

1 A bill to be entitled
2 An act relating to the City of West Palm Beach, Palm
3 Beach County; amending chapter 24981, Laws of Florida,
4 1947, as amended; revising definitions; defining the
5 term "Fire Chief"; authorizing the Fire Chief to opt
6 out of participation in the West Palm Beach
7 Firefighters Pension Fund; providing that chapter 175,
8 F.S., funds to be used to reduce member contributions
9 to the fund for specified calendar years; requiring
10 the city to make up certain shortfalls in member
11 contributions; providing for a reduction in member
12 contributions for 3 years; revising the crediting rate
13 for certain members in the share and BackDROP
14 accounts; removing a requirement for members to take a
15 lump sum distribution of their share and BackDROP
16 account balances within a specified time after their
17 termination of employment in certain circumstances;
18 authorizing members to choose BackDROP periods between
19 1 month and 60 months in duration; revising BackDROP
20 benefits; revising assumption for amortization of
21 gains and losses; providing an effective date.

22
23 Be It Enacted by the Legislature of the State of Florida:

24
25 Section 1. Paragraphs (a) and (h) of subsection (1),
26 paragraphs (a) and (b) of subsection (3), paragraphs (j) and (l)

27 of subsection (5), paragraph (b) of subsection (21), and
 28 subsection (22) of section 17 of chapter 24981, Laws of Florida,
 29 1947, as amended, are amended to read:

30 Section 17. West Palm Beach Firefighters Pension Fund.—

31 (1) Creation of fund.—There is hereby created a special
 32 fund for the Fire Department of the City of West Palm Beach to
 33 be known as the West Palm Beach Firefighters Pension Fund. All
 34 assets of every description held in the name of the West Palm
 35 Beach Firemen's Relief and Pension Fund and in the name of the
 36 West Palm Beach Firefighters Pension Fund have been and shall
 37 continue to be combined.

38 (a) Definitions.—The following words or phrases, as used
 39 in this act, shall have the following meanings, unless a
 40 different meaning is clearly indicated by the context:

41 1. "Actuarial equivalent value," "actuarial equivalence,"
 42 or "single sum value" means the stated determination using an
 43 interest rate of 8.00 ~~8.25~~ percent per year and the RP-2000
 44 Mortality Table ~~1983 Group Annuity Mortality Table for males~~.

45 2. "Beneficiary" means any person who is not at retirement
 46 but who is entitled to receive a benefit from the West Palm
 47 Beach Firefighters Pension Fund or the West Palm Beach Firemen's
 48 Relief and Pension Fund, as applicable.

49 3. "Board of Trustees" or "Board" means the Board of
 50 Trustees provided for in this act.

51 4. "City" means the City of West Palm Beach, Florida.

52 5. "Department" means the Fire Department of the City.

53 6. "Enrolled actuary" means an actuary who is enrolled
54 under Subtitle C of Title III of the Employee Retirement Income
55 Security Act of 1974 and who is a member of the Society of
56 Actuaries or the American Academy of Actuaries.

57 7. "Final average salary" means:

58 a. The average monthly salary paid to a member in the 3
59 best years of employment before retirement for all active
60 members who retire on or after May 13, 2012, who are not
61 eligible for normal retirement as of May 13, 2012, or do not
62 have a calculated BackDROP date of October 1, 2011, or earlier.

63 b. The average of the monthly salary paid a member in the
64 2 best years of employment, paid in and prior to the 23rd year
65 of credited service for retirements before May 13, 2012, for
66 members who are eligible for normal retirement as of May 13,
67 2012, or who have a calculated BackDROP date of October 1, 2011.
68 No active nonDROP member shall have any salary amounts paid
69 prior to October 1, 2000, used in the calculation of final
70 average salary. Those members whose final average salary would
71 include salary amounts paid prior to October 1, 2000, shall use
72 salary paid during the period from October 1, 2000, through
73 September 30, 2001, to replace any salary amounts paid prior to
74 October 1, 2000. The replacement salary from October 1, 2000,
75 through September 30, 2001, may range anywhere between 2 weeks
76 and 104 weeks, but shall only be enough salary as is sufficient
77 to replace the salary paid prior to October 1, 2000. The

78 replacement salary amounts from October 1, 2000, to September
79 30, 2001, shall be prorated based upon an annual salary.

80 8. "Fire Chief" means the firefighter who is the executive
81 officer of the City of West Palm Beach Fire Department.

82 ~~9.8.~~ "Firefighter" means any person employed in the
83 Department who is certified as a firefighter as a condition of
84 employment in accordance with the provisions of section 633.35,
85 Florida Statutes, whose duty it is to extinguish fires and
86 protect life and property. The term includes all certified,
87 supervisory, and command personnel whose duties include, in
88 whole or in part, the supervision, training, guidance, and
89 management responsibilities of full-time firefighters, part-time
90 firefighters, or auxiliary firefighters but does not include
91 part-time firefighters or auxiliary firefighters whose duty it
92 is to extinguish fires and protect life and property. In
93 accordance with s. 175.032(8)(a), Florida Statutes, the Fire
94 Chief has the option to elect to participate, or not, in this
95 Plan.

96 ~~10.9.~~ "Fund" or "Pension Fund" means the West Palm Beach
97 Firefighters Pension Fund or the West Palm Beach Firemen's
98 Relief and Pension Fund, as applicable.

99 ~~11.10.~~ "Member" means any person who is included in the
100 membership of the Fund in accordance with paragraph (h).

101 ~~12.11.~~ "Pension" means a monthly amount payable from the
102 Fund throughout the future life of a person, or for a limited
103 period of time, as provided in this act.

104 ~~13.12.~~ "Qualified health professional" means a person duly
105 and regularly engaged in the practice of his or her profession
106 who holds a professional degree from a university or college and
107 has had special professional training or skill regarding the
108 physical or mental condition, disability, or lack thereof, upon
109 which he or she is to present evidence to the Board.

110 ~~14.13.~~ "Qualified public depository" means any bank or
111 savings association organized and existing under the laws of
112 Florida and any bank or savings association organized under the
113 laws of the United States that has its principal place of
114 business in Florida, or has a branch office which is authorized
115 under the laws of Florida or the United States to receive
116 deposits in Florida, that meets all of the requirements of
117 chapter 280, Florida Statutes, and that has been designated by
118 the Treasurer of the State of Florida as a qualified public
119 depository.

120 ~~15.14.~~ "Retirant" or "retiree" means any member who
121 retires with a pension payable from the Fund.

122 ~~16.15.~~ "Retirement" means a member's withdrawal from City
123 employment with a pension payable from the Fund.

124 ~~17.16.~~ "Salary" means: on and after January 1, 2007,
125 "salary," for the purpose of pension contributions and benefit
126 calculations, shall mean total cash remuneration paid by the
127 City to a firefighter for services rendered, excluding payments
128 for overtime and any lump-sum payments for accumulated leave
129 such as accrued vacation leave, accrued sick leave, and accrued

130 personal leave. Employees who are specifically excluded from
131 bargaining unit recognition as set forth in Article 2, but who
132 are members of the West Palm Beach Firefighters Pension Fund,
133 shall continue to make contributions on management incentive
134 benefits. This definition of compensation shall not include any
135 duty employment that is performed for other than the City of
136 West Palm Beach per Article 31, Salary Plan. Beginning with
137 salary paid after December 31, 2008, and pursuant to Internal
138 Revenue Code Section 414(u)(7), the definition of salary
139 includes amounts paid by the City as differential wages to
140 members who are absent from employment while in qualified
141 military service.

142 18.17. "Service," "credited service," or "service credit"
143 means the total number of years, and fractional parts of years,
144 of employment of any member in the employ of the Department,
145 omitting intervening years and fractional parts of years of
146 service when the member was not employed by the City. However,
147 no member shall receive credit for years, or fractional parts of
148 years, of service for which the member has withdrawn his or her
149 contributions to the Fund, unless the member repays into the
150 Fund the contributions withdrawn, with interest, within 60
151 months after reemployment. Further, a member may voluntarily
152 leave his or her contributions in the Fund for a period of 5
153 years after leaving the employ of the Department, pending the
154 possibility of his or her being rehired by the Department and
155 remaining employed for a period of not less than 3 years,

156 without losing credit for the time he or she has participated
157 actively as a firefighter. If he or she does not remain employed
158 for a period of at least 3 years as a firefighter with the
159 Department upon reemployment, within 5 years his or her
160 contributions shall be returned without interest in accordance
161 with paragraph (5)(i). In determining the aggregate number of
162 years of service of any member, the time spent in the military
163 service of the United States or United States Merchant Marine by
164 the member on leave of absence from the Department for such
165 reason shall be added to the years of service, provided such
166 time shall not exceed 5 years. Further, to receive credit for
167 such service the member must return to employment as a
168 firefighter of the City within 1 year after the date of release
169 from such active service. Effective January 1, 2007, a member
170 who dies or becomes disabled while serving on active duty
171 military service which intervenes the member's employment shall
172 be entitled to the rights of this section even though such
173 member was not reemployed by the City. A member who dies or
174 becomes disabled while on active duty military service shall be
175 treated as though reemployed the day before the member became
176 disabled or died, was credited with the service the member would
177 have been entitled to under this section, and then either died a
178 nonduty death while employed or became disabled from a nonduty
179 disability.

180 (h) Membership.—All firefighters and all who hold a
181 position of firefighter in the employ of the Department shall be

182 members in the Fund. In accordance with s. 175.032(8)(a),
183 Florida Statutes, the Fire Chief has the option to elect to
184 participate, or not, in this Plan. All firefighters, including
185 the chief, who were in the employ of the Department as of April
186 30, 1959, shall be given credit for service rendered in the
187 employ of the Department prior to May 1, 1959. New members to
188 the Fund are required to undergo a physical examination for
189 purposes of determining preexisting conditions. This physical
190 examination shall be conducted in conjunction with the City's
191 postoffer, preemployment physical examination. The Board's
192 medical director shall review the results of this physical
193 examination and provide notice to the Board and the member of
194 any abnormal findings of the examination. This physical
195 examination will be used for the purposes of establishing a
196 physical profile of the member for determining preexisting
197 conditions and presumptive illnesses as provided for in
198 subsection (6). After review, if further physical examination is
199 required, such examination shall be conducted at Board expense.

200 (3) Sources of revenue.—The financing of the Fund shall
201 consist of the following sources of revenue:

202 (a) Taxes of insurance companies.—The moneys returned to
203 the City as provided by chapter 175, Florida Statutes, shall be
204 used to fund the share account benefit described in paragraph
205 (5)(j). The chapter 175 funds received in calendar years 2012,
206 2013, and 2014 shall be utilized to reduce the employee
207 contributions to 13.1 percent. Effective beginning with the

208 chapter 175 funds received in calendar year 2015, a portion of
 209 the chapter 175 funds will be used to reduce the employee
 210 contributions and the remainder will be allocated to the share
 211 accounts provided for in paragraph (5)(j), in accordance with
 212 the following schedule:

213 1. In 2015, 85 percent shall be allocated to reduce
 214 contributions and 15 percent shall be allocated to share
 215 accounts.

216 2. In 2016, 65 percent shall be allocated to reduce
 217 contributions and 35 percent shall be allocated to share
 218 accounts.

219 3. In 2017, 35 percent shall be allocated to reduce
 220 contributions and 65 percent shall be allocated to share
 221 accounts.

222
 223 No amount of the Chapter 175 money is to be considered employee
 224 contributions for purposes of a refund of contributions as
 225 provided for in paragraph (5)(i). Effective beginning calendar
 226 year 2018 ~~2015~~, the chapter 175 funds shall again be used in
 227 full to fund the share account benefits provided for in
 228 paragraph (5)(j). The City shall not opt out of participation in
 229 chapter 175, Florida Statutes, or any similar statutory
 230 enactment unless exigent circumstances exist, such as the
 231 bankruptcy of the City or changes or amendments to the statute
 232 regarding extra benefits by the Legislature. If any statutory

233 changes are made by the Legislature, the City and the Board may
 234 renegotiate the impact of such changes, if necessary.

235 (b) Member contributions.—

236 1. Effective May 13, 2012, the member shall contribute 25
 237 percent of his or her salary to the Fund. The full amount of the
 238 chapter 175 funds received in calendar years 2012, 2013, and
 239 2014 shall be used to reduce the employee contributions to 13.1
 240 percent.

241 2. Effective October 1, 2015, the employee contribution
 242 rate will be as set forth in the table and beginning with the
 243 chapter 175 funds received in calendar year 2015, a portion of
 244 the chapter 175 funds will be used to reduce the employee
 245 contributions and the remainder will be allocated to the share
 246 accounts provided for in paragraph (5)(j), in accordance with
 247 the following schedule:

248

<u>Year</u>	<u>Employee</u> <u>Contribution</u> <u>Amount (%)</u>	<u>Allocation to</u> <u>Reduce</u> <u>Contributions</u>	<u>Actual</u> <u>Employee</u> <u>Contribution</u> <u>Rate</u>	<u>Allocation</u> <u>to Share</u> <u>Accounts (%)</u>
<u>2015</u>	<u>22%</u>	<u>85%</u>	<u>13.1%</u>	<u>15%</u>
<u>2016</u>	<u>20%</u>	<u>65%</u>	<u>13.1%</u>	<u>35%</u>
<u>2017</u>	<u>17%</u>	<u>35%</u>	<u>13.1%</u>	<u>65%</u>

249
250
251

252
253 3. No amount of the Chapter 175 money is to be considered
254 employee contributions for purposes of a refund of contributions
255 as provided for in paragraph (5) (I).

256 4. Effective October 1, 2018 ~~October 1, 2014~~, the employee
257 contributions shall be 13.1 percent, which shall be picked up
258 ~~deducted~~ each pay period from the salary of each member in the
259 Department, and the chapter 175 funds received in calendar year
260 2018 ~~2015~~ and thereafter shall once again be allocated to the
261 share accounts.

262 5. If for purposes of paragraphs 1. and 2., the chapter
263 175 funds are insufficient to reduce the member's contributions
264 to 13.1 percent, the city shall make up the difference. All
265 amounts of member contributions that are picked up ~~deducted~~
266 shall be immediately paid over to the Pension Fund.

267 6. For contributions made on or after May 13, 2012, any
268 contribution amount over 11.1 percent is to be used to purchase
269 eligibility in the postretirement health insurance, excluding
270 the amounts of chapter 175 funds used to offset the member
271 contribution rate.

272 (5) Service pension.—

273 (j) Chapter 175, Florida Statutes, share accounts.—

274 1. Individual member accounts.—A separate account shall be
275 established and maintained in each member's name effective on or
276 after October 1, 1988.

277 2. Share account funding.—

278 a. Each individual member account shall be credited with a
 279 pro rata share of all of the moneys received from chapter 175,
 280 Florida Statutes, tax revenues in June 1988 and thereafter.

281 I. For the chapter 175 funds received in calendar years
 282 2012, 2013, and 2014, the full amount of the chapter 175 funds
 283 shall be used to reduce the employee contributions to 13.1
 284 percent as provided for in subsection (3)(a).

285 II. Effective October 1, 2015, the employee contribution
 286 rate will be as set forth in the table and beginning with the
 287 chapter 175 funds received in calendar year 2015, a portion of
 288 the chapter 175 funds will be used to reduce the employee
 289 contributions and the remainder will be allocated to the share
 290 accounts provided for in paragraph (5)(j), in accordance with
 291 the following schedule:

292

<u>Year</u>	<u>Employee</u> <u>Contribution</u> <u>Amount (%)</u>	<u>Allocation to</u> <u>Reduce</u> <u>Contributions</u>	<u>Actual</u> <u>Employee</u> <u>Contribution</u> <u>Rate</u>	<u>Allocation</u> <u>to Share</u> <u>Accounts (%)</u>
<u>2015</u>	<u>22%</u>	<u>85%</u>	<u>13.1%</u>	<u>15%</u>
<u>2016</u>	<u>20%</u>	<u>65%</u>	<u>13.1%</u>	<u>35%</u>
<u>2017</u>	<u>17%</u>	<u>35%</u>	<u>13.1%</u>	<u>65%</u>

296

297 III. Effective October 1, 2018 ~~2014~~, the employee
 298 contributions shall be 13.1 percent and the chapter 175 money
 299 received in calendar year 2018 ~~2015~~ and thereafter shall be
 300 allocated to the share accounts.

301 b. In addition, any forfeitures as provided in
 302 subparagraph 5. shall be credited to the individual member
 303 accounts in accordance with the formula set forth in
 304 subparagraph 3.

305 3. Annual allocation of accounts.—

306 a. Moneys shall be credited to each individual member
 307 account in an amount directly proportionate to the number of pay
 308 periods for which the member was paid compared to the total
 309 number of pay periods for which all members were paid, counting
 310 the pay periods in the calendar year preceding the date for
 311 which chapter 175, Florida Statutes, tax revenues were received.
 312 Share account allocations made on and after October 1, 2004,
 313 shall be made to each individual share account.

314 b. At the end of each fiscal quarter, each individual
 315 account shall be adjusted to reflect the earnings or losses
 316 resulting from investment, as well as reflecting costs, fees,
 317 and expenses of administration.

318 c. (I) Effective for members who reached normal retirement
 319 age on or before May 13, 2012, or members who have a calculated
 320 BackDROP date of October 1, 2011, or earlier, vested
 321 participants have the option to select one of three methods to
 322 credit investment earnings to their account. The method may be

323 | changed each year effective October 1; however, the method must
 324 | be elected prior to October 1. The methods are:

325 | ~~A.(I)~~ The investment earnings or losses credited to the
 326 | individual member accounts shall be in the same percentage as
 327 | are earned or lost by the total investment earnings or losses of
 328 | the Fund as a whole, unless the Board dedicates a separate
 329 | investment portfolio for chapter 175, Florida Statutes, share
 330 | accounts, in which case the investment earnings or losses shall
 331 | be measured by the investment earnings or losses of the separate
 332 | investment portfolio;

333 | ~~B.(II)~~ A fixed annual rate of 8.25 percent for members who
 334 | reached normal retirement age on or before May 13, 2012, or
 335 | members that have a calculated BackDROP date of October 1, 2011,
 336 | or earlier. Effective May 13, 2012, the fixed rate is 4 percent
 337 | for members who retire on or after May 13, 2012, and before
 338 | October 1, 2015; or

339 | ~~C.(III)~~ A percentage of the share account assets to be
 340 | credited with earnings or losses in accordance with sub-sub-sub-
 341 | subparagraph A. ~~sub-sub-subparagraph (I)~~ and a corresponding
 342 | percentage of the share account assets credited in accordance
 343 | with sub-sub-sub-subparagraph B. ~~sub-sub-subparagraph (II)~~. The
 344 | combined total percentage invested under this sub-sub-sub-
 345 | subparagraph ~~sub-sub-subparagraph~~ must equal 100 percent.

346 | (II) Effective after October 1, 2015, vested participants
 347 | have the option to select one of two methods to credit
 348 | investment earnings to their account. The method may be changed

349 each year effective October 1; however, the method must be
350 elected prior to October 1. The methods are:

351 A. The investment earnings or losses credited to the
352 individual member accounts shall be in the same percentage as
353 are earned or lost by the total investment earnings or losses of
354 the Fund as a whole, unless the Board dedicates a separate
355 investment portfolio for chapter 175, Florida Statutes, share
356 accounts, in which case the investment earnings or losses shall
357 be measured by the investment earnings or losses of the separate
358 investment portfolio; or

359 B. The rate of investment return earned on Pension Fund
360 assets as reported by the Fund's investment monitor. The
361 crediting rate maximum is 8 percent and the crediting rate floor
362 is 0 percent. To accomplish this, the crediting rate will be
363 compounded monthly at a rate between 0 percent and 2 percent
364 quarterly. BackDROP assets are commingled with the Pension Fund
365 assets for investment purposes unless the Board dedicates a
366 separate investment portfolio for chapter 175, Florida Statutes,
367 share accounts, in which case the investment earnings or losses
368 shall be measured by the investment earnings or losses of the
369 separate investment portfolio.

370 III. The Board has the authority to create rules to
371 implement the provisions of this section in accordance with the
372 law and the provisions of the Internal Revenue Code.

373 d. Costs, fees, and expenses of administration shall be
374 debited from the individual member accounts on a proportionate

375 basis, taking the cost, fees, and expenses of administration of
376 the Fund as a whole, multiplied by a fraction, the numerator of
377 which is the total assets in all individual member accounts and
378 the denominator of which is the total assets of the Fund as a
379 whole. The proportionate share of the costs, fees, and expenses
380 shall be debited from each individual member account on a pro
381 rata basis in the same manner as chapter 175, Florida Statutes,
382 tax revenues are credited to each individual member account
383 (i.e., based on pay periods).

384 4. Eligibility for benefits.—Any member who terminates
385 employment with the City, upon the member's filing an
386 application with the Board, shall be entitled to 100 percent of
387 the value of his or her individual member account, provided the
388 member meets any of the following criteria:

389 a. The member is eligible to receive, and is receiving, a
390 service pension as provided in this subsection;

391 b. The member has 5 or more years of credited service and
392 is eligible to receive, and is receiving, either:

393 (I) A nonduty disability pension as provided in paragraph
394 (6) (a); or

395 (II) Beneficiary benefits for nonduty death as provided in
396 paragraph (7) (a); or

397 c. The member has any credited service and is eligible to
398 receive, and is receiving, either:

399 (I) A duty disability pension as provided in paragraph
400 (6) (c); or

401 (II) Beneficiary benefits for death in the line of duty as
402 provided in paragraph (7) (b).

403 5. Forfeitures.—Any member who has less than 10 years of
404 credited service and who is not eligible for payment of benefits
405 after termination of employment with the City shall forfeit his
406 or her individual member account. The amounts credited to said
407 individual member account shall be redistributed to the other
408 individual member accounts in the same manner as chapter 175,
409 Florida Statutes, tax revenues are credited (i.e., based on pay
410 periods). However, the assets shall first be used to ensure that
411 the former member's refund of contributions has not actuarially
412 adversely impacted the payment for the extra benefits. If there
413 has been an adverse impact, the shortfall shall be made up first
414 before the amounts are reallocated to active members.

415 6. Payment of benefits.—The normal form of benefit payment
416 shall be a lump sum payment of the entire balance of the
417 individual member account. Effective October 1, 2015, each
418 member on or after May 13, 2012, members must take a lump sum
419 distribution of their entire share account balance within 6
420 months after their termination of employment. For members who
421 reached normal retirement age on or before May 13, 2012, or who
422 had a calculated BackDROP date of October 1, 2011, or earlier,
423 the member may leave his or her money in the share account until
424 the latest day under subsection (18), choose a lump sum
425 distribution; or, upon the written election of the member, upon
426 a form prescribed by the Board, payment may be made either by:

427 a. Installments.—The account balance shall be paid out to
 428 the member in three equal payments paid over 3 years, the first
 429 payment to be made upon approval of the Board; or

430 b. Annuity.—The account balance shall be paid out in
 431 monthly installments over the lifetime of the member or until
 432 the entire balance is exhausted. The monthly amount paid shall
 433 be determined by the Fund's actuary in accordance with
 434 selections made by the member in a form provided by the Board.

435 7. Death of a member.—If a member dies and is eligible for
 436 benefits from the individual member account, the entire balance
 437 of the individual member account shall be paid in a lump sum to
 438 the beneficiaries designated in accordance with paragraph (h).
 439 If a member fails to designate a beneficiary or, if the
 440 beneficiary predeceases the member, the entire balance shall be
 441 paid in a lump sum in the following order:

442 a. To the spouse;

443 b. If there is no spouse or the spouse is not alive, to
 444 the member's surviving child or children on a pro rata basis;

445 c. If there are no children or no child is alive, to the
 446 member's parent or parents; or

447 d. If no parent is alive, to the estate of the member.

448 (1) Backwards Deferred Retirement Option Plan (BackDROP).—

449 1. Eligibility to participate in the BackDROP.—

450 a. Any member who has attained age 53 with 18 or more
 451 years of service, who has attained age 58 with 13 or more years
 452 of service, or who has acquired 26 years of service regardless

453 of age may participate in the BackDROP. Members shall elect to
454 participate by applying to the Board of Trustees on a form
455 provided for that purpose. A member may not participate in both
456 the DROP and the BackDROP.

457 b. A member shall not be eligible to receive a BackDROP
458 benefit that is greater than an accumulation of 60 months of the
459 monthly retirement benefit. A member shall not be eligible to
460 receive a benefit which is less than an accumulation of 36
461 months of the monthly retirement benefit. Effective October 1,
462 2015, a member who retires after October 1, 2015, who does not
463 have a calculated BackDROP date of October 1, 2011, can choose a
464 BackDROP benefit which is the accumulation of between 1 month
465 and 60 months.

466 c. Member contributions shall continue throughout the
467 period of employment and are not refundable for the BackDROP
468 period.

469 d. Members who elect to participate in the BackDROP must
470 retire and terminate employment to be eligible for payment of
471 the benefit.

472 e. Any member who terminates employment by any means,
473 including death, prior to attaining age 53 with 18 or more years
474 of service or age 58 with 13 or more years of service or by
475 acquiring 26 years of service is not eligible to participate in
476 the BackDROP.

477 2. Benefits payable upon election to participate in the
478 BackDROP.—

479 a. Upon election to receive the BackDROP benefit, a
480 member's retirement benefits will be calculated as if the member
481 had chosen to retire and terminate employment at a date which is
482 more than 36 months but less than 60 months earlier. The number
483 of months to be applied is based upon the member's election. The
484 monthly pension amount shall be multiplied by the number of
485 months of BackDROP selected by the member, which shall be
486 between 36 and 60 months, inclusive. The BackDROP benefit shall
487 be calculated as a single sum, including interest at the rate of
488 8.25 percent less expenses, compounded annually for the period
489 of BackDROP for members who have reached normal retirement age
490 on or before May 13, 2012, or who have a calculated BackDROP
491 date of October 1, 2011, or earlier. Effective for retirements
492 after May 13, 2012, the interest rate shall be 4 percent, less
493 expenses, compounded annually for the period of BackDROP.
494 Effective October 1, 2015, a member who retires after October 1,
495 2015, who does not have a calculated BackDROP date of October 1,
496 2011, can choose a BackDROP benefit which is the accumulation of
497 between 1 month and 60 months.

498 b. No payments shall be made from the BackDROP until the
499 member terminates employment with the Department.

500 c. (I) Effective for retirements after October 1, 2015 ~~Upon~~
501 ~~termination of employment,~~ participants in the BackDROP ~~shall~~
502 ~~receive lump sum the balance of the BackDROP account within 6~~
503 ~~months after termination of employment.~~

504 ~~(I) Members who have reached normal retirement age on or~~
 505 ~~before May 13, 2012, or who have a calculated BackDROP date of~~
 506 ~~October 1, 2011, or earlier~~ may leave their money in the account
 507 until the latest day under subsection (18) or choose payments as
 508 follows:

509 (A) A lump sum.—The entire account balance shall be paid
 510 to the retirant upon approval of the Board of Trustees.

511 (B) Installments.—The account balance shall be paid out to
 512 the retirant in three equal payments paid over 3 years, the
 513 first payment to be made upon approval of the Board of Trustees.

514 (C) Annuity.—The account balance shall be paid out in
 515 monthly installments over the lifetime of the member or until
 516 the entire balance is exhausted. The monthly amount paid shall
 517 be determined by the Fund's actuary in accordance with
 518 selections made by the member in a form provided by the Board of
 519 Trustees.

520 (II) Any form of payment selected by a member must comply
 521 with the minimum distribution requirements of the IRC 401(a)(9),
 522 and are subject to the requirements of subsection (18).

523 (III) The beneficiary of the BackDROP member shall have
 524 the same right as the participant in accordance with subsection
 525 (7).

526 3. BackDROP earnings.—

527 a. Effective for members who reached normal retirement age
 528 on or before May 13, 2012, or members who have a calculated
 529 BackDROP date of October 1, 2011, or earlier, BackDROP members

530 may select one of three methods to credit investment earnings to
531 their accounts. Investment earnings shall be credited on a
532 quarterly basis. The method may be changed each year effective
533 October 1; however, the method must be elected prior to October
534 1. The methods are:

535 (I) The BackDROP is credited with earnings and losses
536 using the rate of investment return earned on Pension Fund
537 assets as reported by the Fund's investment monitor. BackDROP
538 assets are commingled with the Pension Fund assets for
539 investment purposes;

540 (II) A fixed rate of 8.25 percent for members who reached
541 normal retirement age on or before May 13, 2012, or members who
542 have a calculated BackDROP date of October 1, 2011, or earlier.
543 Effective May 13, 2012, the fixed rate is 4 percent for members
544 who retire on or after May 13, 2012, but before October 1, 2015;
545 or

546 (III) A percentage of the BackDROP account assets to be
547 credited with earnings or losses in accordance with sub-sub-
548 subparagraph (I) and a corresponding percentage of the BackDROP
549 account assets credited in accordance with sub-sub-subparagraph
550 (II). The combined total percentage invested under this sub-sub-
551 subparagraph must equal 100 percent.

552 b. Effective for BackDROP participants electing the
553 BackDROP on or after October 1, 2015, members who have elected
554 the BackDROP and leave the assets in the Fund to be invested may
555 select one of two methods to credit investment earnings to their

556 accounts. Investment earnings shall be credited on a quarterly
557 basis. The method may be changed each year effective October 1;
558 however, the method must be elected prior to October 1. The
559 methods are:

560 (I) The BackDROP is credited with earnings and losses
561 using the rate of investment return earned on Pension Fund
562 assets as reported by the Fund's investment monitor. BackDROP
563 assets are commingled with the Pension Fund assets for
564 investment purposes; or

565 (II) The BackDROP is credited with the rate of investment
566 return earned on Pension Fund assets as reported by the Fund's
567 investment monitor. The crediting rate maximum is 8 percent and
568 the crediting rate floor is 0 percent. To accomplish this, the
569 crediting rate will be compounded monthly at a rate between 0
570 percent and 2 percent quarterly. BackDROP assets are commingled
571 with the Pension Fund assets for investment purposes.

572 c. The Board has the authority to create rules to
573 implement the provisions of this section in accordance with the
574 law and the provisions of the Internal Revenue Code.

575 d.~~b.~~ Costs, fees, and expenses of administration shall be
576 debited from the individual member BackDROP accounts on a
577 proportionate basis, taking the cost, fees, and expenses of
578 administration of the Fund as a whole, multiplied by a fraction,
579 the numerator of which is the total of assets in all individual
580 member accounts and the denominator of which is the total of
581 assets of the Fund as a whole.

582 (21) Rollovers from qualified plans.—

583 (b) Transfer of accumulated leave.—

584 1. Members eligible to receive accumulated sick leave,
 585 accumulated vacation leave, or any other accumulated leave
 586 payable upon separation shall have the leave transferred to the
 587 Fund up to the amount permitted by law. Any additional amounts
 588 shall be paid directly to the member. Members on whose behalf
 589 leave has been transferred shall maintain the entire amount of
 590 the transferred leave balance in the DROP or Share Account.

591 2. If a member on whose behalf the City makes a
 592 transferred leave balance to the Plan dies after retirement or
 593 other separation, then any person who would have received a
 594 death benefit had the member died in service immediately prior
 595 to the date of retirement or other separation shall be entitled
 596 to receive an amount equal to the transferred leave balance in a
 597 lump sum. In the case of a surviving spouse or former spouse, an
 598 election may be made to transfer the leave balance to an
 599 eligible retirement plan in lieu of the lump sum payment.
 600 Failure to make such an election by the surviving spouse or
 601 former spouse within 60 days after the member's death shall be
 602 deemed an election to receive the lump sum payment.

603 3. The Board, by rule, shall prescribe the method for
 604 implementing the provisions of this paragraph.

605 4. ~~Effective on or after May 13, 2012, members must take a~~
 606 ~~lump sum distribution of the~~ Amounts transferred under this
 607 ~~section within 6 months after their termination of employment.~~

608 ~~For members who reached normal retirement age on or before May~~
609 ~~13, 2012, or who had a calculated BackDROP date of October 1,~~
610 ~~2011, or earlier, the member's transferred leave must remain~~
611 ~~invested in the Pension Fund for a period of not less than at~~
612 ~~least 1 year.~~

613 (22) Actuarial assumptions.—The following actuarial
614 assumptions shall be used for all purposes in connection with
615 this Fund, effective October 1, 1998:

616 ~~(a) The period for amortizing current, future, and past~~
617 ~~actuarial gains or losses shall be 20 years.~~

618 ~~(b)~~ The assumed investment rate of return shall be 8.25
619 percent. Effective October 1, 2014, the assumed investment rate
620 of return shall be 8 percent ~~8.0%~~. Due to the other assumption
621 changes that were made at the same time as this reduction in the
622 assumed rate of return, the City did not have an increase in
623 City contributions as a result of the change of the assumed
624 investment rate of return. Therefore, there was no change
625 necessary to the 3-percent accrual factor in subsection (5)(a)2.

626 Section 2. This act shall take effect upon becoming a law.