

The most notable changes suggested are summarized below:

**1. Changes Required by Federal Tax Law and Suggested by Michigan Law**

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:553(1)	Board of Trustees	States the Board’s standard of care exactly as set forth in MI PA 314.	Diverging from the express statutory language of PA 314 creates ambiguity.
1:556(3)	Custodian	States MI legal requirements to be a ‘custodian’ of public retirement system assets.	“Custodians” must meet requirements set out in MI PA 314.
1:556(5)	Services	Clarifies that the Executive Director serves in a ministerial and non-fiduciary capacity; has no discretionary authority or control over System assets.	The Board, not the Executive Director, is the fiduciary responsible for the administration of the System.
1:558	Actuarial Funding Assumptions	States the System’s funding policy by incorporating the funding requirements of the MI Constitution of 1963, Article 9, Sec. 24. and MI PA 314.	Ambiguous as to whether the section dealt with System funding assumptions or assumptions for determining benefit equivalencies; Funding policy should consider requirements of MI Constitution.
1:559(d)(6)	Membership in Retirement System	States the time by which certain employees must make an irrevocable election to opt in or out of participation in the System.	Federal tax law requirement; an employee’s irrevocable election about participation in the System must occur prior to participation in the System.
1:561	Service Credit for Retirement	States how the Board credits service for firefighter members and all other members to include calculating partial months of service credit; addresses crediting of service acquired by a member under Reciprocal Retirement Act (RRA); addresses how such RRA service is used by the System.	Service crediting must be fully and precisely defined as it is a key component for determining a member’s retirement benefit; Ordinance was silent on RRA interaction with the System (City elected in 1969 to be a reciprocal retirement unit under the RRA).
1:566(2)(c)	Annuity Option	Identifies specific actuarial factors for the calculating the effect of a lump sum withdrawal of accumulated contributions on a member’s future monthly benefit amount.	Clarifies the amount of a member’s monthly retirement allowance after a withdrawal of accumulated contributions; to comply with federal tax law; was confusing to administer, and a member who made a withdrawal currently does not know the effect of the withdrawal on his/her remaining benefit.

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:566(3)(b)	Direct Rollover Option	Expands definition of an 'eligible retirement plan' to accept a rollover distribution	Federal tax law requirement
1:566(3)(c)	Rollover Out of Retirement System	Expands definition of 'distributee'	Federal tax law requirement
1:568	Disability Retirement	Definition of disability is a "your occupation" definition; Adds provisions to address interaction of MI workers' compensation benefit payments with a disability retirement benefit; lump sum redemptions; service crediting upon job reinstatement.	A "your occupation" definition reflects current practice, offers the City flexibility when it comes to job reinstatement; aids uniform administration. Ordinance was silent on the interaction of MI workers' compensation laws and disability retirement as expressed in City policies and union agreements.
1:574	Investment Management of Retirement System Assets	States investment management activities are subject to MI PA 314; states prudent investor rule; outlines Investment Manager requirements; strengthens language regarding trustees' investment powers, System investment rules.	To conform with provisions of MI PA 314; strengthen language regarding investment management of System's assets.
1:576	Assignment of Interests Prohibited	References MI law regarding the division of retirement benefits in cases of divorce and legal separation.	MI law provides exceptions to the anti-alienation and anti-assignment rule
1:583	Reversions of Funds to City Prohibited, Exceptions	Increases the time period from 6 months to one (1) year, for the City to recoup a contribution to the System made by mistake of fact.	Ordinance was more restrictive than legally required.
1:584	Amendment and Termination of System	Clarifies the City's right to amend, modify or terminate the System subject to limitations of MI law and collective bargaining agreements.	Reserves the City's inherent authorities to amend or terminate System subject to limitations imposed by MI law and union agreements
1:585	Actuarial Equivalencies	States the actuarial factors used to (i) convert a member's standard form of benefit payment into an optional form of payment; and (ii) determine a member's remaining pension benefit after withdrawal of member accumulated contributions.	Federal tax law requirement; ensures a member's retirement benefits are 'definitely determinable', including at the time of the member's withdrawal of accumulated contributions; prevents manipulation of benefit calculations.

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:586	Required Distributions	Updates to comply with final Code section 401(a)(9) regulations.	Federal tax law requirement
1:587	Limitations on Benefits and Contributions	Updates to comply with technical changes issued under IRS final regulations	Federal tax law requirement
1:590	Implementation and Guarantee Section	Incorporates the anti-cutback provisions of the Michigan Constitution, Article 9, Section 24.	Michigan law protects a member's 'accrued financial benefit' from cut-back by Ordinance amendment.
1:594	Denial of Benefit Claim; Appeal	Introduce a claims procedure modeled on private sector requirements; requires Board notify the City of any application for retirement benefits.	Strengthens and clarifies the benefit claim and appeals process; furnish the City the option to be heard on benefit claim decisions.
1:597	Forfeiture of Retirement Allowance	Reflect the ambient provisions of MI law under which a member could experience a forfeiture of his benefit.	To address the circumstance; federal tax law requires that benefits be subject to a definite written document.

## 2. Changes to Introduce Clarity, Exactness and Improve Administration

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:552	DEFINITIONS  General Comments	(a) Add new definitions  (b) Develop more fully existing definitions  (c) Alphabetize	(a) Adds clarity  (b) Example: Compensation definition lacked the particulars of what was included and excluded for pensionable compensation by way of City policy and union agreements.
1:552(6) 1:552(29)	Annuity Reserve Pension Reserve	State mortality table and interest rates used by the actuary to determine the present value of the reserves in various System reserve funds.	The actuaries advise these are the mortality tables and interest rates used for calculating the reserve in the reserve funds.
1:552(14)(e)	Compensation Paid Post-Termination	Clarifies what post-termination payments are included in pensionable compensation so moved to 1:552(14)(e), Compensation definition.	Belongs under the definition of Compensation at 1:552(14)
1:552(19)	Final Average Compensation (FAC)	Defines how a member's FAC is determined by the Board for purposes of calculating a member's retirement benefit.	Clarifies for a member how a component of his retirement benefit calculation is determined; removes ambiguity and aids uniformity in the determination of FAC by the Board for members.

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1:552(2) 1:552(4) 1:552(21)	Interest Rates	New definitions – Sets forth the designated interest rate and purpose for which that interest rate is used.	The prior term ‘Regular Interest’ served multiple purposes and was vague.
1:554	Trustee’s Term of Office; Vacancies	Adds mechanism for filling a vacancy of an elected trustee; limits liability of successor trustees.	Ordinance was silent
1:555	Board Meetings	States Michigan Open Meetings Act applies to Board meetings.	Ordinance was silent
1:559	Membership in Retirement System	Removes references to 15 <sup>th</sup> District Court judges.	15 <sup>th</sup> District Judges no longer participate.
1:563 and 1:563A	Special Retirement Window Allowance(s)	Deleted these sections and ; designated sections as “Reserved”	Window periods for electing early retirement option have closed; ‘reserving’ the sections unclutters the Ordinance.
1:564	Service Retirement Allowance	Organizes material in a more coherent fashion;	For clarity
1:565	Deferred Vested Retirement Allowance	Clarifies the times that a terminated member can withdraw accumulated contributions; states how the effect of the withdrawal on a member’s monthly deferred retirement allowance will be determined.	Reflects in the Ordinance how the Retirement System is being administered by the Board.
1:566(1)	Alternate Forms of Payment Options	Puts Social Security Adjustment Option (an optional form of benefit distribution) with alternate forms of payment options.	This is an optional form of benefit distribution and logically belongs in this section. The distribution form is actuarially equivalent to the “normal” single life annuity Retirement Allowance, so actuarially, it has no cost impact.
1:567	Ordinary Death Benefits Prior to Retirement	Clarifies the preretirement death benefit; added notice and election procedures for members to file forms for payment of a preretirement death benefit.	Improves Retirement System administration by introducing rules to facilitate getting current member benefit elections on file with the System.
1:569	Reexamination of Disability Retirants	Offers City latitude in returning a former disabled retiree to active employment; job reinstatement requires the City have a position similar to the individual’s pre-disability position.	Introduces flexibility on job reinstatement if City lacks a suitable position similar to the individual’s pre-disability position.
1:573(4)	Other Operating Funds	Revise to generally improve this section’s interaction with other sections in the Ordinance; takes into account actuarial gains and funding credits when determining the pension reserves for the Pension Reserve Fund	Taking into account actuarial gains and funding credits makes clear that any overfunding will be taken into account when determining City contributions.

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:588	'Reserved'	Described the annual compensation limit imposed by federal tax law for benefit purposes so moved to the definition of "Compensation" at section 1:552(14)(f).	Logically belongs under "Compensation" definition.
1:589	Internal Revenue Code Qualifications	Deleted references to historical federal tax acts; clearly delineates the role of the City and the Board for maintaining the System's tax qualification.	Tax-qualification requires compliance both in form (the Ordinance document) and operation (Board Administration) to better delineate role of the City and the Board for maintaining tax qualification.
1:592(1)	Post Retirement Adjustments— Minimum Benefit	Clarifies that the current annual retirement benefit will be stated in the form of an actuarially equivalent single life annuity and consider member annuity withdrawals when determining member's 'poverty' amount for an adjustment.	Resolves equity issues among retirees by neutralizing the 'get-ahead' effect of a member having elected an actuarially reduced form of benefit (e.g., joint and 100% annuity) and/or withdrawn accumulated contributions.

### 3. Changes proposed by the Pension Board

<b>ORDINANCE SECTION</b>	<b>SECTION SUBJECT</b>	<b>CHANGE</b>	<b>REASON FOR CHANGE</b>
1:566(1)	Optional Forms of Payment Options	<i>Option IV</i> -- A new alternate form of retirement benefit payment for members which is a Period Certain 60, 120, 160 Monthly Payments.	Offers members more flexibility in how to receive the retirement benefit payment.
1:573	Other Operating Funds	A new method of reserving funds for purposes of a cost of living increase.	The current language allows for a discretionary cost of living increase. These changes would establish a pension adjustment account for excess earnings to be used for funding cost-of-living adjustment.
1:592	Post-Retirement Adjustments	In conjunction with the changes to 1:573, provides for a cost of living adjustment for retirees. A new mechanism for determining eligibility for cost of living adjustment is based upon age and years of service after the date of benefit commencement; establish formula for Supplemental Benefit Distribution using a point system.	Institute a new mechanism for determining retirees' eligibility for cost of living adjustment, the amount of the benefit adjustment; and how to fund the pension adjustment account.