

COMPARED VERSION
NEW ORDINANCE TO CODE BOOKS

ORDINANCE NO. 200977

Amending Chapter 2, Code of Ordinances, by amending Sections 2-1174 and 2-1176 to change the minimum distribution age in the employees' retirement system to seventy-two years and revise the date by which employees must retire to receive their first pension cost of living adjustment in the same year.

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 2, Code of Ordinances, entitled "Administration," is hereby amended by repealing Sections 2-1174 and 2-1176 and enacting in lieu thereof new sections of like number and subject matter, to read as follows:

Sec. 2-1174. Conditions for retirement.

(a) *Application for retirement.* Any member of the retirement system may retire as provided in this division, terminating employment upon written application to the board of trustees, who shall establish the member's retirement date as of the first day of the month.

(b) *Normal retirement.*

- (1) *Tier 1.* A member may elect normal retirement on or after attaining age 65 and five years of creditable service without reduction of benefit as calculated in section 2-1176.
- (2) *Tier 2.* A member may elect normal retirement on or after attaining age 67 and ten years of creditable service without reduction of benefit as calculated in section 2-1176.

(c) *Optional retirement.*

- (1) *Tier 1 – age 60 or age plus service equals or exceeds 80.* A member may elect to retire when the total of age and years of creditable service equal or exceed 80 or the later of age 60 and ten years' creditable service, without reductions of benefit as calculated in section 2-1176.
- (2) *Tier 2 – age 62 or age plus service equals or exceeds 85.* A member may elect to retire when the total of age and years of creditable service equal or exceed 85 or the later of age 62 and ten years' creditable service, without reductions of benefit as calculated in section 2-1176.

(d) *Early retirement.* Members may elect early retirement:

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- (1) *Tier 1- age 55.* Beginning at the later of age 55 or completion of ten years' creditable service. The benefit as computed in section 2-1176(a) shall be reduced by 0.5 percent for each month the effective date is prior to the first day of the month following attainment of age 60.
- (2) *Tier 1 – age 60.* Beginning at age 60, if the member has more than five but less than ten years of creditable service. The benefit as computed in section 2-1176(a) shall be reduced by 0.5 percent for each month the effective date is prior to the first day of the month following attainment of age 65.
- (3) *Tier 2 – age 57.* Beginning at the later of age 57 or completion of ten years' creditable service. The benefit as computed in section 2-1176(a) shall be reduced by 0.5 percent for each month the effective date is prior to the first day of the month following attainment of age 62.

(e) *Required distributions.* Distribution of a member's interest in the retirement system shall commence not later than April 1 of the calendar year following the later of the calendar year in which the member attains age ~~70½~~72 or the calendar year in which the member retires under the plan.

- (1) If a death benefit is being paid to a designated beneficiary other than the member's spouse, payments shall either:
 - a. Be completed by December 31 of the fifth calendar year following the year of the member's death; or
 - b. If there is no designated beneficiary, payment of a death benefit shall commence no later than December 31 of the fifth calendar year following the year of the member's death.
- (2) If the designated beneficiary is the member's spouse, death benefit payments shall commence no later than December 31 of the year the member would have attained age ~~70½~~72 paid over the life or life expectancy of the spouse, as determined under Table V of Treasury Regulations 1.72-9 as of the date the payments commence, and benefits shall be actuarially increased for the delay.

Sec. 2-1176. Retirement benefits.

(a) *Annuity.* Upon retirement on or after November 1, 2000, as provided in section 2-1174, an annuity calculated as follows shall be payable:

- (1) If married in any jurisdiction at date of retirement, the annuity shall be two percent of the Tier 1 member's final average compensation and for a Tier 2 member shall be 1.75 percent of the member's final average compensation

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multiplied by years and full months of creditable service not to exceed 70 percent, except as set forth in section 2-1196, Code of Ordinances.

- (2) At date of retirement, a member may elect to receive an actuarial equivalent annuity providing that, upon death following retirement, the same actuarial equivalent annuity shall be payable to the surviving spouse provided the marriage occurred on or before the date of retirement. This election shall not be effective if the member dies within 30 days after filing application for retirement or before the date of the first payment of the retirement annuity.
- (3) If unmarried at date of retirement, the annuity shall be 2.22 percent of the Tier 1 member's final average compensation and for a Tier 2 member shall be 1.75 percent of the member's final average compensation multiplied by years and full months of creditable service not to exceed 70 percent, except as set forth in section 2-1196, Code of Ordinances.
- (4) With signed consent by the spouse, a married member may elect calculation as if unmarried, forfeiting a surviving spouse's annuity as provided in section 2-1185.

(b) *Withdrawal of contributions.* A member retiring under provisions of section 2-1174, except disability retirements, may elect, with signed consent of spouse, to withdraw all or a portion of the member's accumulated contributions and interest, and receive a reduced annuity. The annuity calculated in subsection (a) of this section shall be reduced an actuarially equal amount by applying factors adopted by the board of trustees upon recommendation of the retirement system's consulting actuary.

(c) *Cost-of-living adjustment – Tier 1.* An annual cost-of-living adjustment in retirement, disability and death benefits shall be paid under these conditions:

- (1) *Effective date of adjustment and applicability.* An annual cost-of-living adjustment shall be payable on pension checks to be dated May 1 of the current year and shall remain unchanged until the next effective date of adjustment. ~~This~~ For retirements occurring on or after January 1, 2021, the adjustment shall apply to all beneficiaries receiving benefits, except no pension of any member or beneficiary retiring after ~~January~~ February 1 of any year shall be adjusted until May 1 of the succeeding year.
- (2) *Amount of adjustment.* The adjustment shall be three percent, each year, noncompounded.

(d) *Cost-of-living adjustment – Tier 2.* A cost-of-living adjustment is authorized under these conditions:

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- (1) *Effective date of adjustment and applicability.* An annual cost-of-living adjustment shall be payable on pension checks to be dated May 1 of the current year and shall remain unchanged until the next effective date of adjustment. ~~This~~For retirements occurring on or after January 1, 2021, the adjustment shall apply to all beneficiaries receiving benefits, but no sooner than the May 1 following the Tier 2 member's 62nd birthday, except no pension of any member or beneficiary retiring after ~~January~~February 1 of any year shall be adjusted until May 1 of the succeeding year.

- (2) *Amount of adjustment.* The adjustment for a Tier 2 member shall be paid if the funding ratio of the pension fund, as shown by the system's most recent actuarial report, is equal to or greater than 80%, and will be equal to the percentage increase in the prior 12 months of the final national consumer price index for all urban consumers published prior to December 31 in advance of the next year's adjustment, but shall not exceed 2.5% -and shall be noncompounded.

(e) *Health insurance subsidy.* A \$200.00 monthly retiree health insurance subsidy shall be payable to all retired members effective November 1, 2000. If a member dies before retirement as the direct and proximate result of an accident sustained in the performance of assigned duties, the member's surviving spouse shall become eligible for the health insurance subsidy described in this subsection as long as the spouse receives an annuity. No other survivors will be eligible for this health insurance subsidy following the line-of-duty death of a qualifying member.

(f) *Minimum benefit.* A minimum benefit of \$400.00 per month is established for retirees with ten or more years of creditable service. Such minimum shall apply to current as well as future retirees, effective with pension checks dated July 1, 1999, calculated prior to any reductions applied due to sections 2-1176(a)(2) and 2-1176(b). Any annual cost-of-living adjustment shall be based on the original amount without reference to this minimum.

(g) *Limitations.* Benefits with respect to a member may not exceed the maximum benefits specified under section 415 of the Federal Internal Revenue Code for governmental plans.

Approved as to form and legality:

Saskia Jacobse
Assistant City Attorney