

CITY OF KNOXVILLE PENSION SYSTEM

PENSION PROVISION SUMMARY

PLAN G OPTION 2

This document was prepared on September 29, 2005 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 and upon completion of 10th year of creditable service elected into Plan G Option 2. Any employee covered by the pension system prior to January 1, 1997 and who elected into Plan G Option 2.

Employee Contributions: 6% of regular bi-weekly salary (does not include overtime); 6% of longevity pay; 6% of any bonus paid; Employee contributions are partial funding for benefits which become payable.

Employer's Contributions: Determined actuarially to fully fund the accruing benefits

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 determined by multiplying the Final Average monthly salary by 2.1% and then multiplying this result by the total completed years and total completed months and days of credited service.

An employee who terminates employment prior to completing five years of service is entitled to a return of their 6% employee contributions PLUS simple interest at 4% of total employee contributions on January 1 of each calendar year

Significant Dates:

5th 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 with the Pension Board a pre-retirement optional benefit form to direct any benefits which may be payable.

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

25th 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 1/4 of 1 % for each month prior to age 62.

A member 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 2.

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.

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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