending on your length of service). If you do not satisfy the above requirements to receive a deferred retirement benefit, then you will receive a refund of your employee contributions (equal to one times to three times your contributions, depending on your length of service).

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 contribution will be returned. Depending on your length of service, you will receive between one times to three times your contributions.

CALCULATIONS OF YOUR BENEFIT AMOUNT

How Is My 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.

<u>1978 PLAN PARTICIPANT</u>: 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

Average monthly compensation 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**.**

Years of Service

You will receive credit for each 12 month period that you are a plan participant. 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 terminate employment with the City and receive 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 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 benefits. You also always have the option of receiving the sum of your

contributions to the Plan (times the Return Multiple corresponding to the number of Completed Years of Service you have completed on the following box), provided you and your spouse , if necessary, elect in writing to receive your distribution in a lump sum. Partial or fractional years are not considered.

Completed Years of Service	Return Multiple
Less than 5	1.0
5	1.5
6	1.7
7	1.9
8	2.1
9	2.3
10	2.5
11	2.6
12	2.7
13	2.8
14	2.9
15 or more	3.0

If the minimum retirement 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 11-14), 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 (8) 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	x	2 ¼%	x 20	=	$900
$2000	x	2 ½%	x 5	=	250
$2000	x	1%	x 5	=	100
John's Monthly Benefit					$1250

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. You are required to contribute a percentage of your compensation to the Plan each year you are a plan participant until you retire.

1948 plan – 5% 1978 Plan – 8%

Please refer to page 7 for the definition of 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 8) 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 benefit will vary depending on whether you are a participant in the 1948 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 or 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 14).

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 14)

The benefit received by a handicapped child is 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.

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 22, 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' course load, and (iii) is not employed full-time.

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 depend on who is receiving those benefits.

Surviving Spouse
Your surviving spouse will receive death benefits until his/her death or until remarriage (if remarried before age 65). A lawful spouse of a participant, active or retired, is one who has had the status of lawful spouse for an unbroken period of at least two (2) years immediately preceding the death of the participant.

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.

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 benefit equal to the greater of 60% of your Average Monthly Compensation (see page 8) 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 that 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 benefit 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-addition 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 us to determine your Normal Retirement Benefit. You 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- be sure to let the City know.

You can generally trigger the commencement of your benefits on or after your Normal Retirement Date by filing an election with the Board at least 45 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.

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: