	DV AUTUODITY
1	<u>BY AUTHORITY</u>
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3	ORDINANCE NO COUNCIL BILL NO. CB18-1248
4	SERIES OF 2018 COMMITTEE OF REFERENCE:
5	Finance & Governance
6	<u>A BILL</u>
7 8 9 10 11 12	For an ordinance amending the 1963 Retirement Plan with regard to establishment and management of trust fund, retirement board, contributions; payroll deductions, retirement categories, retirement benefits, joint and survivor benefits, monthly payment of benefits, denial of benefits; hearing procedures, and anti-alienation provision.
13	WHEREAS, under Section 18-405(g) of the Code, the Retirement Board is
14	responsible for making recommendations to the City for amendments to the Denver
15	Employees Retirement Plan (the "Plan") when in the judgment of the Board such changes
16	are necessary; provided that such recommendations are accompanied by a report of the
17	Plan's actuary setting forth the effect of such amendments; and,
18	WHEREAS, the actuary for the Plan recently conducted an experience study
19	where the actual experience of the Plan, over the last five (5) years, was compared to the
20	Plan's assumptions, and, based on this study, recommended that the Plan adopt new
21	mortality tables. This was due to the impact of the increased life expectancy of Plan
22	members on the actuarial value of Plan liabilities; and,
23	WHEREAS, once the new mortality tables were adopted by the Retirement Board,
24	the total computed actuarially required contribution rate for the Plan increased by one
25	percentage point; and,
26	WHEREAS, the Plan's actuary has further determined that receiving this increased
27	contribution is actuarially necessary to improve the funded status of the Pension and
28	Retiree Medical Plans, and to strengthen their actuarial soundness; and,
29	WHEREAS, the Retirement Board duly considered the reports and
30	recommendations of its actuary, finding, that to strengthen and maintain the actuarial

soundness of the Plan, the new mortality tables needed to be adopted, thus were adopted, and the Retirement Board determined that an increase in the contribution rate is both desirable and necessary; and,

WHEREAS, Section 18-407(a) of the Revised Municipal Code of the City and County of Denver states that the employer intends to continue the plan and to contribute regularly to the trust each payroll period for each member such amounts as are necessary to maintain or assist in maintaining the Plan on a sound actuarial basis as prescribed by applicable law and, particularly, the Internal Revenue Code for defined benefit pension plans qualified under Section 401(a) thereof, and that employees shall contribute regularly to the trust each payroll period in such amounts as are necessary, in the judgment of the city, to assist in maintaining the Plan on a sound actuarial basis; and,

**WHEREAS**, it is in the judgment of the City that, in order to maintain the Plan on a sound actuarial basis, the sponsoring employers shall each have their contributions to the Plan increased by one-half of one percentage point (0.50), and their respective employees shall each have their contributions to the Plan increased by one-half of one percentage point (0.50) for an overall increase in contributions to the Plan of one percentage point; and,

WHEREAS, in order to ensure that benefits are paid in the month in which they are owed, as well as to ensure that when the first of the month falls on a weekend or a holiday, benefits are not paid early thus ensuring that no more than twelve (12) benefit payments are paid in a calendar year, and, due to the increased efficiencies with electronic banking transmissions, it has been determined that the Ordinance should be amended to specify that payment date for retirement benefits will occur on the first business day of the month; and,

WHEREAS, while in the process of administering the Plan, it has been determined that the clarification of various procedures or legal requirements applicable to the Plan, as well as the removal of obsolete language, has become necessary to assist

the Plan in explaining the benefits available to members and their beneficiary, as well as to ensure uniformity in the application of terms within the Ordinance.

# NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE CITY AND COUNTY OF DENVER:

**Section 1.** That Section 18-403(d) (sometimes known and cited as Section 403, Subsection (d), Chapter 18) of the Revised Municipal Code, relating to the establishment and management of the trust fund be amended by adding the language underlined as follows:

# Sec. 18-403. Establishment and management of trust fund.

(d) Use of trustees, custodians and investment managers. Trustees acting under trust agreements, or custodians acting under custodial agreements, or both trustees and custodians, may be selected by the retirement board or its designee.

**Section 2.** That Sections 18-405(c)(2), 18-405(d)(2)a., 18-405(d)(2)b., and 18-405(h) (sometimes known and cited as Section 405, Subsections (c)(2), (d)(2)a., (d)(2)b., and (h), Chapter 18) of the Revised Municipal Code, relating to the retirement board be amended by deleting the language stricken and adding the language underlined as follows:

### Sec. 18-405. Retirement board.

(c) Meetings and notices.

(2) An annual meeting shall be held immediately following the <u>a</u> regular meeting during <u>a month designated and publicized in advance by the months of May or June at the discretion of the board. The annual report of the retirement board to the membership shall be made available to all members.</u>

(d) Advisory committee.

a. Elections. Each year, one (1) of the three (3) elected members shall be elected for be elected for a three-year term to the advisory committee in accordance with the election procedures authorized by the retirement board. This elected member shall be announced at a regular board meeting following the election, and assume office at the annual meeting on the July 1st immediately following the election.

b. The member appointed by the career service board shall take office following the enactment of this section and shall serve until the annual meeting in 2014. Thereafter, any appointment by the career service board shall be made in conjunction with the annual meeting—designated prior to, and assume office effective on, July 1st in the year in which a term expires. Any vacancy in the appointed advisory committee position shall be promptly filled by the career service board for the unexpired portion of the term.

(h) Reports.

(3) An annual report of the retirement board to the membership shall be made available to all members.

**Section 3.** That Sections 18-407(e)(1) and 18-407(f)(1) (sometimes known and cited as Section 407, Subsections (e)(1) and (f)(1), Chapter 18) of the Revised Municipal Code, relating to contributions; payroll deductions, be amended by deleting the language stricken and adding the language underlined as follows:

## Sec. 18-407. Contributions; payroll deductions.

(e) Employer contributions. From and after the date a person first becomes an active member, and until the actual retirement date or prior termination of employment, the manager of finance and each contractual entity shall transfer into the trust fund each payroll period from such sources as shall, in the case of the city, be designated by ordinance, the amounts listed in this section which have been determined, on an actuarial basis, to be sufficient to provide for the benefits of eligible members.

(1) For each active member, including each elected official, the employer shall contribute twelve and one-half thirteen (12.513.0) percent of the member's gross salary. In the case of a contractual entity, the employer shall, as a condition necessary to becoming or remaining a contractual entity, also make any actuarially determined supplemental contributions necessary to fund the current cost of benefits available under the plan payable to current and future employees of the contractual entity.

(f) Employee contributions. Each active member shall contribute to the trust fund, by means of payroll deductions which shall be withheld by the manager of finance or contractual entity and transferred each payroll period directly to the trust, the following amounts:

(1) For each active member, including each elected official, the employee shall contribute eight and one-half (8.05) percent of his or her gross salary to the trust fund.

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**Section 4.** That Sections 18-408(a) and 18-408(b), (sometimes known and cited as Section 408, Subsections (a) and (b), Chapter 18) of the Revised Municipal Code, relating to retirement categories be amended by deleting the language stricken and adding the language underlined as follows:

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#### Sec. 18-408. Retirement categories.

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In order for a member to receive any retirement benefits, the member must first have completely separated from service or terminated employment with the employer and must have successfully completed and submitted a retirement application and all required documents to the plan. For members who are retiring directly from active service, in order to receive retirement benefits from payable as of the first business day of the calendar month following the member's termination of employment with the employer, the member shall, not later than thirty (30) days from the date of separation from service or termination of employment, successfully complete and submit a retirement application and all required documents and information to the plan. A member who does not complete and submit the required application and documents to the plan within thirty (30) days of separation from service or termination of employment shall be considered to be a deferred member and any subsequent retirement shall be a deferred retirement. Except for payments for members retiring directly from active service where, within thirty (30) days from the date of termination, the member has successfully completed and submitted a retirement application to the plan, or for a disability retirement where the benefit may be partially paid retroactively to the member's date of termination, all other retirement benefits are to be paid prospectively and will be paid only after successful completion of all of the retirement application requirements.

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Eligible members who shall resign, become disabled, die while in the service of the employer, be discharged, or have their employment terminated for any other reason, shall be entitled to retire according to the following categories of retirement:

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(a) Normal retirement. Members employed before July 1, 2011 shall be eligible for a normal retirement <u>payable on</u> the first <u>business</u> day of the calendar month following termination of employment and upon the earlier of the member's sixty-fifth (65th) birthday, or <u>payable on</u> the first <u>business</u> day of any calendar month after which a member has attained his or her fifty-fifth (55th) birthday and where the member's age and credited service while an active member are or were equal to or greater than the sum of seventy-five (75) (the "rule-of-75"). A member shall become fully vested in the member's accrued

benefit, and this benefit shall become nonforfeitable on the member's normal retirement date under the rule-of-75 or the member's sixty-fifth (65th) birthday, whichever is earlier.

Members first employed on or after July 1, 2011, who are vested shall be eligible for a normal retirement <u>payable on</u> the first <u>business</u> day of the calendar month following termination of employment and upon the earlier of the member's sixty-fifth (65th) birthday, or <u>payable on</u> the first <u>business</u> day of any calendar month after which a member has attained his or her sixtieth (60th) birthday and where the member's age and credited service while an active member are or were equal to or greater than the sum of eighty-five (85) (the "rule-of-85"). A member shall become fully vested in the member's accrued benefit, and this benefit shall become nonforfeitable upon the member becoming eligible for normal retirement as defined herein.

A member who meets the requirements for a normal retirement can retire without a reduction in the member's retirement benefit as is required for an early retirement.

(b) Early retirement. Members employed before July 1, 2011, shall be eligible for an early retirement <u>payable on</u> the first <u>business</u> day of any month following termination of employment with the employer, after the member reaches the age of fifty-five (55), but before the member reaches eligibility for a normal retirement, provided that member must have completed five (5) years of credited service at the date of such early retirement.

For members first employed on or after July 1, 2011, a member shall be eligible for an early retirement <u>payable on</u> the first <u>business</u> day of any month following termination of employment with the employer, after the member reaches the age of sixty (60), but before the member reaches eligibility for a normal retirement, provided that such member must have completed five (5) years of credited service at the date of such early retirement.

**Section 5.** That Sections 18-409(b), 18-409(g), and 18-409(i) (sometimes known and cited as Section 409, Subsections (b), (g) and (i), Chapter 18) of the Revised Municipal Code, relating to retirement benefits be amended by deleting the language stricken and adding the language underlined as follows:

#### Sec. 18-409. Retirement benefits.

 (b) Early retirement. Upon early retirement each member shall receive a reduced retirement benefit which shall be the percentage shown in the following table of that portion of the retirement benefit to which the member would otherwise be entitled at the normal retirement date as is based on years and fractional years of credited service prior to the date of actual retirement.

Members employed before July 1, 2011, after vesting, shall be entitled to an early retirement beginning payable on the first business day of the month following the month the member reaches age fifty-five (55) and after the member submits and completes all plan requirements and forms for being awarded an early retirement. The reduction for members employed before July 1, 2011, is three (3%) percent for each year that the member is under age 65 in accordance with the following table:

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Age at Retirement for members	Percentage of Normal Retirement
employed before July 1, 2011	Benefit
Under 55	00.00
55	70.00
56	73.00
57	76.00
58	79.00
59	82.00
60	85.00
61	88.00
62	91.00
63	94.00
64	97.00
65	100.00

Members first employed on or after July 1, 2011, after vesting, shall be entitled to an early retirement beginning payable on the first business day of the month following the month the member reaches age sixty (60) and after the member submits and completes all plan requirements and forms for being awarded an early retirement. The reduction for members first employed on or after July 1, 2011, is six (6%) percent for each year that the member is under age 65 in accordance with the following table.

Age at Retirement for members first employed on or after July 1, 2011	Percentage Benefit	of	Normal	Retirement
Under 60	00.00			
60	70.00			
61	76.00			
62	82.00			
63	88.00			
64	94.00			
65	100.00			

(g) Distribution of present value of benefits. If, upon retirement, the present value of the lifetime benefit available to the member under this Plan is less than the value set forth in the Internal Revenue Code (currently codified in section 411(a)(11) of the Internal Revenue Code), the member may request, in writing, an immediate distribution of the present value of the benefit. The distribution may be made directly to the member or made may be made in accordance with the rollover provisions found in section 18-416 of this division.

- (i) Social Security make-up. For all members who were employed before July 1, 2011 and who retire on or after January 1, 1996, other than those retiring under a disability form of retirement pursuant to subsections 18-409(c) and 18-409(d) of this Code, a Social Security make-up benefit shall be paid monthly beginning at the later of the member's retirement or on the first business day of the next calendar month immediately following the month of the member's sixty-second birthday, as follows:
- The member's estimated primary Social Security benefit multiplied by a factor determined, thus:
- The years of credited service of the member during which the member contributed towards Social Security income replacement benefits (up to a maximum of thirty-five (35) years) divided by thirty-five (35) and multiplied by the applicable percentage, as shown in the following table:

Year of Birth	Applicable Percentage
Before 1938 0.00%	
1938	1.25%
1939	2.50%
1940	3.75%
1941	5.00%
1942	6.25%
1943-1954	7.50%
1955	8.75%
1956	10.00%
1957	11.25%
1958	12.50%
1959	13.75%
1960	15.00%
After 1960	15.00%

As used in this subsection (i), "estimated primary social security benefit" shall mean the estimated monthly amount payable to the member under Title II of the Social Security Act at the later of the member's reaching the age of sixty-two (62) or the member's actual retirement date if retiring after age sixty-two (62). The determination of the amount of a member's primary Social Security benefit shall be made based on available information, and, for prior years for which that information is unavailable, the plan may assume that the member's wages had increased each calendar year at the same rate as the average of the total wages (the "national average wage index,") defined in section 209(k)(1) of the Social Security Act for such calendar years as specified in section 215(b)(3)(A)(ii) of the Act for such calendar years. If a member is receiving a Social Security benefit at the time the member becomes eligible for the Social Security make-up benefit, the initial entitlement amount of that Social Security benefit shall be used to calculate the member's Social Security make-up benefit, even if that Social Security benefit is based on a Social Security benefit or earnings of a person other than the member (e.g. widow/widower's benefit, spousal benefit, etc.).

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Subsection 18-409(i), Social Security make-up, shall be inapplicable, and there shall be no Social Security make-up, for those members first employed on or after July 1, 2011.

**Section 6.** That Section 18-410(c) (sometimes known and cited as Section 410, Subsection (c), Chapter 18) of the Revised Municipal Code, relating to joint and survivor benefits be amended by adding the language underlined as follows:

#### Sec. 18-410. Joint and survivor benefits.

(c) Designation of beneficiary. Notwithstanding other provisions of the Code, and except as otherwise provided in Section 18-411 of the Code, a member can designate any person to receive, upon the member's death, the benefits set forth herein. A member may designate only one person as a beneficiary. An active or deferred member may

designate a contingent beneficiary who shall become the primary designated beneficiary if the primary designated beneficiary predeceases the active or deferred member, and the active or deferred member does not submit a new beneficiary designation form to the plan prior to the active or deferred member's death. If a member designates more than one person as either a beneficiary or a contingent beneficiary, the beneficiary designation shall fail and shall be treated as if the member has no beneficiary on file with the plan. If a member is married, the spouse must be designated as the beneficiary, unless the spouse waives, in writing, his/her right to these benefits. A member must name an individual and may not designate a fictional or artificial person as a beneficiary. In order for a beneficiary designation, or change in beneficiary designation, to be effective, the Plan must receive, in its offices, a completed and notarized beneficiary designation form prior to a member's death. A member's employer is not authorized to receive the form instead of the Plan. Section 18-418 of the Code prohibits a member from transferring or assigning benefits, thus the member cannot designate a trust as his/her beneficiary. Retired members may not designate a contingent beneficiary.

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**Section 7.** That Sections 18-413(a), 18-413(b)(1), and 18-413(b)(2) (sometimes known and cited as Section 413, Subsections (a), (b)(1) and (b)(2), Chapter 18) of the Revised Municipal Code, relating to the monthly payment of benefits be amended by deleting the language stricken and adding the language underlined as follows:

# Sec. 18-413. Monthly payment of benefits.

(a) Duration. Monthly retirement benefit payments to the retired member shall become payable on the <u>first business day of the month following the member's effective retirement date and shall continue monthly to be paid on the first business day of the month thereafter until the last monthly payment prior to death. If retirement benefit payments become payable to a member's spouse or named beneficiary, such payments to the spouse or named beneficiary shall be made in monthly installments commencing, except as otherwise set forth in this article, on the first <u>business</u> day of the month following the month in which the retired member died and shall continue until the last monthly payment prior to the death of such spouse or named beneficiary or prior to such other authorized termination of benefit payments as are called for in this division. Benefits authorized and issued but unpaid to and unclaimed by members, spouses or beneficiaries after three (3) years from the date of issuance shall escheat to the trust.</u>

# (b) Delivery.

a. Be placed in the mail of the United States Postal Service before on the first business day of each month directed to either the last-known address of the payee shown on the records of the retirement plan or the address last

(1) For members who retire before January 1, 2011, the payments shall, at the

request of the retired member, spouse or named beneficiary, either:

 designated in writing by the retired member, spouse or named beneficiary to which the payment is to be sent on record with the retirement plan, or

- b. Be deposited directly in an intermediary bank selected by the retirement board so as to be available to the payee on the first <u>business</u> day of the month in the account of the payee at the payee's designated depositary financial institution, and notice of such deposit shall be placed promptly in the mail of the United States Postal Service directed to the last-known address of the payee shown on the records of the retirement plan, or delivered in any other manner offered by the plan.
- (2) For members who retire on or after January 1, 2011, or for beneficiaries who become eligible for a monthly retirement benefit on or after January 1, 2011, the payments shall be deposited directly in an intermediary bank selected by the retirement board so as to be available to the payee on the first <u>business</u> day of the month in the account of the payee at the payee's designated depositary financial institution, and notice of such deposit shall be placed promptly in the mail of the United States Postal Service directed to the last-known address of the payee shown on the records of the retirement plan, or delivered in any other manner offered by the Plan.

**Section 8.** That Section 18-417(b)(4) (sometimes known and cited as Section 417, Subsection (b)(4), Chapter 18) of the Revised Municipal Code, relating to the denial of benefits; hearing procedures, be amended by deleting the language stricken and adding the language underlined as follows:

## Sec. 18-417. Denial of benefits; hearing procedures.

- (b) Appeal of executive director's decision.
  - (4) Record of proceedings. The proceedings before the retirement board or hearing officer shall be kept by a certified shorthand reporter with the cost thereof being paid by the plan recorded. If the decision of the retirement board or the hearing officer is to deny the petition, the plan shall provide without cost one (1) copy of the record made during the hearing to the petitioner, upon written request. The plan shall provide any additional copies requested by the petitioner at the rate of one dollar (\$1.00) paid in advance for each page of the transcript of proceedings and exhibits received or offered into evidence. All witnesses shall testify under oath administered by the reporter Chairperson of the retirement board or the hearing officer, and each witness under subpoena shall be paid by the subpoenaing party, in advance, for attendance the fees and mileage provided for a witness in a court of record in Colorado.

**Section 9.** That Sections 18-418(b)(4)b.1. and 18-418(b)(5)b. (sometimes known and

cited as Section 418, Subsections (b)(4)b.1. and (b)(5)b., Chapter 18) of the Revised 1 2 Municipal Code, relating to the anti-alienation provision be amended by adding the 3 language underlined as follows: 4 5 Sec. 18-418. Anti-alienation provision. 6 7 Domestic relations orders (DRO). The plan shall permit the division of a member's (b) retirement benefit through a DRO which meets all the requirements set forth in this 8 9 subsection. 10 11 (4) If the member dies prior to retirement the following terms shall govern 12 regarding the DRO: 13 b. If the member dies either before or on or after reaching the age of fifty-five 14 (55), for members first employed before July 1, 2011, or before or on or after 15 reaching the age of sixty (60), for members first employed on or after July 1, 2011, and the member has a current spouse, or children under age 21, or has 16 a named beneficiary on file with the plan, the member's former spouse may 17 receive monthly payments of the benefit agreed in the DRO calculated as 18 19 follows: 20 21 1. The DRO payment to the former spouse shall commence the first 22 business day of the month following the date when the member would have (but for death) reached age and other requirements for a normal retirement 23 24 benefit under the terms of the plan. 25 26 (5) If the member dies after retirement the following terms shall govern 27 regarding the DRO: 28 29 b. If so agreed, the continued payments to the former spouse shall begin no 30 later than the first business day of the month following thirty (30) days from the date of the member's death and shall continue to be paid until the death of the 31 32 former spouse. 33 34 35 36 [SIGNATURE PAGE FOLLOWS] 37 38

1	COMMITTEE APPROVAL DATE: Octob	er 30, 2018
2	MAYOR-COUNCIL DATE: November 6	, 2018
3	PASSED BY THE COUNCIL	
4		PRESIDENT
5		MAYOR
6 7 8 9	ATTEST:	CLERK AND RECORDER, EX-OFFICIO CLERK OF THE CITY AND COUNTY OF DENVER
10 11 12	NOTICE PUBLISHED IN THE DAILY JO	OURNAL;
13 14 15 16	PREPARED BY: Victoria A. Hale,	GENERAL COUNSEL, DENVER EMPLOYEES RETIREMENT PLAN, October 18, 2018
17 18 19 20 21	office of the City Attorney. We find no irr	s proposed ordinance has been reviewed by the egularity as to form, and have no legal objection d ordinance is not submitted to the City Council arter.
22	Kristin M. Bronson, City Attorney	
23	BY: Kuoton J Caufod , Assistant	City Attorney DATE: Nov 7, 2018