

1ST READING
2ND READING
INDEX NO.

8/26/08
9-2-08

ORDINANCE NO. 12155

AN ORDINANCE TO AMEND CHATTANOOGA CITY CODE, PART II, CHAPTER 2, TO MAKE CERTAIN CHANGES TO THE FIRE AND POLICE PENSION FUND RELATIVE TO THE BOARD OF DIRECTORS AND THE DEFERRED RETIREMENT OPTION PLAN ("DROP").

Whereas, the Board of Directors of the Fire and Police Pension Fund have recommended to the City Council the adoption of certain changes relating to the deferred retirement option plan ("DROP"), as set forth herein;

Whereas, changes have also been recommended by a committee created to review the DROP and by the Mayor;

Whereas, the changes to the DROP adopted herein are not inconsistent with sound actuarial principles, methods, and actuarial assumptions; and

Whereas, these changes shall not in any way decrease any vested financial benefits accrued by any participant or beneficiary of the Fire and Police Pension Fund,

NOW THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE,

SECTION 1. That the Chattanooga City Code, Part II, Chapter 2, Sec. 2-406 be and is hereby amended by deleting said section in its entirety and substituting in lieu thereof the following:

Sec. 2-406. Board of directors of pension fund-Created; membership; term of office; vacancies.

- a) There is hereby created a board to be known as the Board of Directors of the Fire and Police Pension Fund, consisting

of eight (8) members, three of whom shall be active members from the fire department, three of whom shall be active members of the police department, one of whom shall be the Mayor, by virtue of his office, or if the Mayor so chooses, he may replace himself with a City employee knowledgeable of pensions, investments, and financial matters appointed by the mayor, and one of whom shall not be a City employee but shall be knowledgeable of pensions, investments and financial matters to be appointed by the City Council.

- b) The present Board of Directors shall continue in office until their respective terms expire. The members to be appointed by the mayor and city council shall have terms contemporaneous with the mayor's and council's terms of office, but shall continue to serve until their replacements are appointed.
- c) Each year on the first Tuesday of September there shall be held an election for the purpose of electing one member of said board from the fire department, and one member from the police department, for a term of three years. Said election shall be held at the fire department training center, at police headquarters, and at the Pension Fund Office between the hours established by the Board of Directors. The votes shall be counted openly and publicly and the firefighter and police officer who received the highest number of votes shall be elected for a term of three (3) years. At no time shall more than one member of any one rank of the fire department be elected to serve as a member of said Board, and at no time shall more than one member of any one rank of the police department be elected to serve as a member of said Board.
- d) If a vacancy of a firefighter or police officer should occur in said Board, the vacancy shall be filled by the remaining firefighters and police officers on said board for the unexpired term. If a vacancy should occur in the Board by the member appointed the mayor or the city council, the vacancy shall be filled by the mayor or city council respectively.

SECTION 2. That the Chattanooga City Code, Part II, Chapter 2, be and is hereby amended to add new Sections 2-423 and 2-424 as follows:

Sec. 2-423. Modified Deferred Retirement Option Provision

(a) The Deferred Retirement Option Provision ("DROP") set forth in Section 2-422 shall be modified as provided herein for retirements occurring hereafter.

(b) Following an actuarial study by the Board's actuary, the Board of Directors shall create a new DROP option for new firefighters and police officers, not including cadets hired for training in the Fire and Police Academies as of the effective date of this ordinance. The DROP option shall be developed using reasonable assumptions and methods such that, at the time of its effective date, the City's required contribution to the Plan will be the same as if the DROP option were not available for new hires.

(c) The Board of Directors shall also create for current members, including cadets hired for training in the Fire and Police Academies as of the effective date of this ordinance, a new Forward DROP plan which is based upon Final Average Earnings at the beginning of the DROP period. The interest to be applied during the DROP period shall be based upon the existing actuarial earnings assumption of the Fund minus three percent (3%), not to exceed seven percent (7%). The cost of living adjustment shall not be applied to the DROP account during the DROP period, but the cost of living provisions will be restored to the monthly benefits at retirement.

(d) Current members shall have the option of continuing to utilize the DROP provided in Section 2-422 if they file a written election with the Board on or before December 31, 2008, agreeing to contribute an additional one (1%) of their average base salary to the Fund. Cadets in Fire and Police Academies as of the effective date of this ordinance shall file a written election on or before February 27, 2009. In the event that the DROP is discontinued or modified, the member shall receive a lump sum at the time of retirement or other separation from service of the additional one (1%) of the average base salary payments.

Sec. 2-424 Actuarial and Experience Study Review

(a) Once every five years, the first report being due on or before March 31, 2011, the Board shall submit to the City Council a full actuarial study, including an experience study, of the financial impact of the DROP on the Fund. The report should state whether or not the DROP plan is moving towards cost neutrality and when cost neutrality is expected.

(b) The Fire Chief and the Police Chief shall contemporaneously with the report set forth Paragraph (a) with assistance from the Personnel Director prepare a report to the City Council as to the impact that the DROP appears to be having on the retirement pattern of members. They shall make recommendations as to whether to continue or discontinue the DROP based upon whether the DROP appears to be having an adverse impact upon retirement patterns of members of either department.

(c) In the event the DROP is not moving towards cost neutrality in a reasonable period of time or the DROP is having an adverse impact upon retirement patterns of members of either department, then the City Council shall proceed in accordance with Section 2-411(d) above.

(d) In addition to the required reports set forth above, the Board shall submit quarterly performance evaluations to the City Council.

SECTION 3. That this Ordinance shall take effect immediately after its passage.

PASSED on Second and Final Reading

_____ September 2 _____, 2008. W. Jack Benson
Vice CHAIRPERSON

APPROVED: DISAPPROVED: _____

DATE: 9/8 _____, 2008
[Signature]
MAYOR

MAM/add