



Memphis City Council Summary Sheet

- This item is an Ordinance to amend Chapter 25, Code of Ordinances, City of Memphis, so as to increase pension benefits allowable under Section 25-95 and Section 25-195
- Initiating Party: Finance Division
- This Ordinance changes an existing Ordinance
- This Ordinance does not require a new contract or amends an existing contract
- This Ordinance does not require any expenditure of General funds. However, the City's Pension Fund will be impacted.

ORDINANCE NO.: _____

**AN ORDINANCE TO AMEND CHAPTER 25, CODE OF
ORDINANCES, CITY OF MEMPHIS, SO AS TO INCREASE
PENSION BENEFITS ALLOWABLE UNDER SECTION
25-95 AND SECTION 25-195**

SECTION 1. BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEMPHIS,

that Chapter 25, Code of Ordinances, City of Memphis, be and the same is hereby amended by adding Subsection (y) under Section 25-95 to read as follows:

(y) Effective July 1, 2012, the following additional increases shall take effect:

- (1) Members who retired prior to 1998 shall receive an increase in the amount of one percent (1.0%) of their present allowance.
- (2) Members who retired during the years 1998 through 2003 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.
- (3) Members who retired during the years 2004 through 2011 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.

SECTION 2. BE IT FURTHER ORDAINED, that Chapter 25 is further amended by adding

Subsection (y) under Section 25-195, to read as follows:

(y) Effective July 1, 2012 the following additional increases shall take effect:

- (1) Members who retired between the period of July 1, 1978 through December 31, 1997 shall receive an increase in the amount of one percent (1.0%) of their present allowance.
- (2) Members who retired during the years 1998 through 2003 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.
- (3) Members who retired during the years 2004 through 2011 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.

SECTION 3. BE IT FURTHER ORDAINED, that this ordinance shall take effect from and

after the date it shall have been passed by the Council, signed by the Chairman of the Council, certified and delivered to the Office of the Mayor in writing by the Comptroller, and become effective as otherwise provided by law.

SECTION 4. BE IT FURTHER ORDAINED, that the source of funding for this increase in future pension benefits shall be future investment gains on existing pension assets and no current or future tax-supported employer contributions shall be made to fund this particular action.

Bill Morrison
Chairman of Council

ATTEST:

Patrice Thomas
Comptroller



April 12, 2012

Ms. Patrice Thomas
City Comptroller
City of Memphis
125 North Main St., Room 348
Memphis, Tennessee 38103-2080

Re: City of Memphis Retirement System Cost Of Living Adjustment

Dear Patrice:

We are pleased to present this letter and exhibits containing the results of the analysis of the effect of the cost-of-living adjustment (COLA) for current retirees on the City's retirement plan obligations under three different scenarios. The results of our analysis are shown in the attached exhibits. The increased contributions required to fund these liabilities are based on a 30 year amortization period and can be summarized as follows:

	<u>Increase in Plan Liabilities</u>	<u>Increase in Annual Contribution</u>
1.0%, 0.5%, and 0.5% Benefit Increases	\$10,036,000	\$791,000
1.5%, 1.0%, and 0.5% Benefit Increases	\$14,630,000	\$1,152,000
0.75%, 0.5%, and 0.25% Benefit Increases	\$7,315,000	\$576,000

This project was performed pursuant to our engagement letter with the City of Memphis dated October 7, 2010.

The City of Memphis retained PricewaterhouseCoopers LLP to perform this analysis for the purposes of determining the effect on the plan's financial position for use by the administration and City Council in making decisions about plan benefits.

This analysis has been conducted in accordance with the required Actuarial Standards of Practice as issued by the American Academy of Actuaries.

In preparing the results presented in this letter and exhibits, we have relied upon information the City of Memphis provided to us regarding plan provisions, plan participants and benefit payments. The census data used in calculating the results herein were collected as of July 1, 2011. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.



The results in this letter and exhibits are also based upon the results of the July 1, 2011 actuarial valuation of the plan we performed and communicated in our report dated November 30, 2011.

The City of Memphis has determined and taken responsibility for the actuarial assumptions and the actuarial policies and methods employed in the valuation of liabilities and actuarial value of plan assets.

A range of results, different from those presented in this report could be considered reasonable. Future actuarial measurements may differ significantly from the current measurement presented in this report due to a number of factors including but not limited to: plan experience differing from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methods used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); rounding conventions; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

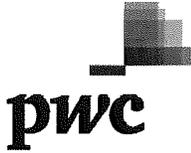
This report was prepared for the internal use of the City of Memphis in connection with our analysis of Cost of Living Adjustments and not for reliance by any other person. PwC disclaims any contractual or other responsibility or duty of care to others based upon the services or deliverables provided in connection with this report.

This report is not intended to satisfy the requirements of any standard or to be used for any purpose other than those specifically stated herein. Significantly different results from those presented in this report may be required or applicable for other purposes.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law.

The undersigned actuary is a member of the Society of Actuaries and the American Academy of Actuaries and meets the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans. To the best of our knowledge, the individuals involved in this engagement have no relationship that may impair, or appear to impair, the objectivity of our work.

We appreciate this opportunity to be of service to the City of Memphis. We are available to answer any questions with respect to our analysis.



Respectfully submitted,

A handwritten signature in black ink that reads "Jerrold Dubner". The signature is written in a cursive style with a prominent initial "J".

Jerrold Dubner

jerrold.dubner@us.pwc.com

T: (678) 419 1320

Member, American Academy of Actuaries

Associate of the Society of Actuaries

Attachments

cc: Roland McElrath (w/attachments)
James Stokes (w/attachments)
Shepherd Price (w/attachments)

CITY OF MEMPHIS

COLA STUDY - 1.5%, 1.0%, 0.5% Benefit Increases to Current Retirees

	<u>GENERAL</u>		<u>POLICE & FIRE</u>		<u>GRAND TOTAL</u>	
	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>
Annual Benefit Amount	\$42,948,000	\$43,351,000	\$103,143,000	\$104,299,000	\$146,091,000	\$147,650,000
Present Value of Benefits *	\$423,217,000	\$426,897,000	\$1,026,852,000	\$1,037,802,000	\$1,450,069,000	\$1,464,699,000
Dollar Increase in Present Value of Benefits	N/A	\$3,680,000	N/A	\$10,950,000	N/A	\$14,630,000
Percentage Increase in Present Value of Benefits	N/A	0.87%	N/A	1.07%	N/A	1.01%
Increase in Annual Contribution (30 year amortization)	N/A	\$290,000	N/A	\$862,000	N/A	\$1,152,000
Covered Payroll	\$98,172,000	\$98,172,000	\$218,262,000	\$218,262,000	\$316,434,000	\$316,434,000
Increase in Annual Contribution as a Percentage of Covered Payroll	N/A	0.30%	N/A	0.39%	N/A	0.36%

* Retired participants and beneficiaries and disabled participants

<u>Year of Retirement</u>	<u>Increase</u>	<u>Headcounts</u>
before 1997	1.50%	2,263
1997 - 2002	1.00%	1,014
after 2002	0.50%	1,293

CITY OF MEMPHIS

COLA STUDY - 1.0%, 0.5%, 0.5% Benefit Increases to Current Retirees

	<u>GENERAL</u>		<u>POLICE & FIRE</u>		<u>GRAND TOTAL</u>	
	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>
Annual Benefit Amount	\$42,948,000	\$43,233,000	\$103,143,000	\$103,917,000	\$146,091,000	\$147,150,000
Present Value of Benefits *	\$423,217,000	\$425,868,000	\$1,026,852,000	\$1,034,237,000	\$1,450,069,000	\$1,460,105,000
Dollar Increase in Present Value of Benefits	N/A	\$2,651,000	N/A	\$7,385,000	N/A	\$10,036,000
Percentage Increase in Present Value of Benefits	N/A	0.63%	N/A	0.72%	N/A	0.69%
Increase in Annual Contribution (30 year amortization)	N/A	\$209,000	N/A	\$582,000	N/A	\$791,000
Covered Payroll	\$98,172,000	\$98,172,000	\$218,262,000	\$218,262,000	\$316,434,000	\$316,434,000
Increase in Annual Contribution as a Percentage of Covered Payroll	N/A	0.21%	N/A	0.27%	N/A	0.25%

* Retired participants and beneficiaries and disabled participants

<u>Year of Retirement</u>	<u>Increase</u>	<u>Headcounts</u>
before 1997	1.00%	2,263
1997 - 2002	0.50%	1,014
after 2002	0.50%	1,293

CITY OF MEMPHIS

COLA STUDY - 0.75%, 0.50%, 0.25% Benefit Increases to Current Retirees

	<u>GENERAL</u>		<u>POLICE & FIRE</u>		<u>GRAND TOTAL</u>	
	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>	<u>Current (based on 7/1/2011 Data)</u>	<u>with Increase</u>
Annual Benefit Amount	\$42,948,000	\$43,150,000	\$103,143,000	\$103,721,000	\$146,091,000	\$146,871,000
Present Value of Benefits *	\$423,217,000	\$425,057,000	\$1,026,852,000	\$1,032,327,000	\$1,450,069,000	\$1,457,384,000
Dollar Increase in Present Value of Benefits	N/A	\$1,840,000	N/A	\$5,475,000	N/A	\$7,315,000
Percentage Increase in Present Value of Benefits	N/A	0.43%	N/A	0.53%	N/A	0.50%
Increase in Annual Contribution (30 year amortization)	N/A	\$145,000	N/A	\$431,000	N/A	\$576,000
Covered Payroll	\$98,172,000	\$98,172,000	\$218,262,000	\$218,262,000	\$316,434,000	\$316,434,000
Increase in Annual Contribution as a Percentage of Covered Payroll	N/A	0.15%	N/A	0.20%	N/A	0.18%

* Retired participants and beneficiaries and disabled participants

<u>Year of Retirement</u>	<u>Increase</u>	<u>Headcounts</u>
before 1997	0.75%	2,263
1997 - 2002	0.50%	1,014
after 2002	0.25%	1,293