

ORDINANCE NO. _____

1 AN ORDINANCE amending Chapter 2.62 of the Lincoln Municipal Code
 2 relating to the Police and Fire Pension Plan - Plan "A" by amending Section 2.62.020 to
 3 provide for a definition of "DROP", the Deferred Retirement Option Plan, for the Police and
 4 Fire Pension Plan "A"; adding a new section numbered 2.62.045 to establish the requirements
 5 for participation by Police and Fire Pension Plan "A" members in the Deferred Retirement
 6 Option Plan; and repealing Section 2.62.020 of the Lincoln Municipal Code as hitherto
 7 existing.

8 BE IT ORDAINED by the City Council of the City of Lincoln, Nebraska:

9 Section 1. That Section 2.62.020 of the Lincoln Municipal Code be amended
 10 to read as follows:

11 **2.62.020 Definitions.**

12 As used in this chapter, and unless the context otherwise requires, the following words
 13 shall have the following meanings:

14 **Actuarial equivalent.** The computation of the actuarial equivalent shall be according
 15 to the group annuity mortality table 1971, and interest of six percent per annum, compounded
 16 annually.

17 **Age and service retirement benefits** shall include pension benefits payable to members
 18 who meet applicable age and service requirements and who elect to retire, and shall not
 19 include disability retirement benefits.

20 **Base pay** shall include a member's base rate of pay, longevity, and shift differential and
 21 shall exclude any other additional form of pay or benefit.

22 **City** shall mean the City of Lincoln, Nebraska.

23 **Disability retirement benefit** shall mean a benefit payable as a result of permanent and
 24 total disability while in the commissioned service of the City.

1 **DROP** shall mean the Deferred Retirement Option Plan as provided in Section
2 2.62.045.

3 **Former member** shall mean a member who has terminated his or her service with the
4 commissioned fire or police service of the City.

5 **Member** shall mean any individual in the commissioned fire or police service of the
6 City who, pursuant to Section 2.62.200 of this chapter, elected to contribute eight percent
7 (8%) of base pay to the plan, and any individual whose employment in the commissioned
8 police or fire service commences on or after the operative date of this plan; provided,
9 however, the Police Chief and the Fire Chief shall not be eligible to participate in this plan.

10 **Military service** shall include service in the U.S. Army, Navy, Air Force, Marine Corps
11 and any branch of service connected therewith.

12 **Normal retirement age** shall be attained age fifty.

13 **Partial annuity benefit** shall mean a benefit payable to a member who terminates
14 employment after completing ten years of service, but before completing twenty-one years of
15 service.

16 **Plan** shall mean the Police and Fire Pension Plan "A" of the City.

17 **Regular interest** shall mean the rate of interest earned each calendar month, as
18 determined by the City in conformity with the actual earnings on investments of the Police and
19 Fire Pension Fund. Whenever such interest is required to be credited to any member under
20 the provisions of this title, such interest during any calendar month or portion of such month
21 shall be based upon his or her accumulated contributions, plus regular interest thereon, on the
22 first day of that month.

23 **Regular pay** shall mean the member's base pay for the last consecutive twenty-six
24 bi-weekly pay periods. In case of a demotion, or out of class pay, it shall mean the highest
25 consecutive twenty-six bi-weekly pay periods.

26 **Required contributions** shall mean contributions of eight percent (8%) of a member's
27 base pay.

1 **Retire or retirement** shall mean the termination of service in the commissioned fire or
2 police service of the City upon or after fulfilling all conditions of eligibility for retirement, and
3 shall include regular, early, and disability retirement.

4 **Survivor beneficiary** shall mean the natural person having an insurable interest
5 designated in writing by the member to receive benefits under this plan in the event of and
6 after the death of a member.

7 **Total disability** shall mean (a) the physical incapacity of a member to perform the work
8 of a firefighter or police officer resulting from violence to the physical structure of the body
9 and such physical disease or infection as naturally results therefrom, or (b) mental disorder
10 (excluding mental deficiency and personality disorder) of a member, diagnosed in accordance
11 with the American Psychiatric Association Manual, 1980 Edition, which is sufficiently severe
12 so as to warrant a minimum rating of fifty percent under the general rating formula set forth
13 in 38 C.F.R. § 4.132 (7-1-93 Edition) [See Appendix A].

14 **Year of service** shall mean a period of twelve full calendar months during which a
15 member is employed in a pay status in the commissioned service of the City. Partial years
16 credit for service shall be computed on a prorata basis.

17 Section 2. That Chapter 2.62 of the Lincoln Municipal Code be amended by
18 adding a new section numbered 2.62.045 to read as follows:

19 **2.62.045 Deferred Retirement Option Plan (DROP).**

20 (a) Any member shall have the opportunity to participate in the DROP program.
21 The DROP program provides that subsequent to attaining normal age and service retirement
22 eligibility, a member may voluntarily choose to participate in the DROP program upon its
23 adoption which, for purposes of this section, shall be September 1, 2000 or the first of the
24 month following a favorable letter determination by the Internal Revenue Service. If the
25 member chooses to participate in the DROP program, the member shall be deemed to have
26 retired for purposes of the Police and Fire Pension Plan "A", but the member may continue
27 in active employment for a five-year period. For the five-year period in which the member is

1 participating in the DROP program, the member's pension benefit payments will be deposited
2 into the DROP account for the benefit of the member until the member actually retires from
3 active employment at or before the expiration of the five-year period. Thereafter, future
4 pension payments will be made directly to the member, and the member will then have
5 access to all funds in the account designated for the benefit of the member.

6 (b) To participate in the DROP program, a member must meet the following
7 requirements:

8 (1) A member shall be eligible to enter the DROP program at any time
9 subsequent to the date when the member has (i) attained normal retirement age; and (ii)
10 completed twenty-five years of service. Members having attained normal retirement age and
11 completed twenty-five years of service on or before the date of adoption of the DROP program
12 shall be eligible to enter the DROP program at any future date.

13 (2) A member who elects to enter the DROP program shall be entitled to
14 receive regular age and service retirement benefits in accordance with Sections 2.62.100(c)
15 and 2.62.050. A member is entitled to remain in the DROP program for a maximum of five
16 years subsequent to the date of the member's DROP election. A member may separate from
17 service and thereby exit the DROP program at any time during the five-year DROP period.
18 On or before the completion of the five-year DROP period, the member must separate from
19 active employment and thereby exit the DROP program.

20 (3) During the DROP period, a member's eligible pension benefit payment
21 shall be payable to the DROP investment account vendor designated in the member's name.
22 The member shall be responsible for directing the investment account designated for the
23 benefit of the member by advising the DROP investment account vendor accordingly.

24 (4) A member electing to enter the DROP program must choose a pension
25 payment option as outlined in Section 2.62.050. After the option is chosen, the member shall
26 not be entitled to any retirement benefit changes, for reasons including, but not limited to,
27 wage increases, promotions, and/or demotions; provided, however, that the restriction on

1 retirement benefit changes shall not apply in the event of duty-related death or duty-related
2 disability. The benefit amount shall be frozen as of the date of election and shall be payable
3 as if the employee retired on that date and separated from active employment. In the event
4 a member incurs a duty-related death or duty-related disability during the DROP period, the
5 member or the member's designated pension survivor beneficiary will have the option to
6 forfeit the DROP account designated for the member and accept a duty-related death pension
7 or duty-related disability pension or keep the DROP account and normal age and service
8 pension. A member shall also have the option of designating a specific beneficiary of the
9 DROP account maintained for the benefit of the member.

10 (5) No member shall be allowed to continue making the required
11 contributions while the member is enrolled in the DROP program. The member shall be paid
12 the amount of the frozen pension benefit payment upon the member's separation from active
13 employment at the expiration of the five-year DROP period and thereby ending the member's
14 participation in the DROP program. In the event a member has not voluntarily separated from
15 active employment on or before the completion of the five-year DROP period, the member's
16 pension benefit payments will be made directly to the member thereby ending the member's
17 active employment.

18 Section 3. That Section 2.62.020 of the Lincoln Municipal Code as hitherto
19 existing be and the same is hereby repealed.

20 Section 4. That this ordinance shall take effect and be in force from and after
21 its passage and publication according to law.

Introduced by:

Approved as to Form & Legality:

City Attorney

00-102

Staff Review Completed:

Administrative Assistant