

DEFERRED RETIREMENT WITH LOANS

Background - CMC 203-33 requires that for deferred retirements, if a member has a retirement loan outstanding at the time of leaving service, the loan must be paid in full prior to reaching age 60, or within one year of leaving city service, whichever comes first:

Sec. 203-33. Service Retirement Allowance; Vesting.

(a) Any member may be entitled to a service retirement allowance, as provided herein, after reaching age 60 with 5 years of creditable service or with 30 years of creditable service regardless of age. The 5 years of creditable service required for a service retirement allowance after reaching age 60 shall only apply to persons who enroll or re-enroll in the retirement system on or after January 1, 1969.

A member having completed 5 years of creditable service on or after January 1, 1989, or in the case of a member who serves at the pleasure of the appointing authority, after completion of 5 years of creditable service on or after January 1, 1989, shall be entitled upon reaching age 60 to a service retirement allowance; provided, however, that the entire accumulated contributions of the member remain to the member's credit in the retirement system.

If said member has a retirement loan outstanding at the time of leaving service, the loan must be paid in full prior to reaching age 60, or within one year of leaving city service, whichever comes first. If loan repayment is not as stipulated herein, the following options exist:

- (i) the member can have the balance of contributions refunded directly as specified in Section 203-57;
- (ii) the member can have the balance of contributions rolled over into another qualifying plan, including the Public Employees Retirement System as specified in Section 203-59;
- (iii) a member having at least 25 years of service and being at least age 55, can take a reduced retirement as specified in Section 203-35.

Application for retirement shall be made before the member leaves the service or within one year thereafter, except application may be made after said one year with the approval of the board of trustees.

At issue is how to handle cases where the one year rule is not met, without forcing a cancellation of a member's benefits.

The following is recommended:

- 1) If applicant otherwise meets all requirements, but has a loan outstanding; it is recommended that the loan must be paid, including all accrued interest, by payroll deduction over a period not to exceed two years from the benefit effective date – no age restriction. The applicant would also have the choice of paying the loan's payoff balance at anytime before, or during this two year period. *Deferred for Retirement*
- 2) There should be no penalty for applying after a year of leaving service for anyone without a loan.
- 3) The above would require a code change, but could be handled administratively and greatly streamline the applicant's approval process and would keep intact the benefit which had been earned.

attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever; and except as provided in O.R.C. Sections 145.57, 3111.23 and 3113.21, shall be unassignable.

(C.O. 203-59; renumbered C.M.C. 203-105, eff. Jan. 1, 1972; a. Ord. No. 545-1983, eff. Dec. 23, 1983; a. Ord. No. 264-2000, eff. June 28, 2000)

Sec. 203-105. Correction of Errors.

Should any change or error in the records result in any member or beneficiary receiving from the retirement system more or less than they would have been entitled to receive had the records been correct, the board shall correct such error, and, as far as practicable, shall adjust the payments in such a manner that the actuarial equivalent of the benefit to which such member or beneficiary was correctly entitled shall be paid.

(C.O. 203-61; renumbered to C.M.C. 203-107, eff. Jan. 1, 1972; Ord. No. 300-1979, eff. Aug. 4, 1979; a. Ord. No. 545-1983, eff. Dec. 23, 1983)

Sec. 203-107. Benefits Under Other City Systems Excluded.

No other provision of law or ordinance which provides wholly or partly at the expense of the city for pensions or retirement benefits for employees of the city, their widows or other dependents, shall apply to members or beneficiaries of the retirement system established in accordance with provisions of this chapter or to their widows or other dependents.

(C.O. 203-62; renumbered to C.M.C. 203-109, eff. Jan. 1, 1972; a. Ord. No. 545-1983, eff. Dec. 23, 1983)

Sec. 203-111. Loans to Members.

On and after July 1, 1967, loans may be made to any member who has had at least three years of service as a member. The aggregate amount of loans outstanding to any member shall never exceed the lesser of the following amounts:

- (a) 50 percent of the amount of the member's accumulated contributions.
- (b) An amount which, together with interest thereon, can be repaid prior to the member's 65th birthday by deduction from the member's compensation at the rate of 20 percent of the compensation.
- (c) \$50,000, reduced by the highest outstanding balance of loans made to the member under this retirement system during the one year period preceding the date of the loan.

The interest rate on loans shall be a per annum rate to be set by the board from time to time, which rate shall cover the loan insurance established under Section 203-113. The principal amount, together with the interest, shall be repaid to the retirement system in equal installments payable at least quarterly over a repayment period that does not exceed:

- (1) For a loan which is used to acquire a dwelling unit which, within a reasonable period of time, is to be used as the principal residence of the member, the repayment period may not exceed 15 years; and
- (2) For all other loans, five years.

Loan repayments shall be made by deduction from the compensation of the member at the

same time and in the same manner the member's contributions to the retirement system are deducted. Such installments shall be at least equal to 5 percent of the member's compensation, and not in excess of 20 percent.

Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this chapter applies or shall apply, the additional deductions required to repay the loan shall be made.

No member or former member who has an outstanding loan shall be permitted to transfer service credit to a State Retirement System under Section 203-8 unless and until such loan is repaid in full, with interest.

The board of trustees of the retirement system shall promulgate rules and regulations consistent with the provisions of this chapter governing the making of loans to members; and if the principal amount of a loan will exceed \$7,500.00 and the member is married at the time of the loan, the loan will not be made unless the spouse of the member provides a written consent to the loan, on a form or forms provided by the board of trustees for such purpose.

(C.O. 203-63; a. Ord. No. 86-1958, eff. Apr. 18, 1958; a. Ord. No. 14-1961, eff. Feb. 10, 1961; a. Ord. No. 205-1967, eff. June 16, 1967; renumbered to C.M.C. 203-111, eff. Jan. 1, 1972; a. Ord. No. 52-1976, eff. Feb. 11, 1976; a. Ord. No. 300-1979, eff. Aug. 4, 1979; a. Ord. No. 545-1983, eff. Dec. 23, 1983; a. Ord. No. 341-1995, eff. Nov. 17, 1995; a. Ord. No. 264-2000, eff. June 28, 2000; a. Ord. No. 352-2001, eff. Oct. 31, 2001)

Sec. 203-113. Loan Insurance.

In case of the death of a member who executes a loan on or after July 1, 1967, any unpaid balance of a loan at the time any benefit becomes payable shall be deducted from the benefit otherwise payable, provided, however, that:

- (a) If a benefit is payable by reason of the death of the member after the 30th and before the 60th day after making a loan, 25 percent of the amount of the loan outstanding not in excess of \$2,000 shall not be deducted from the benefit.
- (b) If a benefit is payable by reason of the death of a member on or after the 60th but before the 90th day after the making of a loan, 50 percent of the loan outstanding not in excess of \$2,000 shall not be deducted from the benefit.
- (c) If a benefit is payable by reason of the death of a member on or after the 90th day after the making of a loan, no part of the loan outstanding not in excess of \$2,000 shall be deducted from the benefit.

For the purposes of this section, the term "benefit" shall include the return of accumulated contributions.

Effective January 1, 1978, for purposes of this section, the term "member" shall be defined to include both active and retired members of the Cincinnati Retirement System.

(C.O. 203-64; ordained by Ord. No. 205-1967, eff. June 16, 1967; renumbered to C.M.C. 203-113, eff. Jan. 1, 1972; a. Ord. No. 96-1978, eff. Mar. 15, 1978; a. Ord. No. 545-1983, eff. Dec. 23, 1983; a. Ord. No. 341-1995, eff. Nov. 17, 1995)

Sec. 203-115. Optional Coverage for City Manager.

The city manager may elect to become a member of the retirement system and receive coverage under the provisions of this chapter or elect to become a member of the public employee retirement system. Election of coverage shall be made by the city manager in writing directed to the