

AN ORDINANCE AMENDING THE RETIREMENT SYSTEM OF THE CITY OF NORTH LITTLE ROCK REGARDING ACTUARIAL EQUIVALENT, YEARS OF CREDITED SERVICE, ELIGIBILITY REQUIREMENTS, MEMBER CONTRIBUTIONS AND VESTING UPON REEMPLOYMENT; DECLARING AN EMERGENCY; AND FOR OTHER PURPOSES.

WHEREAS, pursuant to Ordinance No. 8144, adopted January 26, 2009, the City of North Little Rock restated and amended the current Retirement System of the City of North Little Rock ("Retirement Plan" or "Plan"), thereafter amended through adoption of Ordinance Nos. 8304, 8402, 8494 and 8870; and

WHEREAS, the Retirement Plan provides, in Article IX, Section 3.9.2, for its amendment from time to time by the City Council; and

WHEREAS, the Retirement Plan provides for required employee contributions, and it is desired to increase the amount of employee contributions from four percent (4%) to five percent (5%) and that such employee contributions be made on a before-tax basis; and

WHEREAS, there is a need to amend the Plan regarding sections on Actuarial Equivalent, Years of Credited Services, Eligibility Requirements, Member Contributions and Vesting Upon Reemployment.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTH LITTLE ROCK, ARKANSAS:

SECTION 1: That the current Retirement System of the City of North Little Rock (also known as the North Little Rock Non-Uniformed Retirement Plan) is hereby amended as set forth in Exhibit A attached hereto and incorporated herein by reference.

SECTION 2: That the employees eligible to participate in the Retirement Plan shall agree to reduce eligible compensation as set forth in Exhibit A attached hereto beginning with the pay period beginning December 22, 2017, which is to be paid after January 1, 2018.

SECTION 3: That the City of North Little Rock (the "City") will assume the obligation to pay the amounts deducted from employees' pay as set forth in Exhibit A and shall contribute such amounts to the Plan. Such amounts are intended to be "picked up" by the City and are intended to be non-taxable to employees for federal and state income tax purposes.

SECTION 4: That all ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of the conflict.

SECTION 5: That the provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall be declared or held invalid, such invalidity shall not affect the remainder of the sections, phrases or provisions.

SECTION 6: It is hereby found and determined that there is a need for the City to adopt amendments to its Retirement Plan from time to time based on recommendations from the Pension Board, and these amendments should be made effective with the pay period beginning December 22, 2017; THEREFORE an emergency is hereby declared to exist, and this Ordinance shall be in full force and effect from and after its passage and approval.

PASSED:

APPROVED:

Mayor Joe A. Smith

SPONSOR:

ATTEST:



Mayor Joe A. Smith *by AP*

Diane Whitbey, City Clerk

APPROVED AS TO FORM:



Amy Beckman Fields, City Attorney

PREPARED BY THE OFFICE OF THE CITY ATTORNEY/b

FILED <u>11:55</u> A.M. _____ P.M.
By <u>A. Fields</u>
DATE <u>11-21-17</u>
Diane Whitbey, City Clerk and Collector North Little Rock, Arkansas
RECEIVED BY <u>JL Sberry</u>

**AMENDMENT TO THE
RETIREMENT SYSTEM OF THE
CITY OF NORTH LITTLE ROCK**



The Retirement System of the City of North Little Rock, Arkansas (“the Plan”), as amended and restated effective January 1, 2013, and further amended effective as of January 1, 2017, is hereby amended as follows, effective as of January 1, 2018:

1. Substitute the following Section 1.2.3 of the Plan defining “Actuarial Equivalent” for the previously adopted Section:

“1.2.3 "Actuarial Equivalent”: A benefit of equivalent value to the benefit which would otherwise have been provided, determined on the basis of the interest rates and mortality tables set forth below, subject to the provisions of Section 2.3.10 of the Plan.

Pre-retirement interest rate:	6.5%
Pre-retirement mortality table:	RP-2014 projected using MP-2016 and combined as a unisex table as described in IRS Notice 2017-60, otherwise referred to as the 417(e)(3) applicable mortality table for 2018
Post-retirement interest rate	6.5%
Post-retirement mortality table	RP-2014 projected using MP-2016 and combined as a unisex table as described in IRS Notice 2017-60, otherwise referred to as the 417(e)(3) applicable mortality table for 2018.”

2. Substitute the following Sections 1.2.50 and 1.2.51 of the Plan for the previously adopted Sections:

“1.2.50 "Year(s) of Credited Service”: Years of Service on or after January 1, 1977 for which the Employee has made Contributions required for participation in the Plan. For purposes of calculation of Service Retirement Allowances and Separation Benefits, all of a Participant’s Years of Service on or after January 1, 1977 shall be counted. Provided, however, that if a Participant terminates employment with the City and is rehired, the following rules shall apply, subject to Section 2.3.3(c)(3):

- (a) If the Participant elected to receive payment of benefits in the form of a lump sum payment based upon the accumulated value of his or her vested City and Member Contributions in lieu of a Retirement Allowance upon his earlier termination of employment, his Years of Service prior to rehire shall not be counted.

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- (b) If the Participant has not received a distribution of such Participant's Member Contributions, and has not begun to receive a Retirement Allowance, Member Contributions shall be deducted from such Participant's Compensation upon rehire, and the Participant shall continue to accrue additional benefits based on the Participant's subsequent Years of Service. Upon subsequent retirement, the Participant's benefit shall be based on the Participant's actual Years of Service both before and after the break in service.

"1.2.51 "Year(s) of Service": Subject to any limitations or exclusions under the Plan's benefit formula, twelve (12) consecutive completed calendar months during which a Member has City Service. A Member who is employed for less than twelve (12) completed calendar months since last completing a full calendar year of City Service shall be given credit for a partial Year of Service, based on the number of completed calendar months of employment prior to the date of the Member's termination of employment."

3. Substitute the following Section 2.1.1 of the Plan for the previously adopted Section:

"2.1.1 Eligibility Requirements. As a condition of continuing in or obtaining employment with the City, as the case may be, all Employees must agree to have their Compensation reduced on a payroll deduction basis as set forth in Section 2.2.1 and thus be included in the Retirement System as Members. Subject to Section 2.3.3(c)(3), Employees of the City who earlier retired and are receiving a Retirement Allowance and are rehired and return to employment with the City may not rejoin the Plan for purposes of additional benefit accruals or Member Contributions. Any such returning retired Employee may, however, continue to draw his or her Retirement Allowance from the Plan.

4. Substitute the following Section 2.2.1 of the Plan for the previously adopted Section:

"2.2.1 Member Contributions.

- (a) **Amount of Contribution.** The rate of Contributions for Members is five percent (5%) of each Member's Compensation from the City. Contributions will be paid through payroll withholdings by all Members while Employees in City Service and until their respective termination dates of employment. The required Member Contribution rate may be increased (or decreased) from time to time by the City Council, provided that Members shall be given at least sixty (60) days advance notice of any change in the Member Contribution rate. Once amounts are deducted from Members' paychecks, the City shall assume the obligation for such amounts and shall pay such amounts to the Plan as Member Contributions, as set forth below. Member Contributions shall be considered "picked up" for federal tax purposes and therefore shall not be subject to federal income tax.

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- (b) **Member Contributions Account.** The Trustee shall invest Member contributions together with the other assets in the Trust Fund, but for accounting purposes the Plan Administrator shall maintain a Member Contributions Account for each Member. As of the last day of each Plan Year, the balances in each Member's Member Contributions Account shall be adjusted to reflect its fair market value as of said date. In determining such value, all accrued and unpaid income shall be included and all accrued and unpaid expenses shall be deducted.

- (c) **Payment of Member Contributions.** The Retirement Board shall adopt rules and regulations governing payroll withholding for Member Contributions. All amounts so deducted for each pay period by the City shall be immediately paid into the Retirement Fund and credited by the Retirement Board to the individual accounts of the Members. Every Member shall be deemed to have consented and agreed to the Contributions provided and made hereunder. Each payroll payment, less such Contribution, shall be a full and complete discharge of all claims and demands whatsoever for the service rendered by such Member during the period covered by the payment, except his claim to the benefits to which he may be entitled under the provisions of this Plan. Except as provided in Section 2.3.6, a Member shall not receive a refund of the Member Contributions, but shall instead receive the benefit to which the Member is otherwise entitled under the Plan.”

5. Substitute the following Section 2.3.5 of the Plan for the previously adopted Section:

“2.3.5 Separation Benefits.

- (a) Any Member terminating his City Service without being eligible for Normal Retirement, Early Retirement or Disability Retirement, all as defined herein, shall in such event receive in a lump sum payment his vested Accumulated Contributions increased with four percent (4%) interest to the last day of the month that includes the date of his termination of employment. Provided however, that any such Member who terminates his City Service and who then has a one hundred percent (100%) vested and nonforfeitable interest in his City Contributions account shall have the option to select one (1) of the following forms of Separation Benefits:

- (1) The Member may receive his vested Accumulated Contributions increased with four percent (4%) interest to the last day of the month that includes the date of his termination of employment in a lump sum payment; or

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(2) Upon reaching Normal Retirement Age, the Member may receive a Normal Retirement Allowance as set out in Section 2.3.3(a) above; or,

(3) If the Member has not reached age sixty-two (62) at his date of termination of employment, the Member may receive his vested Accumulated Contributions increased with four percent (4%) interest to the last day of the month that includes the date of his termination of employment in a lump sum payment in lieu of a pension.

(b) The Member must exercise one (1) of the options listed above in section 2.3.5(a) within thirty (30) days of his separation from City Service.”

6. Substitute the following Section 2.4.2 of the Plan for the previously adopted Section:

“2.4.2 Vesting Upon Reemployment. For purposes of calculation of vesting, in the case of a Member who has five (5) or more consecutive Breaks in Service, all Years of Service after such Breaks in Service shall be disregarded for the purposes of vesting the City Contributions Account that accrued before such breaks, but both pre-break and post-break service shall count for the purposes of vesting the City Contributions Account that accrues after such breaks. In the case of a Member who does not have five (5) consecutive Breaks in Service, both the pre-break and post-break service shall count in vesting the City Contributions Account.”

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on _____, 2017.

EMPLOYER:
CITY OF NORTH LITTLE ROCK

By: _____

Title: _____