CITY OF KNOXVILLE EMPLOYEES' PENSION SYSTEM

SUMMARY PLAN PROVISIONS FOR DIVISION G1

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WELCOME TO THE PLAN

As an eligible employee of Division G (general government employees hired on or after January 1, 1997 through December 31, 2012 and Plan A members who transferred on July 1, 1997 who had not met their 10 year anniversary date) of the City of Knoxville (the City), you are a participant in the Division G1 City of Knoxville Pension Plan (the Plan), a Division of the City of Knoxville Employees' Pension System.

The Plan was established to provide you with a level of financial security at your retirement—one of the most important long-range goals for you and your family. The Plan is a defined benefit pension plan, which means that it uses a formula to determine the monthly benefit you will receive during your retirement. The formula uses your highest income and the number of years you were employed by the City to calculate your benefit. An additional benefit is provided through a supplemental account.

This booklet describes the main features of the Plan. Please take the time to read this information so that you and your family will know what benefits the Plan provides and how your benefits are determined. If you have any questions after reading the booklet or if you would like to discuss the details further, members of the Pension Board Office staff will be glad to help you.

This is only a summary of your pension benefits. The City Charter, together with the Supplemental Plan Provisions (SPPs) adopted by City Council, determines and governs your rights under the Plan. If there are any inconsistencies or conflicts between the plan provisions in the Charter and SPPs and the information in this booklet, the Charter and SPPs will prevail. You may obtain a copy of the relevant Charter provisions by referring to Article XIII, Section 1371 of the Charter of the City of Knoxville, Tennessee.

The Charter is available on the Internet by going to: http://www.ci.knoxville.tn.us/ and clicking on City Hall, then click on Ordinances and Charter. You may also request a copy of the Charter provisions and the SPPs by writing to:

The City of Knoxville Pension Board
917B East Fifth Avenue
Knoxville, TN 37917-7737

Or you may call this office during regular business hours at (865) 215-1444.

ELIGIBILITY AND PARTICIPATION

If the City hired you as a general government employee between January 16, 1963 and January 1, 1997, you are a participant in the Division G Plan as a result of your retirement election effective July 1, 1997. You also made an election to participate in the Option 1 benefit—the Basic Defined Benefit Plan and the Supplemental Retirement Account. If you were hired as a general government employee on or after January 1, 1997 through December 31, 2012, you became a participant in this plan option (Division G1) on the first day of the month following six months of service. Division G1 is closed to new entrants effective January 1, 2013.

After you complete ten years of service you will have the option to elect to transfer from the Division G1 Plan to the Division G2 Plan, also known as the Enhanced Defined Benefit Plan. Prior to this election period, you will receive additional information about your options to help you make an informed decision.

EMPLOYEE CONTRIBUTIONS

As a participant of this Plan, you contribute 6% of your monthly wages to the Plan through automatic payroll deduction. These payroll deductions are taken before taxes are withheld (also known as pretax deductions).

One-half of your contribution (3% of your monthly wages) is allocated to your Supplemental Retirement Account, which the City has set up in your name.

EMPLOYER CONTRIBUTIONS

The City of Knoxville makes contributions to the Basic Defined Benefit Plan portion of the plan based on the annual actuarial valuation. This valuation is performed by an independent third party. The purpose of the valuation is to determine the City's required contributions to properly fund the Plan. The actuarial valuation takes into consideration the amounts currently being paid to retirees, beneficiaries and disabled members, the number of employees approaching retirement, performance of the Plan's investments, as well as other factors.

The City also contributes 1.5% of your monthly wages to your Supplemental Retirement Account.

THE SUPPLEMENTAL RETIREMENT ACCOUNT

Your Supplemental Retirement Account includes your contributions (3% of your compensation), the City's contributions (1.5% of your compensation), and the investment return earned on these contributions. The investment return is allocated to your Supplemental Retirement Account once a quarter based on the actual investment performance of the Pension Trust Fund.

The following example shows how the value of your Supplemental Retirement Account is calculated each year.

For example:
Jim wants to calculate his Supplemental Retirement Account balance. During his first year in the Plan, he earns $30,000. His contributions of 3% of pay ($900) and the City's contributions of 1.5% of pay ($450) are deposited in his Supplemental Retirement Account. Jim's account is also credited each quarter with investment returns, and his total return for the year is $50. The value of his Supplemental Retirement Account balance at the end of the year is calculated as follows:

$900 + $450 + $50 = $1,400.

Important note: Your Supplemental Retirement Account is subject to investment losses as well as gains. Thus, if the investment returns result in a loss, the balance of your account could decrease below the sum of your contributions. Neither the City nor the Pension Board guarantees the investment performance of your Supplemental Retirement Account.

Each quarter, you will receive a personalized statement for your Supplemental Retirement Account showing:

- your contributions;
- City contributions;
- the investment return on your Supplemental Retirement Account;
- your total Supplemental Retirement Account balance; and
- how much of your Supplemental Retirement Account is vested.

Your Supplemental Retirement Account is held in the Pension Trust Fund (the Trust Fund) and is invested in the same manner as all other Plan assets held in the Trust Fund. Independent investment managers designated by the Pension Board manage the Trust Fund, and the fund managers direct the investment of all funds in line with an Investment Policy. The Pension Board actively monitors the performance of its investment managers.

Once a member is within two (2) years of normal retirement, the member may irrevocably elect to receive investment credits based on a more conservative bond index rate as determined by the supplemental plan provisions.

You may not take withdrawals or loans from your Supplemental Retirement Account while you are working. When you retire, you can receive your Supplemental Retirement Account balance as a lump sum, or you may convert it to an annuity paid out under the same payment option as your Basic Defined Benefit Plan payments.

If you leave the City before you retire, you can leave your Supplemental Retirement Account in the plan, immediately take it as a lump sum, or roll it over to an IRA or to another employer's qualified plan.

YOUR BENEFICIARY

As a participant in this Plan, it is important that you elect a beneficiary. Your beneficiary will receive your benefits in the event of your death. If no beneficiary is elected, your benefits will be paid as explained in the section titled "Payment of Benefits after Your Death" on page 9. If you have not named a beneficiary or would like to change your beneficiary, contact the Pension Board.

YOUR RETIREMENT BENEFIT

Your benefit at retirement is calculated using your years of service, your average compensation, and the value of your Supplemental Retirement Account.

Years of Service. Your years of service are the total completed years, months and days as a participant in the City of Knoxville Employees' Pension System. Your years of service begin on your date of hire and run through your date of termination, less interruptions in employment during which you did not make contributions to the pension system. If you transferred from Plan A, your years of service include your employment while you were a participant in Plan A. At the time you retire, you may elect to convert unused sick leave into additional months of service for benefit calculation purposes. You will receive one month of service for every 20 days (160 hours) of unused sick leave that you convert.

Compensation. Your compensation is the total amount you are paid for services to the City, excluding overtime payments.

Average Compensation. Your average compensation is calculated by taking the average of your highest annual compensation during any two 12-month periods, whether these periods are consecutive or not.

Normal Retirement

You may retire from Division G1 and receive full benefits on the first day of the month coincident with or next following the earlier of when you reach age 62 or when you meet the Rule of 80. You pass the Rule of 80 if, at the time of your separation from service, your age plus your total years of service equals 80 or more.

Early Retirement

You are eligible for early retirement if you complete 25 years of service prior to reaching age 62. Under early retirement, you may elect one of the following:

- a deferred monthly benefit payment to begin once you reach age 62; or
- an immediate monthly benefit payment, beginning on the first day of the month after your early retirement date.

If you elect to receive immediate payments before age 62, your benefit will be permanently reduced for each month between your early retirement date and your 62nd birthday.

In all cases, the form of benefit payment option (see “Forms of Benefit Payment” on page 5) you elect will determine the amount of the monthly benefit paid to you and/or your beneficiary.

Calculating your Retirement Benefit

Your monthly retirement benefit from Division G1 is based on:

1. your service before July 1, 1997;
2. your service after June 30, 1997;
3. the value of your Supplement Retirement Account;
4. the following benefit formulas:
   - Pre-1997 = (Factor1 x Base x service before 7/1/97) + [factor2 x (Average Compensation - Base) x service before 7/1/97]
   - Post 1997 = Factor x Average Compensation x service after 6/30/97

   Note – Base always equals $4,800; and
5. the following age-related retirement factors

Age at Retirement	Pre-7/1/97 Factor1	Pre-7/1/97 Factor2	Post-6/30/97 Factor
62 or younger	0.81%	1.62%	1.15%
63	0.84%	1.70%	1.21%
64	0.90%	1.80%	1.27%
65 or older	0.95%	1.90%	1.35%

For example:

John retired at age 62 with 15 years of service before July 1, 1997 and eight years of service after June 30, 1997. Based on the following assumptions, his monthly benefit is calculated as follows:

Pre-1997 Benefit:

Base = $4,800
Factor1 = 0.81%

Factor2 = 1.62%
Service before July 1, 1997 = 15 years
Average Compensation = $35,000

(0.81% x $4,800 x 15) + [1.62% x ($35,000 - $4,800) x 15]
$583.20 + $7,338.60 = $7,921.80 per year

Post-1997 Benefit:

Factor = 1.15%
Service after June 30, 1997 = 8 years
Average Compensation = $35,000

(1.15% x $35,000 x 8) = $3,220 per year

John's monthly benefit is $928.48 (($7921.80 + $3,220) ÷ 12).

In addition to the $928.48 monthly pension benefit, John can have the balance of his Supplemental Retirement Account paid as a monthly payment, or he can choose to have the total balance of his Supplemental Retirement Account paid as a lump sum.

FORMS OF BENEFIT PAYMENT

The Plan allows you to choose how you would like your retirement benefit payments to be paid to you and/or your beneficiary. For instance, if you would like your spouse to continue receiving your retirement benefit after you die, you must elect the appropriate payment option to do so. Your payment option may be elected or changed at any time prior to your retirement. Your monthly retirement benefit will be adjusted appropriately based on the option you elect; the total actuarial value of your benefit paid from the Plan remains the same, regardless of the option you elect.

The forms of benefit payment available to you upon retirement are as follows:

Normal Form

The amount of the normal form of payment is the monthly benefit amount as described in the section titled "Calculating your Retirement Benefit" on page 4. This benefit will be paid until the time of your death. You may instead elect one of the following payment options. If you do not elect one of the payment options listed below, your benefits will be paid in the normal form.

Option A – Joint and Survivor Annuity

This payment option continues monthly benefit payments to your spouse after you die. You may elect to have 50%, 75% or 100% of your benefit payment paid to your spouse for his or her lifetime.

Under Option A, you may also elect a modified Joint and Survivor option, commonly referred to as a "pop up" election. The optional pop up election is the same as the regular joint and survivor benefit except that if your spouse dies before you, your benefit is reinstated or "pops up" to the amount of the normal form (as if no option had been elected).

For example:
Tom's normal form of benefit is $2,000 per month and he retires with a 100% Joint and Survivor monthly benefit of $1,800. If he elects a 100% pop up option, his lifetime monthly benefit will be reduced to $1,770. If he dies before his spouse, this benefit will continue for his spouse's lifetime.

If Tom's spouse dies first, the monthly benefit payable for Tom's lifetime will be reinstated or "pop up" to the original $2,000 per month normal form the month immediately following his spouse's death.

Option B – Life Annuity with Guaranteed Payments

This payment option provides for a guaranteed period of monthly benefit payments. You may choose to "guarantee" payments for 60, 120 or 180 months after you retire. *Your* benefit is a lifetime benefit. If you live beyond the guaranteed period, your benefit will continue until your death. If you die during the guaranteed period, your beneficiary(ies) will receive monthly payments until the end of the guaranteed period.

Option C – Cash Refund Annuity

This form of benefit payment provides a monthly benefit until the time of your death. After your death, if the sum of the payments paid to you before your death is less than the total actuarial value of your benefit at the time you retired, your beneficiary(ies) will receive the difference as a lump sum payment.

For example:
Ed retired with a benefit of $1,000 per month that was worth $100,000 (total actuarial value of his benefit). He died after receiving 60 monthly payments ($60,000). Ed's beneficiary received a lump sum payment of $40,000.

Delayed Retirement Option (DROP)

If you are eligible for normal retirement—that is, age 62 or you meet the Rule of 80—you may elect to participate in the DROP. Under this program, your retirement benefit is calculated at the start of the DROP, and you may continue your employment for up to 24 months. You do not contribute to the pension system during the DROP. At the end of the DROP period, you will receive a lump sum payment for the benefit you accumulated while in the DROP, and the monthly retirement benefit that was determined at the beginning of your DROP participation will begin. The DROP may be elected with any of the above payment options.

For example:
Susan is eligible to retire at age 60 with a $1,000 per month benefit. Instead, she elects a one-year Delayed Retirement Option. Her benefit is calculated at age 60, but she will continue to work until age 61 and then retire. When Susan retires, she will receive a lump sum payment of $12,000 (for the delayed 12 monthly payments) plus begin receiving an annuity of $1,000 per month, plus any applicable cost of living increases.

Supplemental Retirement Account

Your Supplemental Retirement Account can be paid out in one of three ways:

- you can take the entire balance immediately in a lump sum, (this is the default option if you do not elect otherwise);
- you can roll a portion or the entire balance into another retirement vehicle (IRA, Deferred Compensation Account, etc.); or
- you can convert it to an annuity, add it to your Basic Defined Benefit Plan amount, and have the total paid out according to the same payment option you elect.

Termination of Employment

Termination of Employment before Vesting

If you end your employment with the City before you are vested—that is, prior to age 62 or with fewer than five years of employment—you may elect one of the following options.

1. You may request a refund of your Basic Defined Benefit Plan contributions with simple interest. You will forfeit the right to credit for prior service if you are not reemployed within six years of termination (see "Reinstatement of Benefits" on page 7). If you elect this option, you will also receive the balance in the Employee Account portion of your Supplemental Retirement Account. The Employee Account is made up of your contributions and their related investment returns. Your nonvested Employer Account will be forfeited; or

2. You may leave your contributions in the plan for up to six years and receive credit for prior service if you are rehired before the end of the six-year period. If you are not rehired within the six-year period, your plan contributions plus simple interest must be refunded to you at the end of the six-year period. You cannot reinstate your prior employment upon reemployment after a six-year "break in service."

Termination of Employment after Vesting but before Normal Retirement

If you are vested at the time you terminate, you may choose one of the following options.

1. You may receive a refund of your Basic Defined Benefit Plan contributions with simple interest. If the City rehires you, you can reinstate your benefits in the Plan by repaying the amount of your refund plus interest (see "Reinstatement of Benefits" on page 7). If you elect this option, you will also receive the total balance of your Supplemental Retirement Account; or

2. You may leave your contributions in the fund and defer your retirement benefit payment until your normal retirement date (see "Normal Retirement" on page 4). Your benefit will be calculated in the same manner as your normal retirement benefit. If you elect this option, you have two additional choices:

   – you may elect to receive the total balance in your Supplemental Retirement Account; or

   – you may elect to leave the total balance in your Supplemental Retirement Account in the Plan.

Reinstatement of Benefits

If you elected to withdraw your Basic Defined Benefit Plan contributions plus interest upon your termination from employment (whether vested or not) and are rehired within six years of your termination date, you may make application to have your prior employment reinstated as creditable service with the Plan in accordance with the following provisions:

- you complete one year of service after you are rehired;
- you submit your application within six months after you have completed one year of reemployment; and
- you repay the amount of your refund plus interest determined from the date of your refund to the date of the repayment.

If you were not vested and elected to receive your Employee Account in the Supplemental Retirement Account and are rehired within six years of your termination date, your Employer Account may be restored. To restore your Employer Account you must repay your Employee Account plus interest from the date of the forfeiture.

PAYMENT OF BENEFITS IF YOU BECOME DISABLED

The Plan is designed to provide you with a benefit if you become disabled and are unable to perform your duties as an active employee of the City. If you are an eligible employee, you will receive a benefit from the Plan for as long as you are disabled whether or not the disability was caused while in the course of duty. Determination of disability and plan payments are subject to the approval of the Pension Board.

Whether or not you become disabled in the course of duty, you may elect to receive the total amount in your Supplemental Retirement Account as a lifetime annuity or as a single lump sum.

Disabled in the course of duty. If you become disabled in the course of your duty, regardless of your years of service with the City, your monthly benefit will be calculated using the following assumptions:

- you have attained age 62; and
- you have worked for the City until reaching age 62.

Your monthly benefit will be paid for the duration of your disability or your lifetime.

For example:
Vic is disabled due to a work-related accident. He is 40 years old and has worked for the City for 13 years (seven before July 1, 1997). His benefit will be calculated as if he were already 62 years old with 35 years of service (13 years of actual service plus 22 years of assumed service from age 40 to age 62). Vic's average annual compensation is $36,000. His monthly benefit is calculated as:

Pre 7/1/97	(.81% x $4,800 x 7) = $272.16
	+ 1.62% x ($36,000 - $4,800) x 7) = $3,538.08
Post 6/30/97	(1.15% x $36,000 x 28) = $11,592.00
	$15,402.24

$15,402.24 ÷ 12 months = $1,283.52

Disabled not in the course of duty. If your disability is caused while not in the course of duty and you have 15 or more years of service, your monthly benefit payment is calculated using your normal retirement formula based on your years of service at your date of disability.

This monthly benefit will be paid for the duration of your disability or your lifetime.

For example:
Bob is 45 years old and has worked for the City for 20 years (15 years before July 1, 1997 and five years after). He was seriously injured in a car accident while not working and is unable to work. Bob's average annual compensation is $36,000. His monthly benefit is calculated as:

Pre 7/1/97	(.81% x $4,800 x 15) = $583.20
	+ (1.%62 x ($36,000 - $4,800) x 15) = $7,581.60
Post 6/30/97	(1.15% x $36,000 x 5) = $2,070.00
	$10,234.80

$10,234.80 ÷ 12 months = $852.90

Payment of Benefits After Your Death

Death Benefits before Retirement for Active Employees

If you die before you retire, the benefits paid to your beneficiary will depend on your age at the time of your death and whether you are vested.

If you die before you reach age 62 and you have not completed five years of service, your beneficiary will receive a lump sum payment of your Basic Defined Benefit Plan contributions plus simple interest. Your beneficiary will also receive the total amount in your Supplemental Retirement Account.

If you die prior to receiving monthly Basic Defined Benefit Plan payments, but after completing five years of service or reaching age 62, your beneficiary will be paid benefits in one of the following ways.

1. The payment of a monthly benefit determined according to the option you elected before death.

2. If no payment option was elected, your spouse will receive a death benefit based on the Option A 50% Joint and Survivor Annuity form of payment (see "Option A" on page 5). It is calculated as if you had retired on the day before your death. If you are not 62 at the time of death, the calculation will use the age 62 factor, so your spouse's benefit will be calculated as if you were age 62.

   Your dependent children will receive a separate benefit in addition to the 50% spousal benefit. If your death does not occur in the course of duty, and you have five or more years of service, your dependent children will receive a $75 monthly benefit until age 19 (age 23 if a full time student). If death was in the course of duty, this $75 monthly dependent children benefit is paid regardless of your years of service.

   If you do not have a surviving spouse or a designated beneficiary under another option, a refund of your plan contributions plus simple interest will be paid to your estate. Your estate will also be paid the total amount in your Supplemental Retirement Account.

Death Benefits after Retirement

In the event of your death after retirement, benefits are paid in accordance with the payment option you elected (see "Forms of Benefit Payment" on page 5). If you did not elect a payment option, your beneficiary, if living, may receive a benefit.

- The benefit amount from the Basic Defined Benefit Plan will be equal to your total contributions to the fund minus all the benefits you received from the fund.

- The benefit amount from the Supplemental Retirement Account portion of this Plan will be equal to the total balance of your Employee and Employer Accounts as of the date of your death.

Leave of Absence

If you are granted a leave of absence for up to two years, you will not lose any rights under this plan, except service for your period of absence. However, if you are granted a leave of absence with the City for military service or education, you may have additional rights to service in the Plan.

Leave of Absence for Military Service

If you are granted a leave of absence for military service, you receive credit in the Plan for this service when you return to the City's employment pursuant to the terms of the

Uniformed Services Employment and Reemployment Rights Act and other applicable federal and Tennessee law.

To receive credit for your military service, you must make all contributions to the Plan that you would have made had you been employed during your leave of absence for military service. These contributions must be made in addition to the current contributions that are deducted from your current wages.

Once all conditions are met, your service and benefit will be calculated as if you were employed under normal conditions.

Leave of Absence for Educational or Advanced Training

If you are granted a leave of absence for educational or advanced training, you may be credited for service during your leave if you return to employment within one year after your leave was granted. To be credited for service, you must contribute an amount equal to the contributions that were missed during your leave of absence. Your missed contributions must be paid to the Plan by at least doubling your employee contributions to the Plan until such time as the back payment has been completed.

PRIOR MILITARY SERVICE CREDIT

Employees with military service incurred prior to employment with the City have the opportunity to apply to purchase up to four (4) years of prior military service as pension credited service. The member must apply to purchase the service in writing within six months of his or her first employment anniversary date and must pay the actuarial value of the benefit as determined by the Pension Board after consulting with the System's actuary within sixty (60) days after approval by the Pension Board.

The requirement to apply to purchase the service within six months of a member's first employment anniversary date does not apply to employees hired prior to January 1, 2001.

BENEFIT ADJUSTMENT

Your Basic Defined Benefit Plan pension benefit is adjusted on January 1 of each year. During your first year of retirement, your adjustment is prorated by the number of months you were retired divided by 12. This benefit adjustment does not apply to an annuity paid from your Supplemental Retirement Account.

The minimum adjustment is 3%. Your benefit may not be adjusted more than the following percentages.

- If you are under age 62, 3% per year.

- If you are age 62 or older, your benefit may be adjusted up to a maximum of 4% per year. This adjustment includes the minimum 3%, plus 50% of the change in the Consumer Price Index (CPI) in excess of 3%.

This benefit adjustment is made to your current benefit each year.

For example:

In 2003, Linda's monthly benefit was equal to $400. In January 2004, she received a 3% adjustment, which provided her with a monthly benefit of $412 ($400 x 3% = $12). In 2005, the CPI was 5%. Linda received a 4% increase (3% base + (5%-3%) x 50%), giving her a monthly benefit of $428.48 ($412 x 4% = $16.48).

Additional Rights and Information

When You Are Ready to Retire — Claiming Your Benefits

Approximately two months before you are ready to retire, you should visit the Pension Board Office, which is located at 917B East Fifth Avenue, Knoxville, TN, so that a Pension Board staff member can help you complete any necessary forms. You should receive your first pension payment on or around the 28th of the month following your retirement date.

Appeal Procedures

The Pension Board interprets the Plan, determines who is eligible to receive benefits and approves the payment of all benefits. It also determines the disability status of an employee or retiree for Plan benefit payment purposes.

If you disagree with the Pension Board's determination of eligibility or calculation on your benefit claim, you have the right to request that the Pension Board review your claim. The Pension Board Office will provide details on the appeal procedure, but you must file your appeal within 60 days of notice of the Board's initial decision. You will not have the right to seek judicial review of your claim if you fail to follow the Board's appeal procedures.

Fiscal Year

The fiscal year for this Plan is July 1 to June 30.