

TAB 15



City of Palmetto Agenda Item

Meeting Date

3/19/12

Presenter: Jim Freeman

Department: City Clerk

Title: Police Officers' Pension Plan Proposed Ordinance NO. 2012-03

There is a need to amend the ordinance governing the General Employees' Pension Plan to implement new legislation. Also included in this amendment is language to give the Board of Trustees the same investment powers as granted to the General Employees' Pension Plan Board of Trustees. The Plan's Investment Policy will also be amended to contain the language included in the ordinance.

Senate Bill 1128 adopted during the 2011 legislative session amended the definition of salary by prohibiting the inclusion of accrued sick time and vacation time, and allowing up to only 300 hours of overtime per year when calculating retirement benefits.

The Board of Trustees is recommending an ordinance to change the salary definition to comply with the new law. After reviewing different ways to implement the legislation, the Board agreed that it will be more advantageous and efficient to define salary for calculating pension as the lessor amount of accrued vacation and sick time (as defined by the Personnel Policy) as of July 1, 2011 and an employees' actual retirement date.

Example: An employee has a combined total of 200 hours of accrued vacation and eligible sick time on July 1, 2011. At a future retirement date that employee has 400 hours of accrued vacation and eligible sick time. Retirement benefits will be calculated using the lessor amount, or 200 hours.

In a reverse scenario, an employee retires at some future date. Through use the employee has only 100 hours of accrued vacation and eligible sick time at that retirement date. Retirement benefits would be calculated using the lessor amount, or 100 hours.

Budgeted Amount: **Budget Page No(s):** **Available Amount:** 26,366 **Expenditure Amount:**

Additional Budgetary Information:

Funding Source(s): **Sufficient Funds Available:** Yes No **Budget Amendment Required:** Yes No **Source:**

City Attorney Reviewed: Yes No N/A **Advisory Board Recommendation:** For Against N/A **Consistent With:** Yes No N/A

Potential Motion/Direction Requested: Motion to schedule a public hearing for Ordinance No. 2012-03 for April 2, 2012.

Staff Contact: Jim Freeman

Attachments: Ordinance No. 2012-03; Personnel Policy excerpts regarding accrued vacation and sick time.

Law Offices

Christiansen & Dehner, P.A.

63 Sarasota Center Blvd. Suite 107 Sarasota, Florida 34240 • 941-377-2200 • Fax 941-377-4848

November 14, 2011

Ms. Diane Ponder
Palmetto Police Officers' Retirement Plan
Post Office Box 1209
Palmetto, Florida 34220-1209

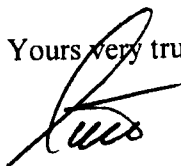
Re: City of Palmetto Police Officers' Retirement Plan - Proposed Ordinance

Dear Diane:

As directed by the Board at its last meeting, enclosed please find a proposed ordinance amending the City of Palmetto Police Officers' Retirement Plan. The ordinance makes changes to the definitions of actuarial equivalent and salary, and amends the investment section to provide for more liberal investment restrictions. Please provide a copy of this document to each member of the Board for review and discussion at the next meeting.

If you have any questions with regard to this ordinance, please feel free to give me a call.

Yours very truly,



Scott R. Christiansen

SRC/dm
enclosure

cc: Doug Lozen, with enclosure

ORDINANCE NO. 2012-03

AN ORDINANCE OF THE CITY OF PALMETTO, FLORIDA, AMENDING CHAPTER 22, PERSONNEL, ARTICLE V, POLICE OFFICERS' RETIREMENT PLAN, OF THE CODE OF ORDINANCES OF THE CITY OF PALMETTO; AMENDING SECTION 22-171, DEFINITIONS; AMENDING SECTION 22-174, FINANCES AND FUND MANAGEMENT; PROVIDING FOR CODIFICATION; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA;

SECTION 1: That Chapter 22, Personnel, Article V, Police Officers' Retirement Plan, of the Code of Ordinances of the City of Palmetto, is hereby amended by amending Section 22-171, Definitions, to amend the definitions of "*Actuarial equivalent*" and "*Salary*", to read as follows:

Actuarial equivalent means a benefit or amount of equal value, based upon the ~~1983 Group Annuity~~ RP 2000 Combined Healthy Mortality Table and an interest rate to be determined by the board. This definition may only be amended by the city pursuant to the recommendation of the board using assumptions adopted by the board with the advice of the plan's actuary, such that benefit calculations are not subject to city discretion.

* * * * *

Salary means the total compensation for services rendered to the city as a police officer reportable on the member's W-2 form, including overtime, bonuses and any payment of accrued vacation or sick time, and plus all tax deferred, tax sheltered, or tax exempt items of income derived from elective employee payroll deductions or salary reductions. For service earned after July 1, 2011, Salary shall not include more than three hundred (300) hours of overtime per calendar year and shall also not include payments for accrued unused sick or annual leave. Provided however, in any event, payments for overtime in excess of three hundred (300) hours per year or accrued unused sick or annual leave accrued as of July 1, 2011 and attributable to service earned prior to July 1, 2011, may still be included in Salary for pension purposes even if the payment is not actually made until on or after July 1, 2011. In any event, with respect to unused sick leave and unused annual leave accrued prior to July 1, 2011, Salary will include the lesser of the amount of sick or annual leave time accrued on July 1, 2011 or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement, regardless of whether the amount of sick or annual leave was, at some time prior to retirement, reduced below the amount on July 1, 2011

Compensation in excess of the limitations set forth in section 401(a)(17) of the code as of the first day of the plan year shall be disregarded for any purpose, including employee contributions or any benefit calculations. The annual compensation of each member taken into account in determining benefits or employee contributions for any plan year beginning on or after January 1, 2002, may not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Internal Revenue Code Section 401(a)(17)(B). Compensation means compensation during the fiscal year. 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. If the determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the

number of months in the short determination period, and the denominator of which is 12. If the compensation for any prior determination period is taken into account in determining a member's contributions or benefits for the current plan year, the compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that prior period. The limitation on compensation for an "eligible employee" shall not be less than the amount which was allowed to be taken into account hereunder as in effect on July 1, 1993. "Eligible employee" is an individual who was a member before the first plan year beginning after December 31, 1995.

* * * * *

SECTION 2: That Chapter 22, Personnel, Article V, Police Officers' Retirement Plan, of the Code of Ordinances of the City of Palmetto, is hereby amended by amending Section 22-174, Finances and Fund Management, subsection (6)b., to read as follows:

* * * * *

- (6) b. All monies paid into or held in the fund shall be invested and reinvested by the board and the investment of all or any part of such funds shall be ~~limited to~~ subject to the following:
- ~~1. Annuity and life insurance contracts with life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the members in the fund shall be entitled under the provisions of this system and pay the initial and subsequent premium thereon.~~
 - ~~2. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund or a savings/building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.~~
 - ~~3. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States or by an agency of the government of the United States.~~
 - ~~4. Bonds issued by the State of Israel.~~
 - ~~5. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, provided that:
 - ~~i. Except as provided in subparagraph (1), all individually held securities and all securities in a commingled or mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.~~~~

- ~~ii — Up to twenty five (25) percent of the assets of the fund at market value may be invested in foreign securities.~~
 - ~~iii — The board shall not invest more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five (5) percent of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities exceed the greater of sixty (60) percent at cost or sixty (60) percent at market of the assets of the fund.~~
- ~~6. — Real estate investments in an amount not to exceed at cost value fifteen (15) percent of the assets of the fund. The board may invest in real estate directly or through an investment vehicle approved by the board.~~
1. Notwithstanding any limitation provided for in Chapter 185, Florida Statutes to the contrary (unless such limitation may not be amended by local ordinance) or any limitation in prior city ordinances to the contrary, all monies paid into or held in the fund may be invested and reinvested in such securities, investment vehicles or property wherever situated and of whatever kind, as shall be approved by the board, including but not limited to common or preferred stocks, bonds, and other evidences of indebtedness or ownership. In no event, however, shall more than twenty-five percent of the assets of the fund at market value be invested in foreign securities.
 2. The board shall develop and adopt a written investment policy statement setting forth permissible types of investments, goals and objectives of investments and setting quality and quantity limitations on investments in accordance with the recommendations of its investment consultants. The investment policy statement shall be reviewed by the board at least annually.
 3. In addition, the board may, upon recommendation by the board's investment consultant, make investments in group trusts meeting the requirements of Internal Revenue Service Revenue Ruling 81-100 or successor rulings or guidance of similar import, and while any portion of the assets of the fund are invested in such a group trust, such group trust is itself adopted as a part of the system or plan.

* * * * *

SECTION 3: Specific authority is hereby granted to codify and incorporate this Ordinance in the existing Code of Ordinances of the City of Palmetto.

SECTION 4: All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

SECTION 5: If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency, or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrases under application shall not be affected thereby.

SECTION 6: This Ordinance shall take effect as provided for by law and by City Charter, Section 14, upon execution by the Mayor or, if disapproval occurs, upon reconsideration by the City Commission and passing of the Ordinance by at least four votes..

First Reading: March 19, 2012.

Publication: March 29, 2012.

Second Reading and Public Hearing: April 2, 2012.

PASSED AND DULY ADOPTED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, with a quorum present and voting, in regular session assembled, this 2nd day of April, 2012.

Shirley Groover Bryant, Mayor

ATTEST:

James R. Freeman, City Clerk

Foster & Foster INC.

Actuaries and Consultants

March 29, 2012

VIA EMAIL AND MAIL

Board of Trustees
c/o Ms. Diane Ponder
City of Palmetto Police Officers' Retirement Plan
P. O. Box 1209
Palmetto, FL 34220

Re: City of Palmetto
Police Officers' Retirement Plan

Dear Board:

Enclosed is the following material, which has been prepared in support of the proposed benefit change to the Fund:


Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the proposed change.

Drafts of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Police Officers' and Firefighters' Retirement Trust Funds.

It will be necessary for the Chairman to sign one (1) copy of each Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the two Bureaus prior to adoption.

If you have any questions concerning the enclosed material, please let me know.

Sincerely,


Douglas H. Lozen
DHL/rv

Enclosures

Ms. Patricia Shoemaker
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Ms. Shoemaker:

The City of Palmetto is considering the implementation of amended retirement benefits for its Police Officers. The amendments are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman
Division of Retirement
Bureau of Local Retirement Systems
P. O. Box 9000
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Palmetto is considering the implementation of amended retirement benefits for its Police Officers. The amendments are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

**CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN**

ACTUARIAL IMPACT STATEMENT

March 29, 2012

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes), and the Required City Contributions, resulting from implementation of the following changes:

A limitation on overtime and lump sum payments of unused sick and vacation time for inclusion in pensionable earnings as follows:

- a. For Credited Service after July 1, 2011 (the "effective date"), annual overtime shall not exceed 300 hours. Additionally, payment for unused sick and vacation time shall not be considered pensionable for hours accrued after the effective date.
- b. Payment for overtime and unused sick and vacation time at the time of termination shall not exceed the amounts in place on the effective date.

The following assumptions are utilized for purposes of this Impact Statement:

| <u>Current Credited Service</u> | <u>Current Liability Load</u> | <u>Revised Liability Load</u> |
|---------------------------------|-------------------------------|-------------------------------|
| 10 or more years | 4.5% | 4.5% |
| More than 1, less than 10 years | 4.5% | 3.5% |
| Less than 1 year | 4.5% | 0.0% |

It is important to point out that these assumptions are estimates, and are subject to further modification based on actual experience. Subsequent changes will be reflected in future actuarial valuations.

The cost impact, determined as of October 1, 2011, as applicable to the fiscal year ending September 30, 2013, is as follows:


| | <u>Current</u> | <u>Proposed</u> |
|---|------------------|------------------|
| Total Required Contribution % of Total Annual Payroll | 36.26% | 36.01% |
| Member Contributions (Est.) % of Total Annual Payroll | 5.00% | 5.00% |
| City and State Required Contribution % of Total Annual Payroll | 31.26% | 31.01% |
| State Contribution (est.) % of Total Annual Payroll | 101,867 6.76% | 101,867 6.76% |
| Balance from City % of Total Annual Payroll | 24.50% | 24.25% |

CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

March 29, 2012
(Page 2)

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #11-7778

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

Chairman, Board of Trustees

Comparative Summary of Principal Valuation Results

| | <u>Proposed</u> <u>10/1/2011</u> | <u>Current</u> <u>10/1/2011</u> |
|--------------------------------|-------------------------------------|------------------------------------|
| A. Participant Data | | |
| Number Included | 33 | 33 |
| Actives | 21 | 21 |
| Service Retirees | 1 | 1 |
| DROP Retirees | 0 | 0 |
| Beneficiaries | 3 | 3 |
| Terminated Vested | 2 | 2 |
| Disability Retirees | 2 | 2 |
| | 60 | 60 |
| Total | | |
| Total Annual Payroll | 1,505,965 | 1,505,965 |
| Payroll Under Assumed Ret. Age | 1,505,965 | 1,505,965 |
| Annual Rate of Payments to: | | |
| Service Retirees | 464,122 | 464,122 |
| DROP Retirees | 53,350 | 53,350 |
| Beneficiaries | 0 | 0 |
| Terminated Vested | 46,788 | 46,788 |
| Disability Retirees | 25,376 | 25,376 |
| B. Assets | | |
| Actuarial Value | 8,541,139 | 8,541,139 |
| Market Value | 7,532,771 | 7,532,771 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 6,391,579 | 6,428,852 |
| Disability Benefits | 544,790 | 548,581 |
| Death Benefits | 96,517 | 97,197 |
| Vested Benefits | 310,889 | 313,702 |
| Refund of Contributions | 31,586 | 31,586 |
| Service Retirees | 4,983,310 | 4,983,310 |
| DROP Retirees | 592,947 | 592,947 |
| Beneficiaries | 0 | 0 |
| Terminated Vested | 306,913 | 306,913 |
| Disability Retirees | 222,429 | 222,429 |
| Excess State Reserve | 16,268 | 16,268 |
| | 13,497,228 | 13,541,785 |
| Total | | |

| C. Liabilities - (Continued) | Proposed <u>10/1/2011</u> | Current <u>10/1/2011</u> |
|---|------------------------------|-----------------------------|
| Present Value of Future Salaries | 13,764,373 | 13,764,373 |
| Present Value of Future Member Cont. | 688,219 | 688,219 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 291,127 | 293,348 |
| Disability Benefits | 52,372 | 52,678 |
| Death Benefits | 5,821 | 5,861 |
| Vested Benefits | 21,610 | 21,774 |
| Refund of Contributions | 6,597 | 6,597 |
| Total Normal Cost | <u>377,527</u> | <u>380,258</u> |
| Present Value of Future Normal Costs | 3,233,850 | 3,267,907 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 3,820,358 | 3,829,688 |
| Disability Benefits | 133,995 | 134,253 |
| Death Benefits | 45,510 | 45,674 |
| Vested Benefits | 135,366 | 136,115 |
| Refund of Contributions | 6,281 | 6,281 |
| Inactives | 6,105,599 | 6,105,599 |
| State Excess Reserve | 16,268 | 16,268 |
| Total Actuarial Accrued Liability | <u>10,263,377</u> | <u>10,273,878</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | 1,722,239 | 1,732,739 |
| D. Actuarial Present Value of Accrued Benefits | | |
| Vested Accrued Benefits | | |
| Inactives | 6,105,599 | 6,105,599 |
| Actives | 2,113,692 | 2,116,396 |
| Member Contributions | <u>621,184</u> | <u>621,184</u> |
| Total | 8,840,475 | 8,843,179 |
| Non-vested Accrued Benefits | 697,080 | 701,883 |
| Total Present Value Accrued Benefits | <u>9,537,555</u> | <u>9,545,062</u> |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | (7,507) | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 0 | |
| Benefits Paid (net of DROP Lump Sums) | 0 | |
| Interest | 0 | |
| Other | 0 | |
| Total: | <u>(7,507)</u> | |

| Valuation Date Applicable to the Fiscal Year Ending | Proposed 10/1/2011 <u>9/30/2013</u> | Current 10/1/2011 <u>9/30/2013</u> |
|--|---|--|
| E. Pension Cost | | |
| Normal Cost (with interest) % of Total Annual Payroll* | 26.07 | 26.26 |
| Administrative Expense (with interest) % of Total Annual Payroll* | 1.25 | 1.25 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/11) % of Total Annual Payroll* | 8.69 | 8.75 |
| Total Required Contribution % of Total Annual Payroll* | 36.01 | 36.26 |
| Expected Member Contributions % of Total Annual Payroll* | 5.00 | 5.00 |
| Expected City & State Contrib. % of Total Annual Payroll* | 31.01 | 31.26 |

* Contributions developed as of 10/1/11 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/11 of \$1,505,965

ACTUARIAL ASSUMPTIONS AND COST METHOD

Assumptions

Mortality Rates

RP2000 Combined Healthy with no projection, sex distinct. Disabled lives are set forward five years.

Interest Rate

8.0% per year compounded annually, net of investment related expenses.

Normal Retirement Age

| <u>Number of Years after First Eligibility for Normal Retirement</u> | <u>Probability of Retirement</u> |
|--|--------------------------------------|
| 0 | 80% |
| 1-4 | 40% |
| 5 | 100% |

Early Retirement Rate

5% for each eligible year.

Salary Increases

| <u>Years of Service</u> | <u>Rates</u> |
|-------------------------|--------------|
| Less than 10 | 9.4% |
| 11-15 | 6.0% |
| 16-20 | 6.5% |
| 21 or more | 4.0% |

Terminal Leave Pay (Prior to Impact Statement)

| <u>Present Value of Liability</u> | <u>Percentage Increase to Liability</u> |
|-----------------------------------|---|
| Normal Retirement | 4.5% |
| Early Retirement | 4.5% |
| Vesting | 4.5% |
| Death | 4.5% |
| Disability | 4.5% |
| Refund of Contributions | 0.0% |

Cost of Living Adjustments

None.

Payroll Increases

None.

Administrative Expenses

\$18,047

ACTUARIAL ASSUMPTIONS AND COST METHOD
(continued)

| <u>Funding Method</u> | Entry Age Normal Actuarial Cost Method | |
|-----------------------------|--|--|
| <u>Termination Rates</u> | <u>Age</u> | <u>Rates</u> |
| | 25 | 5.7% |
| | 30 | 5.0% |
| | 35 | 3.8% |
| | 40 | 2.6% |
| | 45 | 1.6% |
| | 50 | 0.8% |
| <u>Disability Rates</u> | <u>Age</u> | <u>Probability of Disability</u> |
| | 25 | 0.15% |
| | 30 | 0.18% |
| | 35 | 0.23% |
| | 40 | 0.30% |
| | 45 | 0.51% |
| | 50 | 1.00% |

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 09-998)

| | |
|-------------------------------------|---|
| <u>Eligibility</u> | Full-time employees who are classified as Police Officers participate as a condition of employment. |
| <u>Credited Service</u> | Total years and fractional parts of years of employment with the City as a Police Officer. |
| <u>Salary</u> | Gross Compensation reportable on the Member's W-2 form, including overtime, bonuses, lump sum payments of unused sick and vacation time, plus all tax deferred, tax sheltered or tax exempt items of income derived from elective employee payroll deductions or salary reductions. |
| <u>Average Final Compensation</u> | Average Salary for the 5 best years of the 10 years immediately preceding retirement or termination. |
| <u>Member Contributions</u> | 5.0% of Salary. |
| <u>City and State Contributions</u> | Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S. |
| <u>Normal Retirement</u> | |
| Date | Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age. |
| Benefit | 3.0% of Average Final Compensation for each year of Credited Service. |
| Maximum Benefit | 75% of Average Final Compensation for Members hired after June 7, 1982. |
| Form of Benefit | Ten Year Certain and Life Annuity (options available). |

Early Retirement

Eligibility

Age 50 with 10 years of Credited Service.

Early Retirement (continued)

Benefit

Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.

Vesting

Schedule

100% after 10 years of Credited Service.

Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Disability

Eligibility

Covered from Date of Employment.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Service Incurred

Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.

Non-Service Incurred

10 or More Years of

Credited Service

Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.

Less than 10, but at

Least 5 Years of
Credited Service

Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 20% of Average Final Compensation.

| | |
|--|---|
| Less Than 5 Years of Credited Service | Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement. |
| Maximum Benefit | 75% of Average Final Compensation for Members hired after June 7, 1982. |

Disability (continued)

| | |
|----------|---|
| Duration | Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available. |
|----------|---|

Death Benefits

| | |
|---|--|
| 10 or more years of designated Credited Service Early | Monthly accrued benefit payable to beneficiary for life at otherwise (reduced) or Normal (unreduced) Retirement Date. |
| Less than 10 years of contributions. Credited Service | Refund of accumulated Member |
| Post-Retirement accordance | Benefits payable to beneficiary in with option selected at retirement. |

Deferred Retirement Option Plan (DROP)

| | |
|----------------|--|
| Eligibility | Satisfaction of Normal Retirement requirements. |
| Participation | Not to exceed 60 months from the date of first eligibility for Normal Retirement. |
| Rate of Return | At Member's election, either: a) 6.5% effective annual rate, or b) Net |

**Investment Return (total return less
brokerage commission, transaction
costs and management fees) credited
each fiscal quarter.**

Distribution

**Cash lump sum (options available) at
termination of employment.**