



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 as follows:
 - Increase in Pension Plan Liabilities: \$9,393,000
 - Increase in Pension Plan Annual Contribution: \$ 740,000

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 (x) under Section 25-95 to read as follows:

- (x) Effective July 1, 2011, the following additional increases shall take effect:
- (1) Members who retired prior to 1997 shall receive an increase in the amount of one percent (1.0%) of their present allowance.
 - (2) Members who retired during the years 1997 through 2002 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.
 - (3) Members who retired during the years 2003 through 2010 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 (x) under Section 25-195, to read as follows:

- (x) Effective July 1, 2011 the following additional increases shall take effect:
- (1) Members who retired between the period of July 1, 1978 through December 31, 1996 shall receive an increase in the amount of one percent (1.0%) of their present allowance.
 - (2) Members who retired during the years 1997 through 2002 shall receive an increase in the amount of one half percent (0.5%) of their present allowance.
 - (3) Members who retired during the years 2003 through 2010 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.

Myron Lowery
Chairman of Council

ATTEST:

Patrice Thomas
Comptroller



March 31, 2011

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

Re: Retirement Plan Cost Of Living Adjustment

Dear Patrice:

As requested, we have determined 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:

	Increase in Plan Liabilities	Increase in Annual Contribution
0.5%, 1.0%, and 1.5% Benefit Increases	\$13,824,000	\$1,089,000
0.5%, 0.5%, and 1.0% Benefit Increases	\$9,393,000	\$740,000
0.25%, 0.5%, and 0.75% Benefit Increases	\$6,912,000	\$544,000

Our calculations are based upon generally accepted actuarial methods and the data and assumptions utilized in the most recent valuation of the plan (for the fiscal year ending June 30, 2011). These calculations were performed at the City's request and do not represent a recommendation of PricewaterhouseCoopers LLP.

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. This document has been prepared pursuant to an engagement between PricewaterhouseCoopers LLP and its Client and is intended solely for the use and benefit of that Client and not for reliance by any other person.

The undersigned are members of the Society of Actuaries and the American Academy of Actuaries and meet the "General Qualification Standards" for rendering an actuarial opinion relating to pension plans.



Ms. Patrice Thomas
March 31, 2011
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If you have any questions, or would like us to evaluate other alternatives, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Jerrold Dubner".

Jerrold Dubner
Associate of the Society of Actuaries
Member, American Academy of Actuaries

A handwritten signature in cursive script that reads "D.H. Burris".

Donald H. Burris
Associate of the Society of Actuaries
Member, American Academy of Actuaries

Attachments

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

CITY OF MEMPHIS

COLA STUDY - 0.5%, 0.5%, 1% Benefit Increases to Current Retirees

	GENERAL		POLICE & FIRE		GRAND TOTAL	
	Current (based on 7/1/2010 Data)	with Increase	Current (based on 7/1/2010 Data)	with Increase	Current (based on 7/1/2010 Data)	with Increase
Annual Benefit Amount	\$39,954,000	\$40,235,000	\$98,414,000	\$99,167,000	\$138,368,000	\$139,402,000
Present Value of Benefits *						
Dollar Increase in Present Value of Benefits	\$887,781,000	\$390,226,000	\$970,180,000	\$977,128,000	\$1,357,961,000	\$1,367,354,000
Percentage Increase in Present Value of Benefits	N/A	\$2,445,000 0.63%	N/A	\$6,948,000 0.72%	N/A	\$9,393,000 0.69%
Increase in Annual Contribution (30 year amortization)	N/A	\$193,000	N/A	\$547,000	N/A	\$740,000
Covered Payroll	\$102,329,000	\$102,329,000	\$206,560,000	\$206,560,000	\$308,889,000	\$308,889,000
Increase in Annual Contribution as a Percentage of Covered Payroll	N/A	0.19%	N/A	0.26%	N/A	0.24%

* Retired participants and beneficiaries and disabled participants

Year of Retirement	Increase	Headcounts
before 1996	1.00%	2,179
1996 - 2001	0.50%	1,044
after 2001	0.50%	1,182

