



PENSION PLAN ELECTION

Background



Recent Pension Plan Ordinance amendments allow Public Safety employees to choose between the 1978 Pension Plan or the 2016 Hybrid Pension Plan.



Who is Eligible?

- **Commissioned Officers, Firefighters, Dispatchers, Alarm Operators and Paramedics**
 - Hired after July 1, 2023; or
 - Hired on or after July 1, 2016, but prior to July 1, 2023, and currently participating in the 2016 Hybrid Pension Plan; or
 - Terminated employment under the 1978 plan and received a refund; and rehired on or after 7/1/2016; can buy back your pension refund/rollover with interest to the 1978 Pension System

Who Is Not Eligible?

- Employees who have withdrawn any amount from the 2016 Hybrid Pension Plan
- Any employees who were previously eligible to participate in the Public Safety Sales Tax Referendum Special Election in 2021. (Public Safety employees hired January 1, 2009 through June 30, 2016).

When Can I Choose?



October 7 – November 3

What Are the Choices?



1978 Pension Plan

2016 Hybrid Pension Plan

1978 Defined Benefit Pension Plan



What is a Defined Benefit Plan?

A defined benefit plan is an employer sponsored retirement plan where the employee's benefits are computed using a formula that considers several factors, such as length of employment, salary history, and age at the date of retirement.



1978 Defined Benefit Pension Plan

Pension Contributions	
Employee Contribution	City Contribution
8% of employee salary	Not less than 6% of employee's salary

Who Manages the Funds?
The City

What Happens If Not Vested When Leaving the City?
Refund/Rollover of the total amount of the employee's contributions <u>without</u> investment earnings (interest)



1978 Defined Benefit Pension Plan

When Can I Retire?	
General	Commissioned
<p>Hired Before 7/1/2012</p> <ul style="list-style-type: none"> ▪ 25 years of pension service, or ▪ Age 60 with 10 years of pension service, or ▪ Age 65 with 5 years of pension service. 	<p>Hired Before 7/1/2012</p> <ul style="list-style-type: none"> ▪ 25 years of pension service, or ▪ Age 55 with 10 years of pension service.
<p>Hired on or After 7/1/2012</p> <ul style="list-style-type: none"> ▪ 25 years of pension service ▪ Age 65 with 5 years of pension service; with a 5% per year reduction for each year early retirement date is before the age 62 	<p>Hired on or after 7/1/2012</p> <ul style="list-style-type: none"> ▪ 25 years of pension service ▪ Age 55 with 10 years of pension service; with a 5% per year reduction for each year early retirement date is before the age 52



2016 Hybrid Pension Plan

What is a Hybrid Plan?

It is a combination of two separate plans:

- Defined Benefit Plan (Market Based Cash Balance)
- Defined Contribution Plan 401(a)

2016 Hybrid Pension Plan



Pension Contributions				
Employee Contribution		City Contribution/Allocation		
8% of employee salary <ul style="list-style-type: none"> ▪ 2% to Defined Benefit Market Based ▪ 6% to Defined Contribution 401(a) 		Market Based General		401(a)
		Less than 5 Years 3% 5 – 10 years 5% 10 – 15 years 7% 15 – 20 years 10% 20+ years 13%	Market Based Commissioned	
		Less than 5 Years 6%	5 – 10 years 8%	
		10 – 15 years 10%	15 – 20 years 13%	
		20+ years 16%		

Who Manages the Funds?	
The Employee and City	
The Employee Manages the 401(a)*	The City Manages the Market Based**

What Happens If Not Vested When Leaving the City?
Refund/Rollover of the total amount of the employee's contributions <u>with</u> investment earnings (interest)

*Investment Details - Earnings are based on individual investments directed by the employee and may be positive or negative. There are 29 fund options which are identical to the fund lineup for the 457(b) Deferred Comp Plan. If you don't select a fund for your 401(a), your funds will automatically be invested in the Vanguard Target Retirement Date Fund.

**Investment Details - Earnings are based on market return of the Pension trust minus 1%. Account balance at retirement never less than total contributions. (i.e. guaranteed zero cumulative invested return at retirement)



2016 Hybrid Pension Plan

When Can I Retire?	
General	Commissioned
Hired After 7/1/2016 <ul style="list-style-type: none">▪ 25 years of pension service, or▪ Age 65 with 5 years of pension service	Hired After 7/1/2016 <ul style="list-style-type: none">▪ 25 years of pension service, or▪ Age 55 with 10 years of pension service
Hired on or After 7/1/2012 <ul style="list-style-type: none">▪ 25 years of pension service▪ Age 65 with 5 years of pension service with a 5% reduction for each year prior to 62	Hired on or After 7/1/2012 <ul style="list-style-type: none">▪ 25 years of pension service, or▪ Age 55 with 10 years of pension service with a 5% reduction for each year prior to 52

Pension Plan Comparison



	1978 Pension Plan	2016 Hybrid Plan	
Components	Defined Benefit Plan	Defined Benefit Plan Market Based Cash Balance	Defined Contribution Plan 401(a)
Employee Contribution	8% of employee salary	2% of employee salary	
Memphis Contribution/Allocation	Not less than 6% of employee salary	Market Based General Less than 5 Years 3% 5 – 10 years 5% 10 – 15 years 7% 15 – 20 years 10% 20+ years 13%	Market Based Commissioned Less than 5 Years 6% 5 – 10 years 8% 10 – 15 years 10% 15 – 20 years 13% 20+ years 16%
Who Manages the Funds?	City of Memphis	City of Memphis	Employee
Monthly Retirement Benefits	Benefit is based on a Fixed Formula: Years of Service x Average Monthly Compensation x Benefit Accrual Percentage	Accumulated principal and investment return from Cash Balance and 401(a) DC Plan are combined for a lifetime annuity converted using a 5% interest rate and the current IRS Mortality Table at time of retirement	
Payment	Lifetime Annuity, if single DROP Eligible	Lifetime Annuity, if single Option to Elect up to 25% Lump Sum of Account Balance	
What Happens After Death?	Single – Annuity Stops Married – Spouse 75% of Annuity	Single – Annuity Stops Married – Spouse 75% of Annuity	
Ordinary Disability	Accrued benefit at the time of disability retirement	Accrued benefit at the time of disability retirement based on the Disability Mortality Table	
Line of Duty Death/Disability Benefits	Greater of 60% of your Average Monthly Compensation, or your accrued benefit as of the date of your disability	Greater of 60% of your Average Monthly Compensation, or your accrued benefit as of the date of your disability	

Pension Plan Comparison (contd.)



	1978 Pension Plan		2016 Hybrid Plan	
Non-Vested End of Employment	Refund of the total amount of the employee's contributions without investment earnings (interest)		Refund of the total amount of the employee's contributions with investment earnings (interest)	
When Can I Retire?	Commissioned Hired Before 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 55 with 10 years of pension service 	Commissioned Hired on or after 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 55 with 10 years of pension service with a *5% reduction for each year prior to 52 	Commissioned Hired 7/ 1/2016 <ul style="list-style-type: none"> 25 years of pension service Age 55 with 10 years of pension service 	Commissioned Hired After 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 55 with 10 years of pension service with a 5% reduction for each year prior to 52
	General Hired before 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 60 with 10 years of pension service Age 65 with 5 years of pension service 	General Hired on or after 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 65 with 5 years of pension service with a 5% reduction for each year prior to 62 	General Hired After 7/1/2016 <ul style="list-style-type: none"> 25 years of pension service Age 65 with 10 years of pension service 	General Hired After 7/1/2012 <ul style="list-style-type: none"> 25 years of pension service Age 65 with 5 years of pension service with a 5% reduction for each year prior to 62
DROP Eligible	Yes		No. However, there is an option to elect up to a 25% Lump Sum Payment	
Deferred Compensation	Deferred Compensation 457 (b) is paid separately from the Deferred Compensation plan		Deferred Compensation can be used to increase annuity payments at retirement	

What Are the Similarities?



	1978 Pension Plan	2016 Hybrid Plan	
Employee Contribution	8% of employee salary	2% of employee salary	6% of employee salary
What Happens After Death?	Single – Annuity Stops Married – Spouse 75% of Annuity	Single – Annuity Stops Married – Spouse 75% of Annuity	
Line of Duty Death/Disability Benefits	Greater of 60% of your Average Monthly Compensation, or your accrued benefit as of the date of your disability		Greater of 60% of your Average Monthly Compensation, or your accrued benefit as of the date of your disability
When Can I Retire?	Commissioned <ul style="list-style-type: none"> ▪ 25 years of pension service ▪ Age 55 with 10 years of pension service* General <ul style="list-style-type: none"> ▪ Hired on or After 7/1/2012 ▪ 25 years of pension service ▪ Age 65 with 5 years of pension service** 		Commissioned <ul style="list-style-type: none"> ▪ 25 years of pension service ▪ Age 55 with 10 years of pension service General <ul style="list-style-type: none"> ▪ Hired Before to 7/1/2012 ▪ 25 years of pension service, or ▪ Age 65 with 5 years of pension service**

*Hired on or after **7/1/2012** with a 5% reduction for each year prior to 52

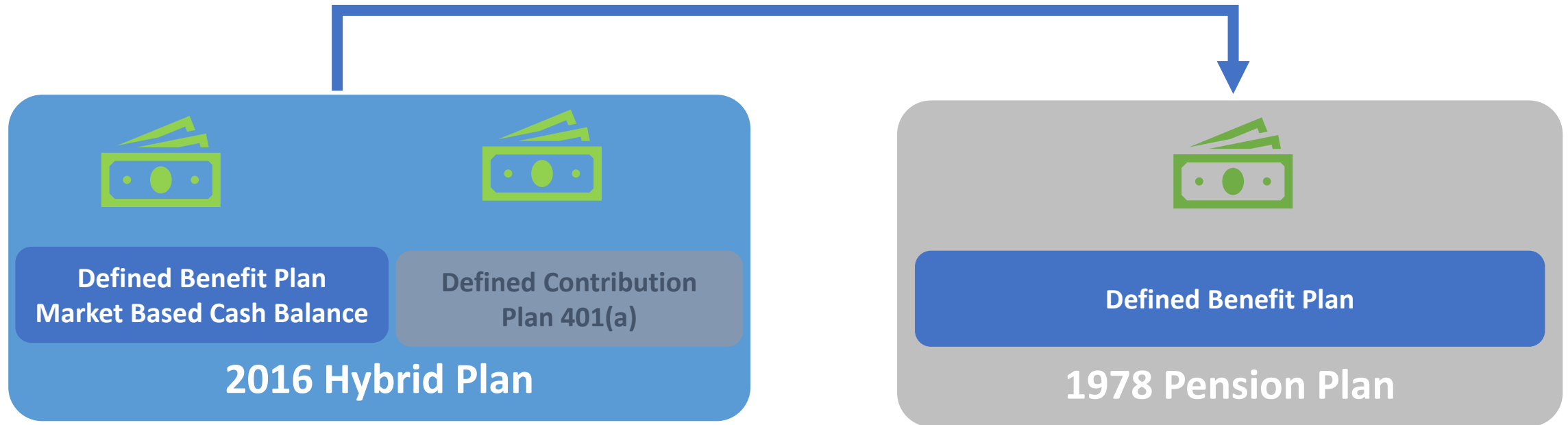
Hired on or after **7/1/2012 with a 5% reduction for each year prior to 62



What Are the Differences between the Plans?

	1978 Pension Plan	2016 Hybrid Plan		
Components	Defined Benefit Plan	Defined Benefit Plan	Market Based Cash Balance	Defined Contribution Plan 401(a)
Memphis Contribution/Allocation	Not less than 6% of employee salary	Market Based General Less than 5 Years 3% 5 – 10 years 5% 10 – 15 years 7% 15 – 20 years 10% 20+ years 13%	Market Based Commissioned Less than 5 Years 6% 5 – 10 years 8% 10 – 15 years 10% 15 – 20 years 13% 20+ years 16%	401(a) 1.50% of employee salary
Who Manages the Funds?	City of Memphis	City of Memphis		Employee
Monthly Retirement Benefits	Benefit is based on a Fixed Formula: Years of Service x Average Monthly Compensation x Benefit Accrual Percentage	Accumulated principal and investment return from Cash Balance and 401(a) DC Plan are combined for a lifetime annuity converted using a 5% interest rate and the current IRS Mortality Table at time of retirement		
Payment	Lifetime Annuity, if single DROP Eligible	Lifetime Annuity, if single Option to Elect up to 25% Lump Sum Payment		
Ordinary Disability	Accrued benefit at time of retirement.	Cash balance account plus 401(a) DC Plan account converted to annuity at 5% interest rate and Disability Mortality Table		
Non-Vested End of Employment	Refund of the total amount of the employee's contributions <u>without</u> investment earnings (interest)	Refund of the total amount of the employee's contributions <u>with</u> investment earnings (interest)		
DROP Eligible	Yes	No		
Deferred Compensation	Deferred Compensation 457 (b) is paid separately from the Deferred Compensation plan	Deferred Compensation 457 (b) can be used to increase annuity payments at retirement from the 2016 Hybrid plan		

What Happens If I Decide to Transfer to the 1978 Plan?*



Your **Cash Balance Defined Benefit Account** and your **401(a) Defined Contribution** will be incorporated into the pooled 1978 Pension Plan assets at First Tennessee. There are no individual participant accounts in the 1978 Pension Plan.

Once the money is transferred, Empower will no longer hold your 401(a) Account Balance and it will reflect as \$0 in that account because the total account balance has been transferred to the 1978 Defined Benefit Plan.

*Your election does not impact your 457(b)

Comparison of Pension Plan Options



- ▶ 25-year-old firefighter (a police and fire employee)
- ▶ Started with the City in 2018
- ▶ Current salary of \$69,000 a year

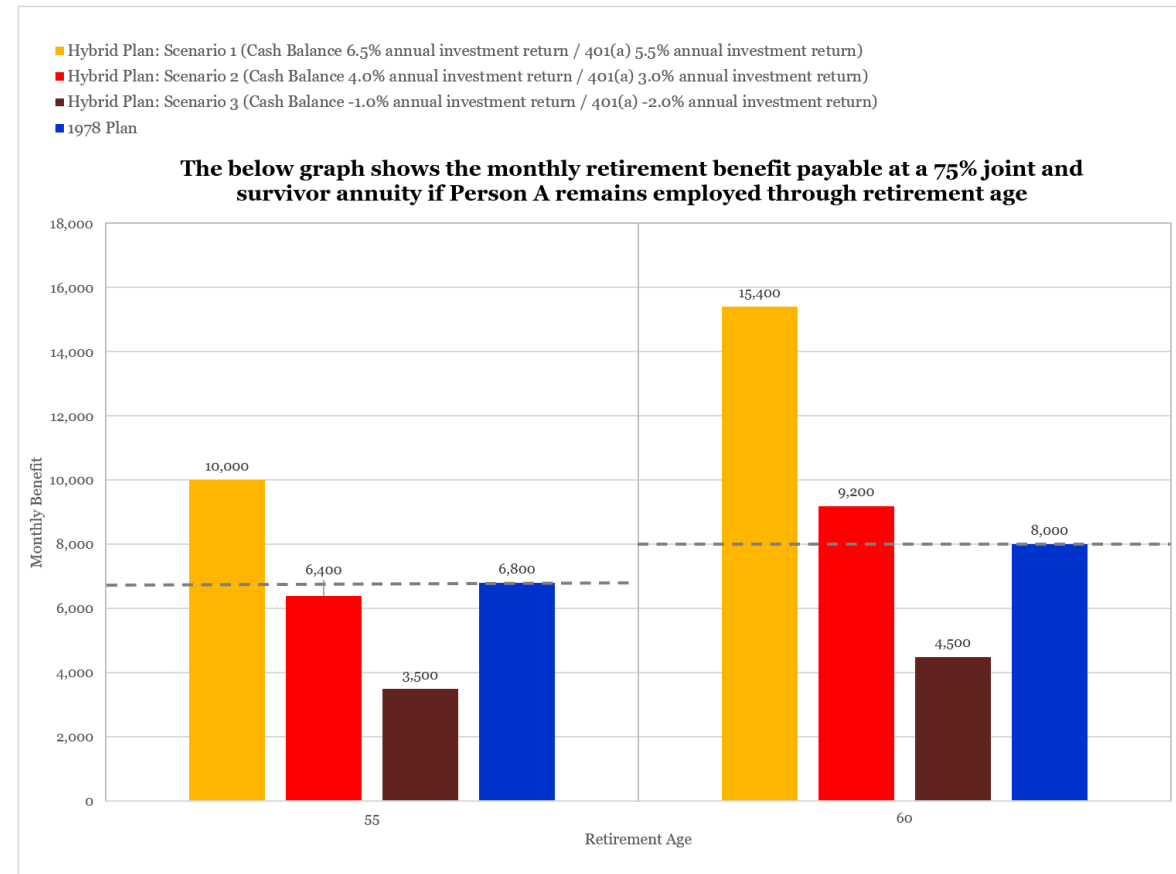
With consideration of probable changes in the investment market, and potential salary increases, an estimate of his monthly retirement income under the Hybrid Plan would be from:

- \$3,500 to \$10,000 at a retirement age of 55 OR
- \$4,500 to \$15,400 at a retirement age 60

If the firefighter was restored to the 1978 plan, he would receive estimated monthly retirement income of:

- \$6,800 at a retirement age of 55 OR
- \$8,000 at a retirement age 60

This estimate does not consider the potential impact of future reduction in the benefit accrual attributable to insufficient of funding in the Special Revenue Fund to fund such benefit accrual. These are intended to be illustrated estimates only and serve no other purpose. Actual retirement benefits can and will vary depending on a number of factors, including actual salary and service history, return on assets for both the cash balance and 401(a), annuity conversion actuarial equivalence at time of retirement, etc. These illustrations should NOT be relied upon as any guarantee of future performance.



IMPORTANT!



- ✓ Enrollment Period is October 7- November 3, 2023.
- ✓ You must complete a Pension Election Document in Oracle to make an election.
- ✓ **Once you make a selection, you cannot change your mind at any later date.** Your selection is irrevocable even if at retirement you discover you may have had a larger benefit had you selected differently.
- ✓ If you do not take action, you will remain in the Hybrid Plan.



Questions? Schedule a One-On-One

CITY OF MEMPHIS



Visit us at: <https://totalrewards.memphistn.gov/>

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