The City of Lincoln Nebraska

Police and Fire Pension System

Description of Plan “B” Benefits

Administered by the

City - County Personnel Department

Lincoln, Nebraska 68508

Telephone Number (402) 441-7517

TABLE OF CONTENTS

The Basics of Police and Fire Pension Plan "B"

Base Pay	Sum of Hourly, Shift, and Longevity Pay.
Employee Contributions	7.6% of base pay for first 21 years of service.
Average Monthly Base Pay	Sum of highest consecutive 26 bi-weekly base pay amounts divided by 364 days, multiplied by 365.25 days, then divided by 12 months.
Non-vested Separation (less than 10 years of service)	Upon separation the member is refunded their contributions and interest.
Deferred or Partial Annuity (10 or more years of service, but not eligible for retirement)	Beginning at age 53 the member is paid a monthly pension equal to 58% of average monthly base pay multiplied by the ratio of completed years of service to 21 years. Reduced payment available at age 50.
Early Retirement (21 years of service and age 50)	Beginning at early retirement date the member is paid a monthly pension equal to 52% of average monthly base pay.
Regular Retirement (21 years of service and age 53)	Beginning at retirement date the member is paid a monthly pension equal to 58% of average monthly base pay.
Extended Retirement (21+ years of service and age 53+)	Beginning at retirement date the member is paid a monthly pension equal to 58% of average monthly base pay, plus an additional 2% for each year of service past regular retirement to a maximum of 68%.
Duty Disability	Upon Mayoral determination of duty disability the member is paid a monthly pension equal to the greater of 58%, or earned retirement percent, of the member’s average monthly base pay.
Duty Death	Upon Mayoral determination of duty death the member's spouse is paid a monthly pension equal to the greater of 58%, or earned retirement percent, of the member’s average monthly base pay.
Non-Duty Disability	Upon Mayoral determination of non-duty disability the member is paid a % of the member’s average monthly base pay determined by years of service (YOS): ❖ 0 to 5 YOS: 0% ❖ 5 to 10 YOS: 23% ❖ 10 to 15 YOS: 39% ❖ 15 or more YOS: 53%
Non-Duty Death	Upon Mayoral determination of non-duty disability the member’s spouse is paid a % of the member’s average monthly base salary determined by years of service (YOS): ❖ 0 to 5 YOS: 0% ❖ 5 to 10 YOS: 23% ❖ 10 to 15 YOS: 39% ❖ 15 or more YOS: 53%

Police & Fire

Pension Plan

I. INTRODUCTION

The Police and Fire Pension is a defined benefit pension system providing retirement, disability and survivor benefits for Police Officers, Fire Fighters and their beneficiaries. The system operates under the rules of Internal Revenue Code section 401(a).

The Fire Pension was established in 1895. In 1947, it closed to new members and the Police and Fire Pension was established. Members contributed 7% of salary on a "Post-tax" basis. Post-tax contributions are included in taxable income. In 1975, members were eligible for normal retirement after 21 years of service and age 55. The normal retirement benefit was 50% of the monthly average of the last five years wage with an additional 2% for each extra year worked, up to a maximum of 60%. Members could choose the Straight Life payment option or one of two actuarially reduced payment options to include a beneficiary. Members also had the choice of receiving a refund (of their accumulated contributions and interest) and an actuarially reduced monthly benefit. In 1981, normal retirement benefits increased from 50% to 54%, the maximum increased to 64% at age 60 and 26 years of service, and monthly average base pay was changed to be based on the last three years' salary. In 1984, members were given the choice of continuing to contribute 7% (Plan C) or switching to a new plan (Plan B) with a 7.6% contribution rate, a 58% normal retirement benefit and a 68% maximum benefit at age 60 and 26 years of service. New members were enrolled in the 7.6% plan.

In 1990, the pension system applied for and received Internal Revenue Service tax-qualified status. This means member contributions are "Pre-tax" and therefore not included in the member's taxable income. Also in 1990, normal retirement age was decreased from 55 to 53 and pension benefits were based on a member's highest consecutive 26 biweekly pay periods (about 1 year) rather than last three years' salary.

In 1995, members were given another opportunity to switch to a new plan. Members could choose to: 1) remain in their current plan, 2) switch to an enhanced version of their current plan offering the same benefits, but not requiring contributions after 21 years of service, or 3) switch to a new 8% plan (Plan A). Plan "A" provides a 64% retirement benefit at age 50 and 25 years of service, for an 8% contribution rate.

This brochure explains Plan B. City of Lincoln Municipal Code (LMC) Chapter 2.65 is the legal description of Plan B and is available on the City's Internet site. In the case of a difference between this brochure and Lincoln Municipal Code, Lincoln Municipal Code controls.

II. REPORTING TO MEMBERS

The pension sends information to each of its members shortly after each calendar year end. Members can also obtain information on their pension benefits at any time from Pension Administration. Also, every three months pension administration reports to the Police and Fire Pension Investment Board.

A. Annual Reporting

The information sent to each member shortly after the calendar year end includes:

- An account statement showing the member’s contributions and interest.
- A letter highlighting the past year’s activity.
- A summary of the pension system’s actuarial valuation, assets, and benefit provisions.
- An individualized Normal Age and Service Retirement benefit estimate. The benefit estimate uses a separation date equal to the date the member is assumed to attain age 53 and 21 years of service, or the prior calendar year end date if the member has already passed the age and service requirement.

B. Member Requested Reporting

Members may request a free pension benefit estimate at any time from Pension Administration. Estimates are available for all separation types and future dates. The estimate increases the member's current base salary by 3% annually unless another rate, from 0% to 6%, is input to the estimate request screen. Benefit estimates use the actuarially assumed asset return rate (7.5%) when estimating interest for future years.

III. CONTRIBUTION

Pension members, the Fire Department Emergency Medical Services (EMS) enterprise fund and City of Lincoln taxpayers contribute to fund pension benefits. Pension members contribute through payroll deduction. The EMS fund pays for the pension costs of Firefighters and Paramedics employed as part of this billable service to the community. City of Lincoln taxpayers contribute through real estate property tax and motor vehicle tax.

A. Employee Contribution

Members contribute 7.6% of their base pay each pay period for their first twenty-one years of service.

Base Pay is:	**Hourly Pay**
	+
	Longevity Pay
	+
	Shift Differential Pay

Out-of-grade pay (if any) is entered as hourly pay by the member's department and therefore is included in base pay. For contribution purposes, base pay does not include any other form of pay or benefit. For purposes of calculating average monthly pay, base pay includes workers compensation.

> When a member receives worker's compensation pay, no pension contribution is deducted from it, but the workers compensation pay is included in base pay for purposes of calculating the member's "Highest 26 consecutive bi-weekly base pay."

Employee contributions to the pension before July of 1990 are "Post-tax." Post-tax contributions were included in the member's taxable income. In July of 1990, the pension system applied for and received Internal Revenue Service tax-qualified status. After receipt of tax-qualified status, member contributions were "Pre-tax." Pre-tax contributions are not included as taxable income in the year they are contributed. Taxation on these contributions is deferred until they are paid to the member.

> Each dollar a member contributes to the pension decreases the member's taxable income by a dollar.

Another tax benefit is earning interest tax deferred. Both contributions and interest earn interest tax deferred, as long as the member is a Police Officer or Firefighter. Each member's contributions and interest are placed in his or her individual pension account.

B. Employee Contribution and Military Leave

A member may leave their job to serve in the U.S. Military in time of war or national emergency. Up to 4 years of military service count as time on the job if the member returns to their job no later than 90 days after their military discharge date and works for one or more years. The City may require these members to contribute 3% of their base pay for each year of military service credit granted to them. Contributions of this type are based on the member's base pay at the time they began military service and can not exceed $2,500 per service year.

C. Taxpayer Contribution

Each year, an independent actuarial firm determines the pension's financial strength and liability for current and expected future pension payments. The taxpayer contribution to the pension fund is based on the actuarial analysis and City budget considerations.

The City budgets for 90% of predicted tax revenues in case predicted tax revenues are lower than expected. Real estate property tax and motor vehicle tax is collected according to the City's budgeted pension contribution. The pension fund is credited with tax revenue as it is collected. If 100% of predicted tax revenues are collected, the pension fund will receive more than its budgeted amount. Conversely, the time lag in collecting tax revenues and uncollectable taxes can lower the collected amount. Because of these two factors, the taxpayer contribution to the pension fund for any one-year may be higher or lower than originally budgeted.

A hypothetical example of Taxpayer Contributions:

If the City's budgeted contribution to the Fund for fiscal year #1 was $1,000,000 and only $990,000 was actually contributed, the difference could be explained as follows:

$950,000 of the $1,000,000 budgeted for the current fiscal year was collected and contributed to the Fund in the current fiscal year. The other $50,000 will be collected later, or may be uncollectable.

$40,000 of the budgeted contribution for the prior fiscal year was collected and deposited into the Fund in the current fiscal year. There was a 12-month lag in receiving these tax levies.

IV. INVESTMENTS

A. General

Lincoln Municipal Code states pension investments are to be used only for legitimate obligations of the pension plan. Pension money could never be used for non-pension purposes, even if the City promised to re-pay the money with interest.

Pension investments consist of debt and equity assets. Equity assets represent ownership. Equity assets include, but are not limited to, domestic and foreign common stocks or funds containing these types of stocks. Debt assets represent loans. Debt assets could include, but are not limited to, U.S. Treasury and U.S. Agency bonds, corporate bonds and mortgage backed securities (such as bundles of home loans) or funds containing these types of securities.

Proceeds from the sale of securities, maturing debt securities, interest, dividends and capital gains are combined with employee and taxpayer contributions to pay monthly pension benefits and to purchase more investments.

B. Rate of Return

Each month the market value of the assets in the pension fund is calculated. Change in market value, interest, dividends and realized gains are used to calculate returns, which are credited monthly to each member's individual pension account. This means the return credited to member accounts will fluctuate up and down.

C. Investment Board

The committee consists of nine members. Three appointed representatives of the City Council, two elected representatives of the Police Department, and two elected representatives of the Fire Department, the Personnel Director and the Finance Director.

The Investment Board usually meets in February, May, August and November. The committee is informed of recent events, given return figures for various assets over various time periods, and is presented with a recommendation for the pension's investment strategy.

D. Investment Policy

Working together, Pension Administrators and the Investment Board developed the pension's Investment Policy. The policy states rules for investing and asset allocation given the fund's three principle objectives. Below is an excerpt from the Investment Policy.

City of Lincoln
Police and Fire Pension
Statement of Investment Policy

I. Purpose

The City of Lincoln Police and Fire Pension Plan (the Plan) is a defined benefit pension plan providing retirement, disability and survivor benefits to Police Officers, Fire Fighters and their beneficiaries. The system operates under the rules of Internal Revenue Code section 401(a). Plan benefits are paid by the City from the Police and Fire Pension Fund (the Fund). The Investment Board (the Board) has been established by the City Council under Lincoln Municipal Code chapter 4.62 to direct and oversee the Fund's investments for the sole benefit of plan participants and beneficiaries. The purpose of this Statement of Investment Policy (the Policy) is to set forth objectives and parameters to ensure all parties act with prudence and care regarding the Fund's investments while making operating capital available and to achieve an investment return competitive with comparable funds and financial indices. The Investment Policy contains the following sections:

II. Delegation of Authority and Responsibilities
III. Objectives
IV. Standards of Prudence
V. Ethics and Conflicts of Interest
VI. Investment Parameters and Methodology
VII. Investment Selection and Evaluation Process
VIII. Asset Allocation Process
Appendix A (approved asset classes with minimum and maximum allocations)
Definitions and Key Terminology

The complete Investment Policy is available online.

V. NON-VESTED SEPARATION BENEFITS

A. Eligibility

Members vest (are eligible for the City portion of pension benefits) after 10 years of service. If a member resigns, or is terminated, before completing 10 years of service he or she is eligible for non-vested separation benefits.

B. Benefits

Non-vested members are eligible to receive a refund of their accumulated contributions and interest, but are not eligible to receive any current or future City funded monthly pension benefit.

Upon separation, a member will receive a refund of his or her contributions, and interest earned to his or her separation date. The member has the distribution choices listed below.

1. Receive a Direct Refund (a check made payable to the member) of all Pre-tax and Post-tax (if any) contributions and interest less 20% Federal Tax withholding. Next tax filing the member will owe a 10% tax penalty to the IRS on the total amount of Pre-tax contributions and interest.

2. Trustee Transfer the Pre-tax portion of the member's contributions and all interest to the financial institution designated by the member for deposit to the member's IRA. Post-tax contributions (if any) will be refunded directly to the member.

3. Receive a combination of a Direct Refund and a Trustee Transfer. The member would instruct Pension Administration regarding the amount to Trustee Transfer and the amount he or she wants to receive as a Direct Refund.

When members separate, their department notifies the Pension Administration and Pension Administration contacts the member to discuss their pension payout options and give them the form(s) they need to complete. Within 30 days of separation, the member must instruct the Pension Administration as to the distribution of their funds. Failure to instruct within 30 days will result in a payment made directly to the member, less any applicable income tax withholding.

C. Taxability

Please contact Pension Administration for a U.S. Treasury Tax Notice detailing the taxability of the three choices listed above. Also, please note that Pension Administration must report a member's refund decision, and amounts involved, to the Internal Revenue Service. We will mail the member an IRS form 1099-Misc. This form is mailed in January of the calendar year following of the pension refund. To assure receipt of this form, please remember to leave a forwarding address with the U.S. Postal Service and contact Pension Administration with your new address.

VI. DEFERRED ANNUITY BENEFITS

A. Eligibility

Members vest (are eligible for the City portion of pension benefits) after 10 years of service. If a member resigns or is terminated after completing 10 years of service and has not attained age 50 he or she is entitled to deferred annuity benefits.

B. Benefits

The member's "age 53" benefit percentage is calculated by dividing the member's years of service by 21 (not to exceed 21/21) and then multiplying by 58%. Benefit percents are pro-rated to provide members credit for partial years of service. Members may choose to start receiving monthly payments at age 53 or at age 50. If the member chooses to start receiving benefits at age 50, the benefit percent is actuarially age reduced.

For example:

YEARS OF SERVICE	BENEFIT PERCENT CALCULATION	AGE 53 BENEFIT PERCENT	AGE 50 BENEFIT PERCENT
10 Years 137 Days	(10.375/21)*58%	28.65%	25.69%
11 Years	(11/21) *58%	30.38%	27.24%
……			
20 Years	(20/21) *58%	55.24%	49.53%
20 Years 364 Days	(20.996/21)*58%	57.99%	51.98%

Members choose from the three payment options below.

Payment Option	Description
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.

Monthly benefit beneficiaries must be a natural person with an insurable interest in the pension member.

A refund of contributions and interest is available on the member's separation date. If the member chooses a refund, his or her monthly benefits are actuarially reduced.

Regarding the refund, the member has the distribution choices listed below.

1. Receive a Direct Refund (a check made payable to the member) of all Pre-tax and Post-tax (if any) contributions and interest less 20% Federal Tax withholding. Next tax filing the member will owe a 10% tax penalty to the IRS on the total amount of Pre-tax contributions and interest.

2. Trustee Transfer the Pre-tax portion of the member's contributions and all interest to the financial institution designated by the member for deposit to the member's IRA. Post-tax contributions (if any) will be refunded directly to the member.

3. Receive a combination of a Direct Refund and a Trustee Transfer. The member would instruct Pension Administration regarding the amount to Trustee Transfer and the amount he or she wants to receive as a Direct Refund.

If a refund is not desired, upon separation the member is given a written guarantee his or her contributions and interest will be returned to them, a designated beneficiary or the member's estate. Please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure for details.

If a member is less than age 50, the member may choose to start receiving benefits at age 50 or age 53. If the member is age 50 or greater at his or her separation date, monthly benefit payments can begin immediately, or at age 53.

If the start date of a member's benefit payment is deferred until they attain age 50 or 53, Pension Administration will attempt to contact the member beginning sixty days before his or her benefit start date to set up direct deposit and tax withholding. Once benefit payments begin they are paid in arrears on the last working day of each month.

Below is an example of Deferred Annuity Benefits:

GFX050 CITY OF LINCOLN
POLICE/FIRE PENSION
PENSION ANALYSIS - ESTIMATE PLAN B:LMC 2.65

THESE FIGURES ARE ONLY ESTIMATES. A 3% ANNUAL BASE PAY INCREASE AND A 7.5% INTEREST RATE WERE ASSUMED. THE CITY WILL NOT ASSUME RESPONSIBILITY FOR ANY DIFFERENCES BETWEEN THESE ESTIMATED FIGURES AND FINAL (NON-ESTIMATED) PENSION FIGURES.

SEPARATION TYPE CHOSEN: Deferred Annuity

	MEMBER	BENEFICIARY 1
NAME:	[redacted]	[redacted]
SOC SEC NO:	[redacted]	[redacted]
SEX:	[redacted]	[redacted]
DATE OF BIRTH:	[redacted]	[redacted]
AGE AT SEP DATE:	36 YRS 256 DAYS	35 YRS 240 DAYS
SEPARATION DATE:	[redacted]	SPOUSE
INTEREST DATE:	[redacted]	

CONTRIB RATE:	7.6%	HIGHEST 26 CONSECUTIVE BI-WEEKLY BASE PAYS:	$ 44,182.28
DATE OF HIRE:	[redacted]	AVERAGE MONTHLY BASE PAY:	3,694.50
SERVICE CREDIT:	11 YRS 268 DAYS	NORMAL BENE PCT:	32.400%
RETIRE CREDIT:	11 YRS 267 DAYS	EARLY BENE PCT:	29.048%

	REFUND	ANNUITY REDUCTION
POST-TAX CONT:	1,191.24	1,191.24
PRE-TAX CONT:	28,076.91	28,076.91
INTEREST:	20,823.35	20,823.35
	$ 50,091.50	$ 50,091.50

MEMBER MAY ELECT TOTAL REFUND. $48,900.26 IS TAXABLE AND ROLLABLE TO MEMBER'S IRA. $1,191.24 IS NON-TAXABLE AND NON-ROLLABLE.

MONTHLY PENSION OPTIONS

	MONTHLY PAYMENTS BEGINNING AT AGE 50		MONTHLY PAYMENTS BEGINNING AT AGE 53		HYPOTHETICAL SUMS FOR 25 YEARS OF BENEFITS PAID TO MEMBER BEGINNING AT AGE 50	
TOTAL BENEFIT PRESENT VALUE:	$ 73,188.34		$ 64,166.17			
PAYMENT TYPE	REFUND NOT TAKEN	REFUND TAKEN	REFUND NOT TAKEN	REFUND TAKEN	REFUND NOT TAKEN	REFUND TAKEN
STRAIGHT LIFE TO MEMBER	1,073.19	338.85	1,197.02	262.31	321,957	151,746
100% SURVIVOR TO MEMBER	921.05	290.81	1,006.12	220.49	276,315	137,334
TO BENEFICIARY	921.05	290.81	1,006.12	220.49		
50% SURVIVOR TO MEMBER	991.32	313.00	1,093.28	239.59	297,396	143,991
TO BENEFICIARY	495.66	156.50	546.64	119.81		

C. Taxability

For details, please refer to the **TAX REPORTING** section of this brochure.

D. Return of Account Value

For details, please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

VII. PARTIAL ANNUITY BENEFITS

A. Eligibility

Members vest (are eligible for the City portion of pension benefits) after 10 years of service. If a member resigns or is terminated after completing 10 years of service and has attained age 50 he or she is entitled to partial annuity benefits.

B. Benefits

The member's "age 53" benefit percentage is calculated by dividing the member's years of service by 21 (not to exceed 21/21) and then multiplying by 58%. Benefit percents are pro-rated to provide members credit for partial years of service. Members may choose to start receiving monthly payments at age 53 or immediately. If the member chooses to start receiving monthly benefits immediately, the benefit percent is actuarially age reduced.

For example:

YEARS OF SERVICE	BENEFIT PERCENT CALCULATION	AGE 53 BENEFIT PERCENT	AGE 50 BENEFIT PERCENT
10 years 137 days	(10.375/21)*58%	28.65%	25.69%
11	(11/21) *58%	30.38%	27.24%
……			
20	(20/21) *58%	55.25%	49.53%
20 years 364 days	(20.996/21)*58%	57.99%	51.98%

Members choose from the three payment options below.

Payment Option	Description
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.

Monthly benefit beneficiaries must be a natural person with an insurable interest in the pension member.

A refund of contributions and interest is available on the member's separation date. If the member chooses a refund, his or her monthly benefits are actuarially reduced.

Regarding the refund, the member has the distribution choices listed below.

1. Receive a Direct Refund (a check made payable to the member) of all Pre-tax and Post-tax (if any) contributions and interest less 20% Federal Tax withholding. Next tax filing the member will owe a 10% tax penalty to the IRS on the total amount of Pre-tax contributions and interest.

2. Trustee Transfer the Pre-tax portion of the member's contributions and all interest to the financial institution designated by the member for deposit to the member's IRA. Post-tax contributions (if any) will be refunded directly to the member.

3. Receive a combination of a Direct Refund and a Trustee Transfer. The member would instruct Pension Administration regarding the amount to Trustee Transfer and the amount he or she wants to receive as a Direct Refund.

If a refund is not desired, upon separation the member is given a written guarantee that his or her contributions and interest will be returned to them, a designated beneficiary or the member's estate. Please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure for details.

If the start date of a member's benefit payment is deferred until they attain age 53, Pension Administration will attempt to contact the member beginning sixty days before his or her benefit start date to set up direct deposit and tax withholding. Once benefit payments begin they are paid in arrears on the last working day of each month.

Below is an example of Partial Annuity Benefits:

GFX050 — CITY OF LINCOLN

POLICE/FIRE PENSION

PENSION ANALYSIS - ESTIMATE — PLAN B:LMC 2.65

****

THESE FIGURES ARE ONLY ESTIMATES. A 3% ANNUAL BASE PAY INCREASE AND A 7.5% INTEREST RATE WERE ASSUMED. THE CITY WILL NOT ASSUME RESPONSIBILITY FOR ANY DIFFERENCES BETWEEN THESE ESTIMATED FIGURES AND FINAL (NON-ESTIMATED) PENSION FIGURES.

****

SEPARATION TYPE CHOSEN: Partial Annuity

	MEMBER	BENEFICIARY 1
NAME:	[redacted]	[redacted]
SOC SEC NO:	[redacted]	[redacted]
SEX:	[redacted]	[redacted]
DATE OF BIRTH:	[redacted]	[redacted]
AGE AT SEP DATE:	50 YRS 0 DAYS	50 YRS 0 DAYS
SEPARATION DATE:	[redacted]	SPOUSE
INTEREST DATE:	[redacted]	

		HIGHEST 26 CONSECUTIVE	
CONTRIB RATE:	7.6%	BI-WEEKLY BASE PAYS:	$ 62,492.04
DATE OF HIRE:	[redacted]	AVERAGE MONTHLY BASE PAY:	5,225.55
SERVICE CREDIT:	19 YRS 193 DAYS	NORMAL BENE PCT:	53.928%
RETIRE CREDIT:	19 YRS 192 DAYS	EARLY BENE PCT:	48.348%

	REFUND	ANNUITY REDUCTION
POST-TAX CONT:	0.00	
PRE-TAX CONT:	64,177.82	
INTEREST:	66,919.21	
	$ 131,097.03	$

MEMBER MAY ELECT TOTAL REFUND. $131,097.03 IS TAXABLE AND ROLLABLE TO MEMBER'S IRA
$0.00 IS NON-TAXABLE AND NON-ROLLABLE.

MONTHLY PENSION OPTIONS

	MONTHLY PAYMENTS BEGINNING AT AGE 50		MONTHLY PAYMENTS BEGINNING AT AGE 53		HYPOTHETICAL SUMS FOR 25 YEARS OF BENEFITS PAID TO MEMBER BEGINNING AT AGE 50	
TOTAL BENEFIT PRESENT VALUE	$ 386,905.68		$ 339,521.67			
PAYMENT TYPE	REFUND NOT TAKEN	REFUND TAKEN	REFUND NOT TAKEN	REFUND TAKEN	REFUND NOT TAKEN	REFUND TAKEN
STRAIGHT LIFE						
TO MEMBER	2,526.50	1,670.44	2,818.03	1,729.92	757,950	632,229
100% SURVIVOR						
TO MEMBER	2,191.08	1,448.68	2,397.90	1,472.04	657,324	565,701
TO BENEFICIARY	2,191.08	1,448.68	2,397.90	1,472.04		
50% SURVIVOR						
TO MEMBER	2,346.87	1,551.68	2,591.04	1,590.61	704,061	596,601
TO BENEFICIARY	1,173.44	775.84	1,295.52	795.33		

C. Taxability

For details, please refer to the **TAX REPORTING** section of this brochure.

D. Return of Account Value

For details, please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

VIII. AGE AND SERVICE RETIREMENT BENEFITS

A. Eligibility

Members become eligible for early age and service retirement benefits after completing 21 years of service and attaining age 50. Normal age and service retirement benefits are available after completing 21 years of service and attaining age 53.

B. Benefits

The normal age and service retirement benefit percent is 58%. Two percent is added for each year of service after becoming eligible for normal age and service retirement, up to a maximum of 68%. Two percent is subtracted from 58% for each year the member is less than age 53, down to age 50. (Benefit percents are pro-rated to provide members credit for partial years of service.)

For example:

Years of Service	Age	Benefit Percent
21	50	52%
21	51	54%
21	52	56%
21	53	58%
22	54	60%
23	55	62%
24	56	64%
25	57	66%
26	58	68%

Monthly payments begin as soon as the member retires. Benefits are paid in arrears on the last working day of each month.

Members choose from three payment options.

Payment Option	Description
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.

Monthly benefit beneficiaries must be a natural person with an insurable interest in the pension member.

A refund of contributions and interest is available on the member's separation date. If the member chooses a refund, his or her monthly benefits are actuarially reduced.

Regarding the refund, the member has the distribution choices listed below.

4. Receive a Direct Refund (a check made payable to the member) of all Pre-tax and Post-tax (if any) contributions and interest less 20% Federal Tax withholding. Next tax filing the member will owe a 10% tax penalty to the IRS on the total amount of Pre-tax contributions and interest.

5. Trustee Transfer the Pre-tax portion of the member's contributions and all interest to the financial institution designated by the member for deposit to the member's IRA. Post-tax contributions (if any) will be refunded directly to the member.

6. Receive a combination of a Direct Refund and a Trustee Transfer. The member would instruct Pension Administration regarding the amount to Trustee Transfer and the amount he or she wants to receive as a Direct Refund.

If a refund is not desired, upon separation the member is given a written guarantee that his or her contributions and interest will be returned to them, a designated beneficiary or the member's estate. Please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure for details.

A member separating before age 53 may choose to start receiving benefits at age 53. If the start date of a member's benefit payment is deferred until they attain age 53, Pension Administration will attempt to contact the member beginning sixty days before his or her benefit start date to set up direct deposit and tax withholding. Once benefit payments begin they are paid in arrears on the last working day of each month.

Below is an example of Age and Service Retirement Benefits:

GFX050 CITY OF LINCOLN
POLICE/FIRE PENSION
PENSION ANALYSIS - ESTIMATE PLAN B:LMC 2.65

****

THESE FIGURES ARE ONLY ESTIMATES. A 3% ANNUAL BASE PAY INCREASE AND A 7.5% INTEREST RATE WERE ASSUMED. THE CITY WILL NOT ASSUME RESPONSIBILITY FOR ANY DIFFERENCES BETWEEN THESE ESTIMATED FIGURES AND FINAL (NON-ESTIMATED) PENSION FIGURES.

****

SEPARATION TYPE CHOSEN: Age and Service Retirement

	MEMBER	BENEFICIARY 1
NAME:	[redacted]	[redacted]
SOC SEC NO:	[redacted]	[redacted]
SEX:	MALE	[redacted]
DATE OF BIRTH:	[redacted]	[redacted]
AGE AT SEP DATE:	53 YRS 0 DAYS	53 YRS 56 DAYS
SEPARATION DATE:	[redacted]	SPOUSE
INTEREST DATE:	[redacted]	

		HIGHEST 26 CONSECUTIVE	
CONTRIB RATE:	7.6%	BI-WEEKLY BASE PAYS: $	50,788.82
DATE OF HIRE:	[redacted]	AVERAGE MONTHLY BASE PAY:	4,246.94
SERVICE CREDIT:	27 YRS 203 DAYS	NORMAL BENE PCT:	58.005%
RETIRE CREDIT:	21 YRS 1 DAYS		

	REFUND	ANNUITY REDUCTION
POST-TAX CONT:	18,690.28	
PRE-TAX CONT:	21,434.00	
INTEREST:	138,034.12	
	$ 178,158.40	$

MEMBER MAY ELECT TOTAL REFUND. $159,468.12 IS TAXABLE AND ROLLABLE TO MEMBER'S IRA. $18,690.28 IS NON-TAXABLE AND NON-ROLLABLE.

MONTHLY PENSION OPTIONS

	MONTHLY PAYMENTS BEGINNING AT AGE 53		HYPOTHETICAL SUMS FOR 25 YEARS OF BENEFITS PAID TO MEMBER BEGINNING AT AGE 53	
TOTAL BENEFIT PRESENT VALUE:	$ 359,626.27			
PAYMENT TYPE	REFUND NOT TAKEN	REFUND TAKEN	REFUND NOT TAKEN	REFUND TAKEN
STRAIGHT LIFE				
TO MEMBER	2,463.44	1,243.04	739,032	551,070
100% SURVIVOR				
TO MEMBER	2,096.16	1,057.74	628,848	495,480
TO BENEFICIARY	2,096.16	1,057.74		
50% SURVIVOR				
TO MEMBER	2,265.02	1,142.94	679,506	521,040
TO BENEFICIARY	1,132.53	571.47		

C. Taxability

For details, please refer to the **TAX REPORTING** section of this brochure.

D. Return of Account Value

For details, please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

IX. DISABILITY RETIREMENT BENEFITS

A. Duty-Related Temporary Total Disability (Injury Leave)

If a member is injured in the line of duty, independent of the injury occurring during the member's duty shift or the member's own time, the member may be eligible to receive Duty-Related Temporary Total Disability benefits. To be eligible for benefits the member must be determined to be temporarily totally disabled (TTD) by a medical doctor.

Injury leave benefits apply for a period of up to
Twelve months after the date of injury.

Benefits will equal the amount of the member's salary and earned fringe benefits, as if the member were working their normal full time position. The pension system has no involvement in determining if these benefits should be paid to the member.

To receive benefits, a workers compensation claim must be on file with the City's Personnel Department Risk Management Division. The Police or Fire Department will work with Risk Management to determine eligibility for workers compensation payments. The lesser of two-thirds, or the allowable legal maximum, of the payment is a workers compensation payment, and therefore is not taxable. If these benefits are paid, the member's department makes the payments and is reimbursed for the workers compensation portion by Risk Management.

Pension contributions are not deducted from workers compensation payments, but the amount is included in the member's base pay for the purpose of calculating the member's highest 26 consecutive base pay.

If the member believes they will not be able to return to duty at the end of the twelve month period the member should apply for a disability pension. Disability pension applications usually take 2 months to process. If, during the period of time when the member is receiving injury leave, the disability is determined to be Permanent and Total (i.e. the disability application was approved by the Mayor), Duty-Related Temporary Total Disability benefits will cease and Duty-Related Permanent Total Disability benefits will begin.

If the member does not return to duty at the end of the twelve month and has not been granted a disability pension, they may be able to receive workers compensation payments until their disability pension (if any) begins. The amount of the workers compensation payment would be the lesser of two-thirds of their wage, at the time of the incident, or the allowable legal maximum payment.

B. Duty Related Permanent Total Disability

If a member is injured in the line of duty, independent of the injury occurring during the member's duty shift or the member's own time, and if the injury is determined to be Permanent and Total, the member is eligible to receive Duty Related Permanent Total Disability benefits.

> If a member is eligible for retirement, Age and Service Retirement benefits should be compared to Disability benefits to determine which is best for the member.

"Total Disability" is a physical deficiency, or mental disorder, resulting in the inability of the member to perform their Police or Fire job duties. A mental disorder must be rated 50% or greater according to the ranking system used by the U.S. Veteran's Administration (Vol. 38 CFR 4.132.) This ranking system is available upon request.

A member must apply to the Pension Administration for a Duty Related Permanent Total Disability pension by writing a letter asking for a duty disability pension and stating his or her disability. The pension will ask the member to sign medical releases to gather medical history on the disability. The member will be asked to take an independent medical exam. After information is gathered, the Disability Pension Review Committee makes a recommendation to grant or deny the disability pension. (Members of the committee are the City Finance Director, the City Health Director, and the County Mental Health Director.) If the committee's recommendation is to deny the application, the member and his or her attorney may speak to the committee. The committee's final recommendation, and all information, is given to the Mayor for a decision.

> Lincoln Municipal Code section 4.64 details the Disability Pension Review Committee and provides details of the disability process. It is available to members upon request.

Members granted a disability retirement receive monthly payments immediately, regardless of their age. A refund of contributions and interest is not available. **Members are paid monthly benefits equal to the greater of 58%, or the earned age and service retirement benefit percent, of the monthly average of their highest 26 consecutive base pay.** Any payment received from worker's compensation will reduce the retirement disability pension by a like amount over a time period determined by the City Attorney. Upon the member's death, a monthly payment is made to the member's survivor beneficiary, if any. For details, refer to the "**SURVIVOR BENEFITS"** section of this brochure.

A duty-disability pension is subject to review. For details on the review process refer to the **" Review of Disability Retirement"** section of this brochure.

C. Non-Duty Related Permanent Disability

If a member is injured outside of the line of duty, and if the injury is determined to be Permanent and Total, the member is eligible to receive Non-duty Related Permanent Total Disability benefits.

> If a member is eligible for retirement, Age and Service Retirement benefits should be compared to Disability benefits to determine which benefit is best for the member.

"Total Disability" is a physical deficiency, or mental disorder, resulting in the inability of the member to perform their Police or Fire job duties. A mental disorder must be rated 50% or greater according to the ranking system used by the U.S. Veteran's Administration (Vol. 38 CFR 4.132.) This ranking system is available upon request.

A member must apply to the Pension Administration for a Non-Duty Related Permanent Total Disability pension by writing a letter asking for a non-duty disability pension and stating his or her disability. The pension will ask the member to sign medical releases to gather medical history on the disability. The member will be asked to take an independent medical exam. After information is gathered, the Disability Pension Review Committee makes a recommendation to grant or deny the non-disability pension. (Members of the committee are the City Finance Director, the City Health Director, and the County Mental Health Director.) If the committee's recommendation is to deny the application, the member and his or her attorney may speak to the committee. The committee's final recommendation, and all information, is given to the Mayor for a decision.

> Lincoln Municipal Code section 4.64 details the Disability Pension Review Committee and provides details of the disability process. It is available to members upon request.

Members granted a disability retirement receive monthly payments immediately, regardless of their age. A refund of contributions and interest is not available. Members are paid monthly benefits based upon the number of years of service the member has completed at the time of the injury causing the disability retirement. (See the benefit schedule below)

A refund of contributions and interest is not available. A non-duty disability pension is subject to review. For details on the review process, refer to the **Review of Disability Retirement** section of this brochure.

The benefit schedule is:

Years of Service	Benefit as a % of Base Salary
0 to 4	0%

5 to 9	23%
10 to 14	39%
15+	53%

D. Review of Disability Retirement

Once annually, for the first five years of a member's disability retirement, the plan administrator may require the member to be examined by a physician of the plan administrator's choice for the purpose of determining if the member is still permanently and totally disabled. In addition, if a member submits a written request to return to duty, the plan administrator may authorize an examination to determine if the member is able to return.

Information collected in the original determination of the member's disability, the results of the "re-test" examination, and the member's interim medical history, are provided to the Disability Pension Review Committee. The committee will make a recommendation to the Mayor to continue or cease disability payments. If the committee recommends disability payments cease the member may appeal directly to the committee. The Mayor will be given all the information and will make the final determination to continue or cease disability payments.

If the Mayor decides the member's disability retirement is to stop, the member will be offered a job in their previous class. If the member accepts this offer and returns to duty:

- they are placed in a job in their previous class
- their rate of pay is set to their previous rate of pay plus any union negotiated increases occurring in their absence
- their salary is not increased by merit raises (because they were not present to earn them)
- their departmental and City seniority is restored (for vacation, sick leave, longevity etc. purposes)
- all aspects of their pension are restored
- they do not repay disability payments they received

If the member refuses to return to duty, their disability pension payments are discontinued and they do not repay disability payments they received. A member in this situation is receives a pension benefit based on his or her age, service and base pay as of the date his or her disability pension began.

E. Taxability

For details, please refer to the **TAX REPORTING** section of this brochure.

F. Return of Account Value

For details, please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

X. SURVIVOR BENEFITS

For all survivor benefits, regardless of the payout option chosen by the member, if the member's contributions and interest are not completely paid back through monthly benefits, the balance is refunded to the member's estate or named beneficiaries. Please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

A. Member's death occurs after the member started receiving partial annuity benefits, or age and service retirement benefits.

The member must have designated a beneficiary and payment option before the member started receiving payments. Below are the three payment options available to the member and a description of the survivor benefit applicable to each.

Payment Option	Description
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.

Monthly benefit beneficiaries must be a natural person with an insurable interest in the pension member.

B. Member's death occurs after the member started receiving disability retirement benefits.

To designate a beneficiary, the member must file a beneficiary form with the plan administrator no later than 30 days after the member's disability retirement date.

1. Spouse as Survivor Beneficiary

The member may designate their spouse as primary beneficiary. If the member does not designate a primary beneficiary, the member's spouse is automatically the primary beneficiary, providing the member and spouse were married to each other at the time the disability was granted by the Mayor.

The member's disability payment is paid to the surviving spouse until the spouse dies or remarries. Upon the death or remarriage of the spouse, the member's disability benefit is paid to the member's minor children (if any) until they reach age 19.

For example, if the benefit were $1000 per month, each of two minor children would receive $500 per month. If one of the children becomes age 19, the other child would receive the total benefit, $1000 per month, until age 19.

2. Non-spouse as Survivor Beneficiary

If the member designates a beneficiary who is not the member's spouse, the beneficiary is paid a monthly amount equal to that payable under the 100% survivor option. The 100% survivor option is valued as if the member had become entitled to a 58% age and service retirement on the date of their death. The beneficiary must have an insurable interest.

3. No Survivor Beneficiary

If the member does not designate a primary beneficiary, the member's spouse is automatically the primary beneficiary, providing the member and spouse were married to each other at the time the disability was determined to exist by the Disability Review Committee.

If the member did not designate a beneficiary, and was not married when the disability was determined to exist, the member has no beneficiary; therefore monthly payments cease.

C. Member's death is caused by injury incurred in the line of duty.

1. Spouse as Survivor Beneficiary

The member may have designated their spouse as primary beneficiary before death. If the member did not designate a primary beneficiary, the member's spouse is automatically the member's primary beneficiary providing the member and spouse were married to each other at the time of the member's death.

A monthly benefit of 58% of the member's monthly base pay is paid to the surviving spouse until the spouse dies or remarries. Upon the death, or remarriage of the spouse, the benefit is paid to the member's minor children (if any) until they reach age 19.

For example, if the benefit were $1000 per month; each of two minor children would receive $500 per month. If one of the children becomes age 19, the other child would receive the total benefit, $1000 per month, until age 19.

2. Non-spouse as Survivor Beneficiary

If the member designates a beneficiary who is not the member's spouse, the beneficiary is paid a monthly amount equal to that payable under the 100% survivor option. The 100% survivor option is valued as it the member had become entitled to an 58% age and service retirement on the date of their death. The beneficiary must have an insurable interest.

3. No Survivor Beneficiary

If the member does not designate a primary beneficiary, the member's spouse is automatically the primary beneficiary, providing the member and spouse were married to each other at the time the disability benefit was granted by the Mayor.

If the member does not designate a beneficiary, and was not married when the disability was determined to exist, the member has no beneficiary; therefore monthly payments cease.

D. Member's death is caused by injury or illness not incurred in the line of duty.

1. Spouse as Survivor Beneficiary

The member may have designated their spouse as primary beneficiary before death. If the member did not designate a primary beneficiary, the member's spouse is automatically the member's primary beneficiary providing the member and spouse were married to each other at the time of the member's death. The amount of this benefit is based upon the number of years of service the member has completed at the time of their death.

Years of Service	Benefit as a % of Base Salary
0 to 4	0%
5 to 9	23%
10 to 14	39%
15+	53%

The monthly benefit is paid to the surviving spouse until the spouse dies or remarries. Upon the death or remarriage of the spouse, the benefit is paid to the member's minor children (if any) until they attain age 19.

For example, if the benefit were $1000 per month, each of two minor children would receive $500 per month. If one of the children becomes age 19, the other child would receive the total benefit, $1000 per month, until age 19.

2. Non-spouse as Survivor Beneficiary

If the member designates a beneficiary who is not the member's spouse, the beneficiary is paid a monthly amount equal to that payable under the 100% survivor option. The 100% survivor option is valued as if the member had separated on the date of their death. The amount of this benefit is based upon the number of years of service the member has completed at the time of their death.

Years of Service	Benefit as a % of Base Salary
0 to 4	0%
5 to 9	23%
10 to 14	39%
15+	53%

3. No Survivor Beneficiary

If the member does not designate a primary beneficiary, the member's spouse is automatically the primary beneficiary, providing the member and spouse were married to each other at the time of the member's death.

If the member does not designate a beneficiary, and was not married when the disability was determined to exist, the member has no beneficiary; therefore monthly payments cease.

E. Taxability

For details, please refer to the **TAX REPORTING** section of this brochure.

F. Return of Account Value

For details, please refer to the **RETURN OF ACCOUNT VALUE** section of this brochure.

XI. DISCHARGE BENEFITS

If a member is discharged from the City's commissioned Police or Fire service, regardless of the reason for the discharge, pension benefits are determined by the member's years of service and age. Please refer to the appropriate separation type based on years of service and age for a discussion of pension benefits.

XII. TAX REPORTING

Tax reporting for all types of monthly pension benefits follow the Internal Revenue Service "Safe Harbor" method. This method starts by determining if a member has "Post-tax" contributions and therefore an "investment-in-contract" amount.

If the member contributed to the pension before July of 1990, the member has "Post-tax" contributions (i.e. income that was taxed).

If a member has no "Post-tax" contributions, all the money paid out to them as a monthly benefit is taxable.

If a member has "Post-tax" contributions they have an Investment in Contract amount equal to the "Post-tax" contributions they paid in less any "Post-tax" contributions paid out to them.

The "Safe Harbor" method uses the investment in contract amount and the age of the member when they start to receive benefits, to calculate the taxable and non-taxable amounts of a member's monthly benefit, and the duration of non-taxability. After a certain number of payments, detailed in the IRS table below, 100% of the member's monthly benefit is taxable.

Annuitant's Age on Annuity Starting Date	Number of Anticipated Payments
Not more than 55	360
More than 55, but not more than 60	310
More than 60, but not more than 65	260
More than 65, but not more than 70	210
More than 70	160

The example on the next page describes how the Safe Harbor rule is used in the reporting of monthly benefits.

Below is an example of Age and Service Retirement benefits.

Member Age	53 Years 0 Days	
Beneficiary Age	49 Years 142 Days	
Years of Service	21 years 300 Days	
Benefit Percent	58%	
Annual Base Pay	$50,000.00	
Payment Option	**Description**	**Monthly Benefit**
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.	Member: $2,416.67
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.	Member: $2,052.92 Beneficiary: $2,052.92
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.	Member: $2,220.01 Beneficiary: $1,110.00

In this example, monthly payments begin at age 53. At age 53, the IRS table stipulates 360 monthly payments (30 years of payments). If the members Investment in Contract is $3,600 it is to be returned to the member over the next 360 months in $10 increments. Regardless of the payment option chosen, $10 of each monthly payment is a return of the member's Investment in Contract. Since Investment in Contract is "Post-Tax," it is not taxable when returned. If the member chose the Straight Life, $10 of their $2,416.67 monthly benefit would not be taxable. After all the member's Investment in Contract is returned to them (at age 80) their entire monthly benefit would be taxable.

The same procedure is used if the member chose the 100% or the 50% Survivor payment option. For example, if the member chose the 100% Survivor Payment Option, $10 of their $2,052.92 monthly benefit would not be taxable. If the member lives for 20 years and passes away, the same payment stream would continue for the member's beneficiary. After all the member's Investment in Contract was returned (at the member's age 80) the entire monthly benefit would be taxable.

XIII. RETURN OF ACCOUNT VALUE

The pension follows Lincoln Municipal Code to return account value

In the event that both the former member and the survivor beneficiary, if any, die before the aggregate amount of the former member's account value has been distributed as monthly benefits, the balance of the member's account value is distributed as the member designated in writing. If the member is deceased and monthly payments are being made to his or her survivor beneficiary, the remaining balance is distributed as the survivor beneficiary designated in writing. If there is no designated person the remaining balance is paid to the personal representative of the former member or the survivor beneficiary. If the balance is less than $300.00, the City may pay it to such claimant or claimants as the City, in its discretion, shall determine to be entitled to payment.

We will use this example of Age and Service Retirement Benefits to explain the pension's R*eturn of Account Value* feature.

Member Age	53 Years 0 Days	
Beneficiary Age	49 Years 142 Days	
Years of Service	21 years 300 Days	
Benefit Percent	58%	
Annual Base Pay	$50,000.00	
Payment Option	**Description**	**Monthly Benefit**
Straight Life	Member receives a retirement benefit for life. At member's death payments stop.	Member: $2,416.67
100% Survivor Option	Member is paid a reduced pension. At death, 100% of the reduced pension is continued for the life of the member's beneficiary.	Member: $2,052.92 Beneficiary: $2,052.92
50% Survivor Option	Member is paid a reduced pension. At death, 50% of the reduced pension is continued for the life of the member's beneficiary.	Member: $2,220.01 Beneficiary: $1,110.00

In the example, monthly payments will begin at age 50. If the member's Account Value is $72,000 it is to be returned to the member as the monthly benefit payment amount.

For example, if the member chose the 100% Survivor Payment Option, their $2,265.29 monthly benefit would be a return of their account value. If the member passes away after 12 months, the monthly benefit is paid to the member's beneficiary.

If the beneficiary passes away after another 12 months, a total of 24 monthly benefits have been paid. This means $54,366.96 (24 months* $2,265.29) of the member's original $72,000 account value have been returned.

The pension would refund the remaining $17,633.04 ($72,000-$54,366.96) to the survivor beneficiary's named beneficiary or estate.

XIV. GENERAL PROVISIONS

A. Military Leave

If a member is required to serve in the U.S. Military, the period of military service, up to a maximum of 4 years, will be considered as time served in the Police, or Fire, Department if two conditions are met.

The first condition is that the member returns to work no later than 90 days following military discharge. The second condition is that the member work for one year following their return.

The Plan Administrator may require the member to contribute 3% of their base pay for each year of military service, up to a yearly maximum of $2,500. Contributions of this type are based on the member's base pay at the time they began military service.

B. Assignment

The Plan provides, to the extent permitted by law, payments are not assignable and cannot be subjected by attachment or otherwise, to the claims of creditors. This provision is noteworthy in the case of a member whose marriage is terminating and the parties are working toward a property settlement agreement. For details please contact pension administration.

C. Re-Employment

Any non-vested member who resigns or is discharged, may buy back his service credit for the previous time they worked for the City.

To do so, the member must repay the refund received at the time of separation, plus interest from the time of separation until the time of re-employment.

D. Minimum Monthly Benefit

The minimum monthly benefit is $300, except for Partial Annuity benefits and the payments made to a member's minor children. The minimum does not apply to minor children because the member's monthly benefit is divided equally among the children.

E. Mental Incapacity

If a member becomes mentally incapacitated, his pension rights may be exercised by the member's appointed guardian or conservator.

F. Investment Board

The Board consists of nine members. Three appointed representatives of the City Council, two elected representatives of the Police Department, and two elected representatives of the Fire Department, the Personnel Director and the Finance Director.

The Investment Board meets on the in February, May, August and November. The committee is informed of recent events, given return figures for various assets over various time periods, and is presented with a recommendation for the pension's investment strategy.

G. Sick Leave Provisions

A member who suffers from a heart or lung disorder, which causes a temporary total disability, is first entered on the payroll as “Sick Leave”.

The member should ask his physician for a letter stating that the disability preventing him from working is a heart or lung disorder. This letter is given to the department employing the member. A copy of the letter is forwarded to the plan administrator, by the department. The department enters the member on the payroll as “Disability Leave”, and restores all “Sick Leave” used for this absence.

If the member then applies for a duty-disability pension resulting from this disorder, and the disability is found to be non-duty related, all leave time is changed from “Disability Leave” back to “Sick Leave”.

XV. 13th CHECK TO COMBAT INFLATION

A 13th Check Cost of Living Adjustment (COLA) benefit was instituted on September 1, 1992.

When instituted on September 1, 1992, a $600 base amount for the check was established. Annually, the base amount of the COLA check shall be increased by the lesser of 3%, or the Consumer Price Index for all Urban Consumers (CPI-U), as published by the U.S. Department of Labor, Bureau of Labor Statistics, for the previous calendar year end. The base amount may also be increased by the City Council, as it was in 1995 when they increased it to $750.

A. Age and Service or Duty Disability Retirants

Each September all members (and survivor beneficiaries of members) who have received Age and Service or Duty Disability pension benefits for at least 12 months are eligible to receive a 13th Check COLA equal to the base amount.

B. Deferred Annuity, Partial Annuity , or Non-Duty Disability Retirants

Each September all members (and survivor beneficiaries) who have received Deferred Annuity, Partial Annuity, or Non-Duty Disability pension benefits for at least 12 months are eligible to receive a pro-rated 13th Check COLA.

The pro-ration is based upon the years of service completed by the member compared to 21 years.

For example, if a member separates after 15 years and 3 months of service their ratio is 15.25/21. The base amount of the COLA check is multiplied by the member's ratio to arrive at that member's COLA check amount.

XVI. FIRE SERVICE EMPLOYEE COLA PURCHASE

Upon retirement a member in the Fire service only may elect to purchase a Cost of Living Adjustment (COLA). If a member purchases a COLA they will not be paid a 13th Check payment.

The member may purchase a COLA of 0.5%, 1.0%, 1.5%, 2.0% 2.5% or 3.0%. If purchased the member's gross monthly pension benefit will be increased by the COLA each year in September after being retired for 12 months.

The Plan Administrator shall provide a quote of the dollar cost to purchase all COLA options for the member's retirement benefit options (Straight Life, 100% and 50% Survivor, if applicable). The COLA cost is actuarially calculated based upon a discount rate of one percent less than the plan's actuarially assumed earnings rate in effect at the time of purchase. A portion of the purchase cost shall be paid by the pension fund and shall equal $15,000. If the member was a DROP participant the pension will pay $15,000 minus the sum of 13th Check payments the member received during DROP participation.

The COLA purchase shall occur within 30 days of retirement, or in the case of a DROP participant, within 30 days of retirement-in-fact, and shall be made in a lump sum payment to The City of Lincoln. The payment may be made with funds from any source, including but not limited to, the member's DROP account (if any), and/or the member's deferred compensation plan. Once purchased, no portion of the COLA purchase is refundable under any circumstances.