

# CITY OF KNOXVILLE PENSION SYSTEM PENSION PROVISION SUMMARY PLAN G OPTION 1

This document was prepared on January 22, 2010 and all information is believed to be correct as of this date. All information on pension system provisions contained in this document are subject to the City of Knoxville Charter provisions on pensions (title XIII). Actual benefits payable must be in accordance with such provisions.

**Participation:** Employees hired on and after January 1, 1997 in eligible positions with the City of Knoxville ("City") are required to participate in Plan G Option 1 beginning on the first day of the month following the completion of six months of employment with the City. Any employee covered by the pension system prior to January 1, 1997 and who elected into Plan G Option 1.

**Employee Contributions:** 6% of regular bi-weekly salary (does not include overtime); 6% of longevity pay; 6% of any bonus paid;

The 6% employee contributions are credited to each component as follows:

Defined Benefit Component: 3% contributions are partial funding of benefit which becomes payable

Defined Contribution Component: 3% contributions to member's Supplement Retirement Account

## **Employer's Contributions:**

Defined Benefit Component: Determined actuarially to fully fund benefit

Defined Contribution Component: 1 and 1/2% contributions are credited to member's Supplement Retirement Account

**Credited Service:** All service in a pension covered position (any permanent position) with the City during which member participates and makes required employee contributions;

Transfer of unused sick days at termination to credited service 20 days = 1 month service

**Final Average monthly Salary:** Determined by the two (do not have to be consecutive) twelve month (must be consecutive months) periods when divided by 24 yields the highest monthly average.

**Normal Retirement Benefit:** Monthly benefit payable at age 62 **OR when member's age and credited service are equal to or greater than 80** which is the sum of a monthly benefit determined by multiplying the Final Average monthly salary by the retirement factors shown in Table A and then multiplying this result by the total years and total completed months and days of credited service.

Table A:	Age	62 & less	.0115
		63	.0121
		64	.0127
		65 & later	.0135

The value of the Supplemental Retirement Account is payable in either a one-time payment upon retirement or as an additional lifetime monthly benefit

An employee who terminates employment prior to completing five years of service is entitled to a return of:

Defined Benefit Component: 3% employee contributions PLUS simple interest at 4% of total employee contributions to this component on January 1 of each calendar year

Defined Contribution Component: Value of the employee account in the Supplemental Retirement Account. This does not include the employer account consisting of employer contributions made and any investment gain or loss on those employer contributions. Value may be more or less than employee 3% contributions to this component.

Significant Dates:

**5<sup>th</sup> year of creditable service:** An employee vests for a lifetime monthly benefit beginning at age 62. Survivor benefits are payable if member were to die while in service with the City. Employee should file a pre-retirement optional benefit form to direct any benefits which may be payable with the Pension Board.

**10<sup>th</sup> year of creditable service:** An employee must file an election with the pension board to remain in Plan G Option 1 or transfer to Plan G Option 2. This is a one-time irrevocable decision. Members who elect to transfer give up the Supplemental Retirement Account in exchange for the higher Defined Benefit retirement factor of 2.1% per year of creditable service.

**15<sup>th</sup> year of creditable service:** An active employee with at least 15 years of service who is determined to be disabled by the pension board is entitled to a not in line of duty disability benefit.

**25<sup>th</sup> year of creditable service:** An employee is eligible for early retirement. If member age and credited service total less than 80, member may apply for a benefit to begin upon termination of employment prior to age 62. Benefit will be calculated as described above and then reduced by the factor in Table C.

Table C:

AGE	Factor	Age	Factor	Age	Factor
50	.3439	54	.4810	58	.6853
51	.3734	55	.5245	59	.7513
52	.4059	56	.5726	60	.8250
53	.4416	57	.6260	61	.9075

An employee at retirement has several alternate retirement options in lieu of the Normal Retirement Benefit. There are Joint and Survivor options (50,75,100%), period certain options (5,10,15 years) and a cash refund option. Please contact the Pension Office at 215-1444 for additional details on these options and other information on Plan G Option 1.

## **Delayed Retirement Option Program (DROP)**

The City adopted a Delayed Retirement Option Program (DROP) for Plan G participants effective on January 6, 2001. A member who is eligible for a normal retirement benefit may fix a delayed retirement date. The Delayed Retirement Date may be no more than 24 months after the election to DROP is effective. A member will no longer be permitted to make contributions to the pension system once the election to DROP has become effective. A member's retirement benefit entitlement is computed when the member elects to DROP. A DROP participant's death, disability or termination of employment prior to the established Delayed Retirement Date changes the Delayed Retirement Date to the date of occurrence. None of these events affect the monthly benefit entitlement. The accumulated benefits in the DROP plan at the Delayed Retirement Date are payable in a one-time payment in the month following the Delayed Retirement Date. This one-time payment of the accumulated benefits to the Delayed Retirement Date is an eligible rollover distribution. The member has the option to "roll over" all or part of the distribution to another eligible tax-deferred arrangement. The member's regular monthly benefit which was established at the member's election to DROP will also begin in the month following the Delayed Retirement Date. Any post retirement benefit adjustments for which the member is eligible during the member's DROP period will increase the monthly benefit entitlement established at the time of the member's election to DROP.

The Supplemental Retirement Account will remain with the Pension System during the DROP participation period and will become payable in the month following the Delayed Retirement Date. The member may elect to have the account distributed as a one-time payment or elect to have a lifetime annuity paid from the pension system. If the member elects the one-time payment of the Supplemental Retirement Account, the distribution is an eligible rollover distribution and may be "rolled over" to another eligible tax deferred arrangement. If the member elects a lifetime annuity, the monthly amount payable will be combined with the defined benefit discussed above and paid in accordance with the member's alternate retirement option elected, if any. If the accumulated benefits paid at the time of the member's death is less than the value of the account on the date of retirement, a final one-time payment of the difference will be payable to the named beneficiary or the member's estate if no beneficiary is living at the time of the member's death.

### **Important Highlights:**

An employee must be eligible for a Normal Retirement Benefit in order to participate in the DROP. See Normal Retirement Benefit description above.

The election to DROP and the established Delayed Retirement Date are irrevocable decisions.

Once the monthly benefit entitlement is computed and fixed as of the DROP effective date, additional service and increased salaries do not affect this entitlement.

The employee is no longer required to contribute to the pension system once the DROP election is effective.

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