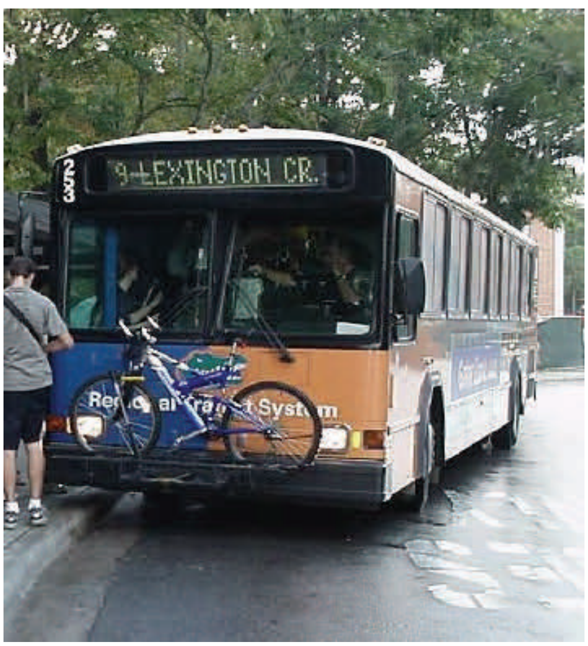
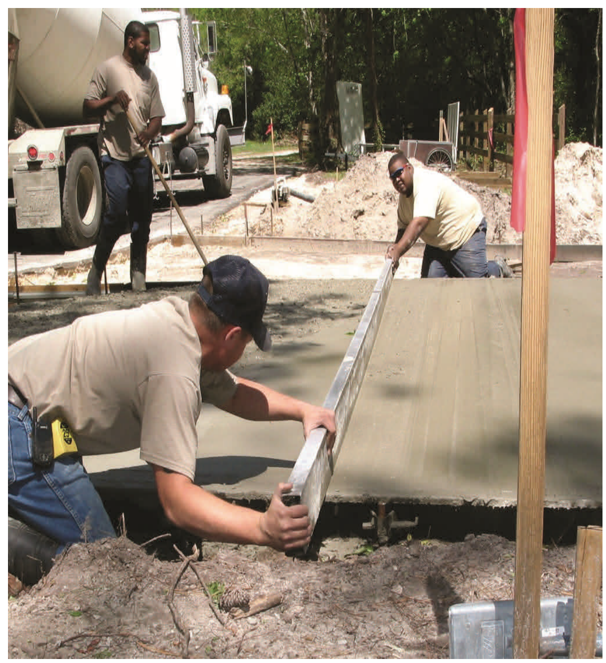
City of Gainesville

Employees Pension Plan





Summary Plan Description
October 1, 2012

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Introduction

The City of Gainesville (the "City") has established and maintains the City of Gainesville Employees Pension Plan (the "Plan"). The Plan is a tax-qualified defined benefit plan providing retirement, termination, and death benefits. The Plan is tax-qualified; you will not pay any income tax currently on the contributions you make to the Plan. Instead, you will be taxed when you receive benefits from the Plan, at which time you may be in a lower tax bracket than during your peak earning years. Because the Plan is a defined benefit plan, your ultimate benefit depends upon factors such as your compensation level, years of service, and the form in which your benefits are paid.

The Plan is designed to provide a measure of economic security for retirement beyond what Social Security and your own personal savings provide. Of course, you are encouraged to establish and consistently maintain your own retirement savings program and not rely solely on Social Security and the retirement benefits provided by the pension plan. To assist in your personal savings, you may wish to take advantage of other City sponsored supplemental retirement plans.

This booklet is called a Summary Plan Description (SPD). It introduces the Plan to you and answers the most frequently asked questions about it. Keep the booklet in a safe place, and refer to it whenever you have questions about the Plan. If you still have questions, if you want to verify your understanding of how the Plan's provisions apply to you or your understanding of the SPD, or if you want to check to see if the Plan has been amended, please contact Risk Management.

Please keep in mind the SPD is only a summary. It does not contain every detail addressed in the Plan. In addition, since the SPD is only published once every two years, various plan provisions may be changed between printings which could cause discrepancies between the current plan provisions and this booklet. If there is any inconsistency between the City of Gainesville Code of Ordinances (or other legal documents under which your participation and benefit rights are determined) and this Summary Plan Description, the legal documents will control. You, your beneficiaries and your personal representatives may examine the Plan by visiting the City of Gainesville's website at www.cityofgainesville.org. The ordinance is located under Government, Code of Ordinances.

This SPD may be changed from time to time. Please be certain that you have the most recent version of the booklet and all amendments called "Material Modifications". The most recent version will be posted on the Risk Management Intranet site and on the City of Gainesville's website.

Administration

The general administration and responsibility for the proper operation of the plan is placed with a Board of Trustees (the "Board"). The powers of the Board include the interpretation of plan provisions on a uniform and nondiscriminatory basis and establishing uniform rules and procedures. This Board is also responsible for investment of the Plan's assets. The seven-member Board of Trustees is comprised of the current commissioners of the City of Gainesville.

Pension Review Committee (PRC)

The PRC is an advisory committee to the Board of Trustees comprised of 5 members appointed by the City Commission. The PRC reviews and makes recommendations regarding investment policy and asset allocations of the Plan and recommends the hiring and termination of investment managers, and performance consultants.

Governing Laws

The Plan is established under City of Gainesville Code of Ordinances, Article 7, Chapter 2, and Division 5. It is intended to comply with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation and administration of plans.

Contributions and Funding

The Plan is funded through contributions made by the City and by participating employees. Additional funding is received in the form of investment earnings. The City's contribution rate is determined at the end of each fiscal year, when the Plan is reviewed by an actuary. All contributions and investment earnings are used for the purpose of providing a benefit to you upon retirement. Employees who terminate their employment with the City prior to becoming vested or eligible for retirement, death or disability benefits will have their contributions, without accumulated interest, refunded to them. City contributions are not allocated to specific employees; therefore, they remain in the plan.

Prior to January 1, 1998, member contributions were made with “after-tax” dollars. After that date, the plan became tax-qualified and member contributions are made with “pre-tax” dollars. Since pre-1998 contributions have already been taxed, a portion of the benefit received upon termination or retirement is tax-free if contributions were made to the plan prior to January 1, 1998.

Currently you are required to contribute 5% of your earnings during your years of participation in the Plan. These contributions are deducted from your paycheck and paid to the Plan each biweekly payday. Contributions cease when a Plan member enters the Deferred Retirement Option Plan (DROP).

All contributions and investment earnings are used for the purpose of providing a benefit to you upon retirement. If you terminate employment with the City prior to completing 5 years of service you will receive a refund of your contributions less income tax withholding on pre-tax contributions unless you authorize a direct transfer (“rollover”) of your contribution amount to an Individual Retirement Account (IRA) or other tax-qualified plan, in which case your refund will not be subject to income tax withholding. Refunds of pre-tax contributions are taxable income in the year paid, taxed at your normal tax rate.

If you terminate employment and receive a return of your contributions to the plan and are subsequently rehired by the City, you may buy back your period of prior service by repaying withdrawn contributions plus interest at the plan’s most recent actuarial assumed rate of return within 30 days of completing your required probationary period of reemployment.

Contributions may not be borrowed against or used for collateral; nor may you withdraw them while still an active employee.

Retirement Eligibility

Participation in the Plan is mandatory for all regular City employees except those participating in the Consolidated Police Officers and Firefighters Retirement Plan or those employees who elected to have employer contributions made to the City's 401(a) Defined Contribution Plan or the City's 457 Deferred Compensation Plan. The Plan has a 5 year vesting period which means if you terminate employment with the City prior to the completion of 5 years of service you will not be eligible to receive a retirement benefit in any form and will receive only a refund of your contributions to the plan without interest.

There are several ways you can become eligible to receive a benefit from the Plan:

1. **Normal Retirement:**

If your date of hire occurred on or before October 2, 2007, after accruing 20 years of pension service credit, regardless of age (referred to as the "20 and out") or after accruing 10 years of pension service credit and reaching age 65. If your date of hire occurred on or after October 2, 2007 and on or before October 1, 2012, after accruing 25 years of pension service credit at any age or after accruing 10 years of pension service credit and reaching age 65.

If your date of hire occurred on or after October 2, 2012, after accruing 30 years of pension service credit at any age or after accruing 10 years of pension service credit and reaching age 65.

It is important to note that you must complete 10 years of service and reach age 65 *while still employed* in order to be eligible to retire and receive this particular retirement benefit.

2. **Early Retirement:**

If your date of hire occurred on or before October 1, 2012, you are eligible for early retirement after accruing 15 years of pension service credit and reaching age 55.

If your date of hire occurred on or after October 2, 2012, you are eligible for early retirement after accruing 20 years of pension service credit and reaching age 60.

Under the early retirement option your benefit is reduced by 5/12ths of 1% for each month (5% for each year) by which your date is less than the date you will reach age 65. Retirements under this provision must begin on the 1st day of the month following eligibility.

3. **Deferred Vested Benefit:**

If employment is terminated after accruing 5 years of pension service credit but prior to eligibility for regular retirement, you are eligible to receive a benefit at age 65. This is called a Deferred Vested Benefit because it is deferred until you reach age 65.

Prior Military Service

If you have served on active duty in the military service of the Armed Forces of the United States, the United States Merchant Marine or the United States Coast Guard, prior to employment with the City you may be eligible to purchase this time to be used for service credit towards your retirement. If you are participating in DROP you may not use prior military service for service credit. You may purchase up to four (4) years of service at an actuarially determined amount. Service must be purchased in whole year increments if all qualifying years are not purchased at one time, once every twelve (12) months during the months of November, December and January. Military time purchased can not be used for service credit until you are eligible for normal retirement or reach age 55. A calculation of the cost to purchase your military service may not be requested unless you are already vested in the plan. Service being purchased may not be used for retirement under any other federal, state or local retirement.

Eligibility for Disability Benefits

Please see the separate Summary Plan Description for the City of Gainesville Disability Pension Plan for information related to disability benefits.

Normal Retirement

There are three components in the calculation of normal retirement benefits. They are your total pension service credit (which is the period in which you are a regular employee of the City of Gainesville under the Employees Pension Plan), final average monthly earnings, and the multiplier.

Sick Leave/PCLB for Credited Service

For service earned on or after October 1, 2012, no additional months of service will be credited for unused sick leave or PCLB credits. In calculating credited service on or after October 1, 2012, the lesser number of unused sick leave or PCLB credits earned on or before September 30, 2012 **OR** the unused sick leave or PCLB credits available at the time of retirement will be used.

Final Average Earnings (FAE)

If you were hired on or before October 1, 2007, the average of your pensionable earnings during the 36 consecutive months of employment that produces the highest pay figures for you.

If you were hired on or after October 2, 2007 but on or before October 1, 2012, the average of your pensionable earnings during the 48 consecutive months of employment that produces the highest pay figures for you.

If you were hired on or after October 2, 2012, the average of your pensionable earnings during the 60 consecutive months of employment that produces the highest pay figures for you.

There is an exception to the definition of FAE for an employee who has been demoted for disciplinary reasons.

Plan Multiplier

If you were hired on or before October 1, 2012 you will be entitled to a 2% multiplier. If you were hired on or after October 2, 2012 you will be entitled to a 1.80% multiplier

Once these components have been calculated, they are multiplied together as follows:

Credited Service X **Final Average Earnings** X **Plan Multiplier %** =

Gross Monthly Retirement Benefit

For example, if you were hired prior to October 1, 2012 and have credited service with the City of 25 years and your final average monthly earnings are $3,750, then your gross monthly benefit payable for your lifetime is: 25 X $3,750 X 2% = $1875

Deferred Vested Benefits

If your employment is terminated after having completed at least 5 years of service but before becoming eligible for retirement, the benefit shall be calculated as of your termination date, but payment shall be deferred until you reach age 65. You should contact Risk Management before reaching age 65 in order to commence your benefit on time. Please see the Payment Options section below for certain time requirements. It is also your responsibility to keep your beneficiary designation current through Risk Management and notify Human Resources of any address changes. If you should die before your deferred vested retirement benefits commence, your beneficiary will receive a lump sum amount equal to the amount of the contributions you paid into the plan during your employment without interest. An example of an employee who was hired after October 2, 2012 and who terminates employment before age 55 with 12 years of service and an average monthly earnings of $3,333, <u>upon reaching age 65</u> should receive:

12 X $3,333 X 1.8% = $719.92

Cost of Living Adjustments (COLA)

A 2% Cost of Living Adjustment (COLA) may be paid on your retirement benefits annually each October 1st if you reach eligibility for the COLA prior to that date.

1. If you have at least 20 years of credited service on or before October 1, 2012 **AND** -

   You have at least 20 years but less than 25 years of credited service upon retirement you will receive a COLA commencing with the October payment after reaching age 62 **OR**

   You have 25 years or more of credited service upon retirement you will receive a COLA commencing with the October payment after reaching age 60.

2. If your hire date occurred on or before October 1, 2012 and you do not have 20 years of credited service on or before October 1, 2012 **AND** you have 25 years or more of credited service upon retirement you will receive a COLA commencing with the October payment after reaching age 65.

3. If your hire date occurred on or after October 2, 2012 **AND** You have 30 years or more of credited service upon retirement you will receive a COLA commencing with the October payment after reaching age 65.

If you are participating in the DROP you are not eligible for a COLA until your conclusion of the DROP. At which time your monthly retirement benefit shall become subject to the COLA when the above conditions are met.

If you begin receiving a deferred vested benefit or terminate employment under a normal retirement <u>before</u> attaining the required years of service you are not eligible for a COLA.

Payment Options

The pension plan allows members a choice of four annuity options.

1. Life Annuity Option: This option maximizes your own personal lifetime income, however the Life Annuity option *does not* provide for a continuing pension to a beneficiary after your death. The Life Annuity benefit is 100% of your normal retirement benefit.
2. Joint and Survivor Option: This option pays a *reduced* pension benefit to you for your lifetime and continues to pay your beneficiary 2/3 of the reduced benefit for the rest of their life. If your beneficiary dies first, you continue to receive 100% of the reduced pension benefit.
3. Joint and Last Survivor Option: This option also pays a *reduced* pension benefit to you for your lifetime. Upon the death of *either* you or your beneficiary the monthly benefit will be reduced to 2/3 of the original benefit. The original benefit under the Joint and Last Survivor option is slightly higher than the benefit under the Joint and Survivor option.
4. Social Security Option: This option allows an increased pension benefit to you before your Social Security benefits begin and then decreases when you are eligible for social security benefits. This is designed to provide a level total yearly retirement income from the two sources. The amount you will receive both before and after you become eligible for social security payments will be the actuarial equivalents of the benefits to which you would have been entitled had you not elected this option. This option must be requested at least 90 days prior to benefit commencement.

Assumed Payment Option

The assumed payment option for married members is Joint and Survivor. The assumed payment option for unmarried members is Life Annuity. If you are electing the assumed option you need to contact Risk Management a minimum of 30 days prior to your retirement date. ***Married members who choose the Life Annuity option must contact Risk Management at least 90 days before their planned retirement date or submit a notarized spousal waiver 30 days prior to their benefit commencement date in order to meet the time requirements specified in the Plan*.**

It is also important that you select a tentative payment option once you reach normal retirement eligibility even if you postpone retirement and continue in active service. In the event of your death, this will ensure that your beneficiary receives a retirement benefit according to the option you select. You can change this tentative selection at any time before retirement as long as you follow the minimum notification requirements prior to retirement.

A final payment option must be selected before you retire or enter DROP and cannot be changed once you have retired or entered DROP except under certain conditions provided in the pension ordinance.

Deferred Retirement Option Plan (DROP)

If your date of hire occurred on or before October 1, 2012 you are eligible to participate in the DROP. When you have completed 27 years of credited service and are still employed by the City, you may elect to "retire" from the Plan but continue to work for the City. Your retirement benefit will be calculated as if your employment terminated, however it will not be paid directly to you at that time. Instead, the benefit payments will be paid into a DROP account (currently held inside the pension plan) for you until you actually leave the employment of the City. While in the DROP, your DROP contributions earn a guaranteed rate of annual interest, compounded monthly. If your participation in DROP begins on or before October 1, 2012 your DROP contributions earn 6% annual interest, compounded monthly. If your participation begins on or after October 2, 2012 your DROP contributions earn 2.25% annual interest, compounded monthly. You will not be able to determine how your DROP payments are invested. Consequently, the City bears all investment risk in your DROP account.

You may continue in the DROP for a maximum of 5 years or until reaching 35 years of service, whichever occurs earlier. Upon actual separation of employment from the City, your monthly benefit payments will be paid directly to you, rather than your DROP account. At that time you must take your DROP contributions plus interest as a lump-sum cash disbursement, roll your DROP assets to an Individual Retirement Account or other retirement account, or choose a combination of both a cash distribution and a rollover to another retirement plan. Where you choose to roll your DROP assets after leaving the DROP can affect the availability of your DROP assets. Please see the section "Availability of DROP Assets" for more information.

An example of a DROP employee's annual balances while in the DROP is shown in the table below. For an employee whose monthly DROP retirement benefit is $2,000 ($24,000 annually) and who earns 2.25% interest compounded monthly on his/her DROP balance, the cumulative balance at the end of 5 years in the DROP is $126,884.68.

YEAR	DROP PAYMENTS	INTEREST	CUMULATIVE TOTAL
1	$24,000	$249.05	$24,249.05
2	$24,000	$800.32	$49,049.37
3	$24,000	$1,364.12	$74,413.49
4	$24,000	$1,940.73	$100,354.22
5	$24,000	$2,530.45	$126,884.68
TOTAL	$120,000	$6,884.68	$126,884.68

Availability of DROP Assets

After you leave the DROP, you must decide where you want your DROP assets to be transferred. You may either take a cash distribution (subject to income tax withholding) or roll your DROP assets to a City of Gainesville-sponsored 457 Deferred Compensation account, an Individual Retirement Account (IRA), or another retirement plan.

Once you roll your DROP assets out of the pension plan, your DROP assets are considered "qualified plan" assets, and as such, distributions of your DROP assets when you leave the DROP are subject to IRS regulations. All qualified plan asset distributions after age 59½ are penalty-free and are taxed at your normal tax rate. Distributions taken before age 59½ are generally subject to a 10% penalty on top of normal income taxes on the distribution amount. There are two exceptions to this pre-59½ age penalty:

Exception One

Public sector employees may make withdrawals from their employer-sponsored retirement plan penalty-free if they separate from service (leave the DROP) in or after the year in which they turn 55 years of age. Withdrawals under this scenario are taxed at your normal tax rate. Note: If you transfer your DROP assets to an Individual Retirement Account (IRA) or other qualified plan with another employer, you will not be able to take advantage of this exception. DROP assets must be transferred into a City of Gainesville-sponsored 457 Deferred Compensation account in order to be qualified for the public sector employee exception.

Exception Two

This exception involves a "substantially equal payment" selection. Under this choice, you may withdraw DROP plan assets penalty-free if you elect to draw down your DROP assets uniformly over your actuarially determined life expectancy. Your retirement plan administrator (ICMA Retirement Corporation, for example) will assist you with this calculation. Once you make this election, you may not change your distribution amount before 5 years have passed or until you reach age 59½, whichever occurs <u>later</u>. If you change your distribution amount after selecting the "substantially equal payment" option and have not met the above mentioned requirements, you will be assessed an IRS penalty of 10% on <u>all</u> assets you have withdrawn from the plan prior to age 59½.

You are advised to contact your 457 Deferred Compensation Plan or Individual Retirement Plan administrator for further information regarding DROP withdrawals.

Death Benefits

Active Members

If an active member dies after reaching normal retirement eligibility and had previously notified Risk Management of a tentative benefit payment option, benefit payments will be made to the beneficiary in accordance with the option selected.

If an active member who is married dies after reaching normal retirement eligibility and *did not* previously notify the Risk Management Department of an intended payment option, the ordinance assumes the employee "retired" the day prior to their death and had elected the Joint & Survivor option naming their spouse as their beneficiary. Their spouse will then become eligible for survivor's benefits.

If the active member who is not married dies after reaching normal retirement eligibility and *did not* previously notify the Risk Management Department of an intended payment option, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.

If an active member dies before reaching normal retirement eligibility, the death benefit is a refund of the member's contributions without interest to the beneficiary on record.

Retired Members

Continuation of retirement benefits after the death of a member who is receiving benefits is contingent on the payment option selected by the member at his/her time of retirement. If a retiree has chosen a Life Annuity dies before receiving benefits greater than his/her contributions to the plan, the beneficiary on record will receive a lump sum payment equal to the difference between the member's contributions and the amount of retirement benefits received.

Non-Active Member Who is Vested

If a non-active member with a deferred vested benefit dies before his/her benefits begin (at age 65) the death benefit is a refund of the member's contributions without interest to the beneficiary on record.

When You Are Ready to Retire

Please contact the Risk Management Department, 334-5045 prior to your retirement in accordance with the time requirements shown in the Payment Options section above. This includes entry into the DROP and commencement of deferred vested benefits at age 65. You will need to fill out an application for the retirement benefit you are requesting (normal, DROP, deferred vested, or disability) and choose a payment option if applicable. You should also update your beneficiary information at this time. Please contact Risk Management if you have any questions related to the timeline of your retirement application process.

For Additional Benefit Information please contact:

Risk Management Department
Phone 334-5045, Fax 334-3102

DEFINITIONS

ACCRUED BENEFIT: The amount of pension which you have "accrued", or built up, at any given time. An accrued benefit is calculated by applying the accrued benefit formula: Multiplier times Years of Credited Service times Final Average Monthly Earnings (FAME). The accrued benefit is frozen at the time you enter the DROP.

BENEFICIARY: The person, except a pensioner, who is in receipt of a pension or other benefits, payable from funds of the plan; or any person designated by you to receive benefits from the plan upon your death. You may change your beneficiary designation at any time prior to retirement by filing a written form with the Board through the Risk Management Department. (Note: Changing your City of Gainesville Pension beneficiary does not automatically change your life insurance, etc.)

COLA: Cost of living adjustment. Designed to mitigate the effects of inflation.

CREDITED SERVICE: This is the total number of months of service with the City as a member of the Plan, expressed in terms of full and fractional year(s). Additional months of service shall be credited for unused sick leave credits, critical leave bank (PCLB) credits, unless otherwise provided in applicable personnel policies, collective bargaining agreements or DROP provisions. For service earned on or after October 1, 2012, no additional months of service will be credited for unused sick leave or PCLB credits. In calculating credited service on or after October 1, 2012, the lesser of the number of months of service credit for unused sick leave or PCLB credits earned as of September 30, 2012 and months of unused sick leave or PCLB credits available to a member at the time of his or her retirement shall be used. Absences granted in accordance with appropriate contract provisions or applicable personnel policies (example: sick leave, vacation leave, PTO, PCLB) are not considered an interruption in service. Credited service will be adjusted to account for breaks in service longer than 90 days.

DROP: Deferred Retirement Option Plan. An optional program of the City of Gainesville's retirement systems for deferring retirement income while remaining in the employ of the City.

EARNINGS: Earnings shall mean base pay including all paid leaves, all overtime pay, stand-by pay, call-back pay, working out of classification pay, longevity pay, special assignment pay, and termination vacation pay, unless otherwise provided in applicable personnel policies, collective bargaining agreements or DROP provisions. PTO hours converted to cash either at retirement or sold back during active employment will not be included in FAME. (For members entering a DROP, earnings shall also include any lump sum payment of vacation balance upon entering the DROP. PTO may not be sold back when entering the DROP)

ELIGIBLE EMPLOYEE: Any employee of the City of Gainesville that is not covered under another City of Gainesville pension plan (e.g. the Police Officers and Firefighters Consolidated Retirement Plan) or is participating in accordance with section 2-579 of the City of Gainesville Code of Ordinances to have future employer contributions made to the 457 Deferred Compensation Plan or the 401(a) Deferred Compensation Plan in lieu of this Plan.

FINAL AVERAGE MONTHLY EARNINGS: The average of your pensionable earnings during any consecutive 36, 48, or 60 (depending on your hire date) month period, which will produce the highest pay figure for you. Earnings during the period are totaled and the sum divided by your consecutive month period The result is the member's final average monthly earnings (FAME) as of the date the calculation is made.

MEMBER: A person who has satisfied the eligibility requirements of the Pension Plan and is actively participating in the Plan.