October 2, 2023

TRANSMITTED VIA E-MAIL AND U.S. MAIL
(dporta@cityofcartersville.org)

Mr. Dan Porta
City Manager
City of Cartersville
P.O. Box 1390
Cartersville, Georgia 30120

RE: Georgia Municipal Employees Benefit System (GMEBS) Defined Benefit Plans for the City of Cartersville; REVISED Documents for Transfer of Assets and Administration of City's Pension Plans to GMEBS

Dear Mr. Porta:

Enclosed are a revised draft Georgia Municipal Employees Benefit System ("GMEBS") Defined Benefit Retirement Plan ("Plan") Adoption Agreement ("AA"), General Addendum and Service Credit Purchase Addendum for the city of Cartersville, which provide for the transfer of assets and administration of the City of Cartersville Pension Plan that originally took effect in 1967 ("Original Plan") to GMEBS, effective November 1, 2023. Also enclosed are a revised draft GMEBS Adoption Agreement, General Addendum and Service Credit Purchase Addendum providing for the transfer of assets and administration of the City of Cartersville Pension Plan that originally took effect in 2017 ("2017 Plan") to GMEBS, effective November 1, 2023, as well as the Basic Plan Document and Amendment 1. This first part of this cover letter addresses key provisions of draft GMEBS documents for the Original Plan ("Plan I"), and the second part points out the provisions of the 2017 Plan ("Plan II") that differ from Plan I. Finally, the cover letter addresses some standard provisions of GMEBS retirement plans that differ from the current terms of the city's plans.

Cartersville GMEBS Plan I

The AA designates the City Manager as the Plan Representative and the Assistant City Manager as the Pension Committee Secretary (see AA pp. 2-3 and Article XIV of the Basic Plan Document). The Pension Committee Secretary communicates salary and service information to GMEBS for the annual valuation and for communicating with GMEBS and participants about Plan terms and pre-retirement beneficiary forms. The five members of the Pension Committee are the City Manager; the City Finance Director; an employee elected by the Gas, Electric and Water and Sewer Departments; an employee elected by the Police and Fire Departments; and an employee elected by the Community Development, Public Works, City Clerk, Garage, Parks and Recreation, Finance, and Administration Departments (see AA p. 3). As discussed, we have not included terms relating to the powers, duties and operations of the city's Pension Committee in the GMEBS plan documents, but the city is free to address nonconflicting provisions in Pension Committee bylaws.

Plan I requires participation by all regular employees, other than the City Manager, who were initially employed before January 1, 2017, and are not reemployed after such date, provided they meet the minimum eligibility requirements for participation (see AA pp. 5 - 7). Elected officials and municipal legal officers do not participate in the plan (see AA pp. 5 - 6).

Importantly, all service as a participant in the Original Plan before November 1, 2023, will be credited under Plan I. Service with the City that was not credited under the version of the Original Plan in effect on October 31, 2023, will not be credited. However, active participants will have an opportunity to purchase credited service under Plan I for service during the Original Plan's waiting period (see AA p. 8, subparagraph 16(a)(ii) of the General Addendum and the Service Credit Purchase Addendum). None of a participant's prior military service (if any), prior governmental service (if any) or unused paid time off will count as service credit under Plan I.

Participants qualify for an unreduced (i.e., normal or alternative normal) retirement benefit when they satisfy one of the following qualifications:

- when they are at least age 65 and have at least 10 years of credited service (see AA p. 15 and General Addendum subsection 16(e));
- when they are at least 55 and have at least 25 years of credited service, provided that they are in-service when they satisfy these qualifications (see AA p. 17 and General Addendum subsection 16(e)); and
- for vested police and fire personnel (or vested former police and fire personnel) who have made employee contributions in the amount of 4.1% of earnings for at least five (5) years as participants in the Original Plan, when they are at least age 50 and have at least 20 years of credited service, regardless of if they are employed with the city when they reach age 50 or attain 20 years of service credit (see AA pp. 20-21 and General Addendum subsections 16(d) and (e)).

Participants qualify for early (reduced) retirement benefits when they are at least age 55 and have at least 10 years of credited service. However, participants who are vested police and fire personnel (or vested former police and fire personnel) can qualify for early (reduced) retirement benefits when they are at least age 50 and have made employee contributions in the amount of 4.1% of earnings for at least 5 years while participating in the Original Plan. In this case, the participant's early retirement reduction will be based on the participant's years of service as opposed to the participant's age. Likewise, if a non-fire or police participant is at least age 55 and has more than 15 years of credited service, his or her early retirement reduction will be based on the participant's years of service as opposed to the participant's age (see AA p. 14 and General Addendum subsection 16(d)).

Note that unless otherwise specified, credited service under the city's Original Plan, the city's 2017 Plan and – with respect to employees participating in the Original Plan or the 2017 Plan on or after November 1, 2023, only – credited service with other GMEBS employers ("portability service") counts for purposes of determining if a participant has satisfied the requirements for vesting and benefit eligibility under Plan I. However, only service under the Original Plan will be used to calculate a participant's benefits under Plan I (see General Addendum paragraph 16(a)(i) and subsection 16(l)).

A participant's monthly normal retirement benefit is 1/12 of 2% of the participant's final average earnings, multiplied by the participant's years and months of credited service under the Original Plan. A participant's final average earnings is based on his or her highest 36 consecutive months of earnings out of his or her final 120 months of service as a participant in the Original Plan (see General Addendum Section 7 and subsection 16(a)(i)). Section 6 of the General Addendum notes that overtime pay and bonuses are not included in a participant's earnings for the purpose of calculating final average earnings; additionally; holiday pay is excluded from a police or fire personnel's earnings for final average earnings purposes. Likewise, periods during which a participant Is on a leave of absence (except for qualified military service) are not included in determining a participant's final average earnings (see General Addendum subsection 16(f)).

If a participant elects early retirement, his or her benefit will be reduced in accordance with the applicable early retirement reduction factors (see AA pp. 25-26 and General Addendum subsection 16(d)(ii), as applicable). If a participant retires after his or her normal retirement date, his or her late retirement benefit will be calculated in the same manner as the normal retirement benefit, based on the participant's accrued benefit as of his or her late retirement date, with no late retirement enhancement (see AA p. 26). However, the final average earnings used to calculate a participant's late retirement benefits will be the greater or his or her final average earnings as of his or her normal retirement date or his or her final average earnings as of his or her termination date (see General Addendum subsection 16(g)).

Eligibility for disability retirement benefits will be based on Social Security Administration ("SSA") award eligibility. To qualify for a disability retirement benefit, a participant must terminate employment due to disability, have an SSA award letter establishing a disability onset date that is on or before the participant's termination date, and have at least 10 years of credited service. The minimum disability benefit will be 20 percent of the participant's average monthly earnings for the 12-calendar month period immediately preceding his or her termination of employment disability (see AA pp. 21 and 27 and Section 6.04 of the Basic Plan Document).

Per our conversation, we have drafted Plan I to specify that if a retired participant returns to service with the city as an eligible employee (i.e., a regular employee that satisfies the requirements to participate in the plan), his or her retirement benefits will be suspended until the participant again terminates employment. However, the participant's benefit will <u>not</u> be reduced on re-retirement to account for benefits already paid (see AA p. 28 and General Addendum subsection 16(n)).

Plan I does not provide for a cost of living adjustment (see AA p. 29). Participants are subject to a 10-year vesting requirement (see AA. p. 30). As a general rule, service with other GMEBS employers will not count as portability service for participants who terminated employment before November 1, 2023, unless such participants are again employed with the City on or after November 1, 2023 (see General Addendum Section 16(l)).

An "Auto A" death benefit will be payable in the event a vested participant dies before retirement, whether in-service or after terminating employment. This death benefit is a monthly benefit payable to the participant's pre-retirement beneficiary, equal to the decreased monthly retirement benefit that would have otherwise been payable to the participant, had he or she retired and elected a 100% joint and survivor benefit (see AA pp. 31 – 33 and Sections 8.06 and 8.09 of the Basic Plan Document). Participants will have the opportunity to designate one primary and one secondary pre-retirement beneficiary. If a participant does not designate a pre-retirement beneficiary, the participant's surviving spouse, if any, will be the participant's pre-retirement beneficiary. If the participant dies before retirement and does not have a designated pre-retirement beneficiary or a surviving spouse, a lump sum in the amount of 50% of the actuarial equivalent of the participant's vested accrued benefit will be paid to the participant's estate (see Basic Plan Document Section 8.06(b)).

Plan I requires participants other than police and fire personnel (and former police and fire personnel) to make employee contributions in the amount of 3.1% of earnings (see AA p. 34). Police and fire personnel (and former police and fire personnel) are required to make employee contributions in the amount of 4.1% of earnings. No future interest will accrue on employee contributions, except in the event a retired participant (or death or post-retirement beneficiary in pay status) dies before benefits equal to the value of the participant's employee contributions have been paid. In this situation, the participant's remaining employee contributions will be distributed in accordance with Section 13.06 of the Basic Plan Document, with interest at the rate of 4% per annum (see General Addendum subsection 16(i)).

If a vested participant terminates employment before retirement, he or she will be allowed to withdraw employee contributions made to the plan (without interest) but will forfeit any benefits or service credit associated with those employee contributions unless the participant becomes reemployed within five (5) years and repays the withdrawn employee contributions, plus interest, in accordance with Section 13.03 of the Basic Plan Document and subsection 16(h) of the General Addendum.

Sections 2 and 14 of the General Addendum for Plan I incorporate the terms of the plan freeze that took effect January 1, 2017. Under the terms of the plan freeze, individuals who were initially employed or reemployed on or after January 1, 2017, were not permitted to participate in the Original Plan. However, individuals who were initially employed before January 1, 2017, and remained employed with the city as of January 1, 2017, continued to participate in the Original Plan, provided they did not become reemployed after January 1, 2017. If an individual who previously participated in the Original Plan became (or becomes) reemployed on or after January 1, 2017, his or her service or earnings with the city on or after the date of such reemployment will not count for any purpose under the Original Plan. Instead, this employee may participate in the 2017 Plan, provided he or she satisfies the eligibility requirements for participating in that plan (see General Addendum paragraph 16(a)(i)).

Subsection 16(a) of the General Addendum for Plan I summaries the history of the Original Plan, including the plan freeze and the waiting period. It notes that participants will only get service credit for participation during the waiting period if they purchase it in accordance with the Service Credit Purchase Addendum.

Subsection 16(b) of the General Addendum addresses the transfer of the Original Plan's assets and administration to GMEBS. <u>It notes that though the city's GMEBS documents will take effect November 1, 2023, the city is responsible for making the November 1, 2023, retirement payments. Further, it states that the parties intend that 85% of the plan's assets will transfer to the GMEBS Retirement Trust no later than November 10, 2023, with the remainder transferred to GMEBS on a future date at the city's discretion.</u> Assuming the funds are transferred timely, GMEBS will process the December 1, 2023, retirement payments. Additionally, subsection 16(b) of the General Addendum states that the city will provide information and records necessary for GMEBS to administer the Original Plan going forward no later than November 1, 2023. Regarding terminated vested participants and retirees, GMEBS will calculate and/or pay their retirement benefits based on the information the city provides to GMEBS and using the retirement benefit options and factors in place under the terms of the plan in effect as of the vested participant's or retiree's retirement date. In particular, current retirees will be paid in accordance with their current benefit amounts, as provided to GMEBS. If the city does not transfer retirement fund assets to GMEBS as indicated above, the city, and not GMEBS, will be responsible for making future benefit payments until the first day of the month that is at least 20 days after 85% of the plan's assets have been transferred to

GMEBS. Paragraph 16(b)(vi) of the General Addendum stipulates that assets not transferred to GMEBS will not be considered part of the GMEBS Retirement Trust and neither GMEBS nor GMA will be responsible for the performance of such assets. However, non-transferred assets will be included for valuation purposes.

Subsection 16I of the General Addendum addresses the possibility that records normally used to calculate a participant's benefit may not be available for one or more participants, and provides alternative methods of ensuring benefits can be calculated. We anticipate all necessary records will be available but this provision provides a safety net for GMEBS and the city.

Subsection 16(d) of the General Addendum addresses early retirement off of the 55 & 25 and 50 & 20 alternative normal retirement qualifications on pp. 17-18 and 20-21, respectively, of the AA. Paragraph 16(d)(i) explains that if a participant is at least 55 years old and has at least 15 years of credited service, he or she can apply for early retirement off of the 55 & 25 alternative normal retirement qualification. In this case, the early retirement reduction will be based on how many years of service short of 25 the person had at retirement. For example, a participant who is 55 but has only 20 years of service will be considered as retiring five (5) years early. The early retirement reduction factors for early retirement off of the 55 & 25 alternative normal retirement qualification are located on pp. 25-26 of the AA. Paragraph 16(d)(ii) addresses early retirement for vested police and fire personnel (including vested former police and fire personnel). Under this paragraph, if a vested participant who has made employee contributions at the rate of 4.1% for at least five (5) years as a participant in the Original Plan is at least 50 years old but has not attained 20 years of credited service, he or she can apply for early retirement based on the 50 & 20 alternative normal retirement qualification. This early retirement benefit would be calculated in the same manner as the monthly normal retirement benefit but reduced by 7% for each year of credited service short of 20 years. For example, if a participant was otherwise qualified for the 50 & 20 alternative normal retirement qualification but only had 15 years of credited service (i.e., five years short of 20), he or she could take early retirement but the monthly early retirement benefit would reduced by 35%.

Subsection 16(e) provides that service with the city before November 1, 2023, will count as credited service for the purposes of satisfying the requirements of vesting and benefit eligibility in accordance with the terms of the Original Plan in effect before November 1, 2023. The city, and not GMEBS, will determine whether a participant has satisfied the requirements for vesting and benefit eligibility under the plan.

Subsections 16(j) and (k) of the General Addendum contain the Original Plan's current reservation of rights language and assurances for existing participants in the event of plan termination, and expresses that GMEBS is entitled to rely on information provided to GMEBS by the city for the administration of the plan. Specifically, subsection (k) states that the city, and not GMEBS, will bear the cost of any litigation or other claims relating to the transfer of assets of administration to GMEBS. Finally, subsection 16(m) confirms the city will participate in, and fund as necessary, any IRS filings (and amendments relating to IRS filings) GMEBS reasonably requests to protect the qualified status of the GMEBS volume submitter plan or to confirm the qualified status of the city's retirement plan, and subsection (o) confirms that GMEBS will honor an existing QDRO relating to benefits that were accrued before the Original Plan was transferred to GMEBS, though it will not honor subsequent QDROs.

The Service Credit Purchase Addendum for Plan I provides that participants in the plan who were initially employed before November 1, 2023 and are employed by the city during the period of November 1, 2023 – February 1, 2025, may purchase credit under Plan I for their full-time service with the city during the participant's waiting period (i.e., from the participant's date of hire as an eligible employee until the date on which the participant commenced participation in the Original Plan). Purchased service credit will count for the purposes of satisfying the minimum requirements for benefit eligibility and vesting and also for calculating benefits. Eligible participants will have two opportunities to apply to purchase service credit: December 1, 2023 – January 31, 2024 and December 1, 2024 – January 31, 2025. A participant may not purchase service credit after terminating employment.

Following the Pension Committee Secretary's review of each application to purchase service credit, the GMEBS actuary will determine the cost to purchase the service credit. Participants will then have 120 days to complete the purchase. Payments must be in a lump sum. Participants may not complete payments after terminating employment and must make the payments from the sources identified in Paragraph 9 of the Service Credit Purchase Addendum. Certain IRS restrictions may apply to payment amounts.

If a participant terminates employment, he or she may withdraw contributions made to purchase service credit in the same manner as mandatory employee contributions. In such case, interest will not be paid on the withdrawn contributions and the participant will forfeit all service credit that was purchased with the employee contributions. If such a participant becomes reemployed within five (5) years following termination, he or she may restore forfeited service credit by repaying all withdrawn employee contributions plus interest.

Cartersville GMEBS Plan II
The provisions of Plan II are very similar to those of Plan I. Thus, this memorandum will focus on the aspects of Plan II that are different.

Unlike Plan I, Plan II is an open plan, meaning it accepts new participants, including former Plan I participants who have or will become reemployed by the city. Plan II mandates participation by all regular employees initially employed or reemployed on or after January 1, 2017, provided they satisfy the plan's eligibility requirements (see AA pp. 5 – 7). As in Plan I, elected officials are not permitted to participate in Plan II. However, Plan II is drafted to allow for participation by the city attorney, subject to the terms and conditions of the plan that are applicable to regular employees, provided the city attorney is a regular (i.e., W-2) employee of the city. Plan II also requires participation by City Managers initially employed on or after January 1, 2017. Please note, however, Section 4.03(e) of the Basic Plan Document allows employees to opt out of participation in the plan if they enter into a written employment agreement to do so within 120 days of becoming employed. Plan II does not have a waiting period; rather, new employees who satisfy the eligibility requirements for participation start making employee contributions immediately upon becoming employed (see Section 4.03(b) of the Basic Plan Document).

Also unlike Plan I, Plan II provides that if a retired Plan II participant is reemployed as an eligible employee, resulting in suspension of benefits until the participant again terminates, the participant's recalculated benefit will be reduced to account for benefits already paid under the plan. However, the recalculated benefit will not be less than the original benefit amount (see AA pp. 28 – 29). Additionally, in keeping with O.C.G.A. § 47-5-71 and Article XIX of the Basic Plan Document, Plan II will *not* honor domestic relations orders, including QDROs. It is our understanding that, to the city's knowledge, no participants of Plan II are parties to an existing QDRO.

The many provisions of Plan II that are the same as those in Plan I include, but are not limited to, the following: eligibility criteria for disability, early, alternative normal and normal retirement; 2% benefit formula; definition of “final average earnings”; early retirement reduction factors; disability minimum benefit; vesting requirement; employee contributions; provisions for the transfer of assets and administration and calculation of benefits where data is lacking; determination of credited service for purposes of vesting and benefit eligibility; repayment of employee contributions; portability service; and reliance by GMEBS on information provided by the city.

Importantly, all Service as a participant in the 2017 Plan before November 1, 2023, will be credited under Plan II. Service with the City that was not credited under the version of the 2017 Plan in effect on October 31, 2023, will not be credited. However, active participants will have an opportunity to purchase credited service under Plan II for service during the 2017 Plan’s waiting period (see AA p. 8, subparagraph 16(a)(ii) of the General Addendum and the Service Credit Purchase Addendum).

Unless otherwise specified, credited service under the city’s Original Plan, the city’s 2017 Plan and – with respect to employees participating in the 2017 Plan on or after November 1, 2023, only – credited service with other GMEBS employers (“portability service”) counts for purposes of determining if a participant has satisfied the requirements for vesting and benefit eligibility under Plan II. However, only service under the 2017 Plan will be used to calculate a participant’s benefits under Plan II (see General Addendum paragraph 16(a)(i) and subsection 16(l)).

Please note, under Plan I and Plan II, if a participant terminates employment, retires and returns to employment with the city within six (6) months, the GMEBS Plan’s “in-service distribution” rules will apply. This means that if the participant returns to service as an eligible employee (i.e., as a regular employee working at least 32 hours per week), his or her retirement benefits will be suspended. However, if the participant returns to service in an ineligible capacity (e.g., working fewer than 32 hours per week or as an independent contractor), he or she may be able to continue drawing retirement benefits depending on his or her age and other facts specific to that particular situation. Please let us know if a retired participant returns to service with the city so we can help the city determine whether the participant’s benefits should be suspended and work to avoid potential overpayments.

Finally, we are pleased to inform you that the IRS issued a favorable approval letter (copy attached) for the GMEBS third six-year cycle pre-approved plan documents on August 31, 2023. The IRS opinion letter provides assurance to employers providing retirement benefits for their employees through the GMEBS Plan that GMEBS is maintaining a qualified pension benefit program that allows employees to accrue benefits tax-free until retirement benefits are distributed to them. Though the Adoption Agreement and addenda used for the city’s Plan were pre-approved by the IRS, Section 16 of the city’s General Addendum contains various provisions that do not fit squarely within the standard GMEBS General Addendum format. Thus, it will be necessary to file the city’s Plan with the IRS for a separate opinion letter. Following the city’s approval of the enclosed restated Plan documents, we will work with GMEBS’s tax counsel to prepare the IRS filing documents for the city’s signature.

If approved by the city’s governing authority, the Cartersville GMEBS Plan I and Cartersville GMEBS Plan II documents will become effective November 1, 2023. **Please note that per O.C.G.A § 47-5-40, the plan documents have been drafted in the form of an ordinance.**

Please review the draft amended plan documents carefully. If the city would like for us to make any changes to the draft documents, please let us know before approving them. Otherwise, if the draft Adoption Agreement, General Addendum and Service Credit Purchase Addendum for each plan are acceptable, please have the designated representatives sign and date *all six* documents and return them by email to Ms. Gina Gresham at rgresham@gacities.com. We will then countersign both documents and email the fully executed documents to you.

Please contact me at 678-686-6212 or ghall@gacities.com with any questions.

Sincerely,

Gwin C. Hall

Gwin C. Hall
Senior Associate General Counsel

Encl.

C: Mr. Keith Lovell, City Attorney, City of Cartersville (w/ encl.)
Mr. Freddy Morgan, Assistant City Manager, City of Cartersville (w/ encl.)
Ms. Michelle Warner, Director, Retirement Field Services & DC Program (w/o encl.)
Ms. Marinetty Bienvenu, Director, Employee Benefit Services (w/o encl.)
Mr. Kevin Jeselnik, Assistant General Counsel (w/o encl.)