



**AGENDA ITEM FORM**

**SUBJECT: Amendment to Des Moines Water Works Pension Plan**

**SUMMARY:**

Principal Financial Group has recommended and prepared an amendment to the Des Moines Water Works Pension Plan. All of the changes in the amendment are language clarifications to make the Plan Document clearer. The changes are highlighted in the amendment.

**Summary of Changes:**

**Page 1:**

- Language added that states continuous service will include whole and fractional parts, with each partial day counting as a full day (this clarification was added in two places.)
- Language added that states service accrued after December 31, 2013 applies to the calculation of a lump sum death benefit.

**Page 2:**

- Same clarification of continuous service as above.
- Language added that states for calculation of benefits at Late Retirement, if the period is less than one year, simple interest will be used and if the period is greater than one year, interest will be compounded.
- Language added that states for the lump sum death benefit calculation, Continuous Service will be expressed in whole years.

The remainder of changes are related to the Death Benefits section. In all instances, Normal Retirement Date is changed to Early Retirement Date. If an employee meets the Rule of 85 but continues to work, the provisions in the death benefit section will apply to them. This is consistent with the concept of compounding of benefits for those who continue to work beyond their Early Retirement Date (meeting the Rule of 85.)

**FISCAL IMPACT:**

No impact to budget.

**RECOMMENDED ACTION:**

Adoption of Amendment No. 1 to the Des Moines Water Works Pension Plan.

**BOARD REQUIRED ACTION:**

Motion to adopt Amendment No. 1 to the Des Moines Water Works Pension Plan.

_____/_____ (date)	Peggy Freese Chief Financial Officer	_____/_____ (date)	William G. Stowe CEO and General Manager	_____/_____ (date)
-----------------------	---	-----------------------	---	-----------------------

AMENDMENT NO. 1

DES MOINES WATER WORKS PENSION PLAN

The Plan named above gives the Employer the right to amend it at any time. According to that right, the Plan is amended effective January 1, 2015, as follows:

By striking the Continuous Service definition in the DEFINITIONS SECTION of Article I and substituting the following:

Continuous Service means, for an Employee, the sum of all his periods of service with the Employer. **Unless otherwise provided in this Plan, this total is expressed in whole years and fractional parts of a year (counting a partial day as a complete day).**

For purposes of this definition, no interruption in service will occur because of approved periods of absence from the Employer due to temporary lay-off; leave of absence (not to exceed one year), a temporary absence due to illness or injury, pregnancy, or disability.

When necessary, the Employer shall use uniform, nondiscriminatory guidelines for determining an approved leave of absence.

However, Continuous Service is modified as follows:

Service after a date excluded:

Service accrued after December 31, 2013, when the Accrued Benefit is frozen (as stated in the Introduction), is excluded for purposes of determining the amount of the Accrued Benefit. For purposes of determining Vesting Service, eligibility for benefits or unreduced benefits, **or the amount of lump sum death benefits.** Continuous Service will continue to apply after the date the Accrued Benefit is frozen (as stated in the Introduction).

By striking subsection (b) from the Early Retirement Date section in the AMOUNT OF BENEFIT AT RETIREMENT SECTION of Article IV and substituting the following:

- (b) The sum of his attained age and complete years of Continuous Service equals or exceeds 85. **For this purpose, Continuous Service and age are expressed in whole years and fractional parts of a year (counting a partial day as a complete day).**

By striking the Late Retirement Date section from the AMOUNT OF BENEFIT AT RETIREMENT SECTION of Article IV and substituting the following:

Late Retirement Date. An Active Participant's retirement benefit on his Late Retirement Date shall be equal to his Accrued Benefit on his Late Retirement Date.

Notwithstanding the foregoing, an Active Participant's retirement benefit on his Retirement Date shall be equal to his Accrued Benefit increased by 5.5% per annum from the later of (a) or (b) below to the date the Participant has a Severance from Employment:

- (a) December 31, 2013.
- (b) The earlier of (1) his Normal Retirement Date, or (2) the first day of the month on or after the date he has attained age 55 and the sum of his attained age and his complete years of Continuous Service equals or exceeds 85. For this purpose, Continuous Service and age are expressed in whole years and fractional parts of a year (counting a partial day as a complete day).

If such period is less than one year, interest shall be calculated on the basis of simple interest. If such period is one or more years, interest shall be calculated on the basis of compound interest. Such period shall be expressed in whole years and fractional parts of a year (counting a complete month as a fractional part of a year).

By striking subsection (b) of the DEATH BENEFITS SECTION of Article V and substituting the following:

- (b) Single sum death benefit:

For an Active Participant whose Vesting Percentage on the date of his death is greater than zero, if the requirements in subsection (a) above have not been met on the date such Active Participant dies, a single sum death benefit shall be payable to the Participant's Beneficiary. A Participant performing Qualified Military Service is considered to be an Active Participant for purposes of this subsection. The single sum death benefit shall be equal to the sum of \$5,000 for the Participant's first year of Continuous Service, plus \$1,000 for each additional year, if any, determined on the date of his death. For this purpose, Continuous Service is expressed in whole years. If the requirements of subsection (a) above have been met on the date such Participant dies and the Preretirement Survivor Annuity has not been waived, but the Participant's spouse dies before the Preretirement Survivor Annuity starts, the Present Value of the Preretirement Survivor Annuity, determined as of the date of the spouse's death, shall be paid to the spouse's Beneficiary.

Before a single sum death benefit will be paid on account of the death of a Participant who would have met all the requirements in (a) above if he had a spouse on the date of his death, it must be established to the satisfaction of a plan representative that there is no spouse.

By striking the last five paragraphs of the DEATH BENEFITS SECTION of Article V and substituting the following:

If a Participant dies on or after his Early Retirement Date and before his Annuity Starting Date, the death benefit derived from his Account shall be payable in like manner as provided under (c) above.

If a Participant dies on or after his Early Retirement Date and before his Annuity Starting Date and such Participant is survived by a spouse on the date of his death, the death benefit derived from his Accrued Benefit shall be payable in like manner as provided under (a) and (b) above, unless the Participant has waived the Preretirement Survivor Annuity, according to the ELECTION PROCEDURES

SECTION of Article VI, by electing the preservation of retirement options death benefit.

If a Participant dies on or after his **Early** Retirement Date and before his Annuity Starting Date and such Participant is not survived by a spouse on the date of his death, the provisions of (a) and (b) above shall not apply. Instead, the death benefit derived from the Participant's Accrued Benefit shall be the preservation of retirement option death benefit. This death benefit is the death benefit that would have been payable to the Participant's Beneficiary or Contingent Annuitant if the Participant's Retirement Date had occurred on the date he died. The optional form of distribution elected according to the provisions of the ELECTION PROCEDURES SECTION of Article VI before the Participant's death is the form in effect for determining the death benefit. The automatic form of distribution for retirement benefits under the AUTOMATIC FORMS OF DISTRIBUTION SECTION of Article VI shall be in effect if an election has not been made or an election is revoked without a subsequent election according to the provisions of the ELECTION PROCEDURES SECTION of Article VI. Any death benefit payable shall be subject to the distribution limitations of the REQUIRED MINIMUM DISTRIBUTIONS SECTION of Article VII.

If, after any death benefit above is distributed in a single sum, the sum of the Present Value of the remaining Preretirement Survivor Annuity payable under (a) above and the Account payable in the form of a Preretirement Survivor Annuity under (c) above is \$5,000 or less, the spouse may receive such Present Value and Account in a single sum payment in lieu of the Preretirement Survivor Annuity. It will be distributed only if the spouse so elects. The spouse's election shall be subject to the requirements in the ELECTION PROCEDURES SECTION of Article VI for an election of a death benefit payable in a form other than a Preretirement Survivor Annuity.

Any death benefit after a Participant's Annuity Starting Date will be determined by the form of retirement benefit in effect on such date.

By striking the first paragraph of subparagraph (b) in the ELECTION PROCEDURES SECTION of Article VI and substituting the following:

Death Benefits. The Participant may waive the Preretirement Survivor Annuity derived from his Accrued Benefit by electing not to have the provisions of (a) and (b) of the DEATH BENEFITS SECTION of Article V continue to apply on and after his **Early** Retirement Date. If the Participant makes this election and dies on or after his **Early** Retirement Date, the preservation of retirement option death benefit shall be paid as if the Participant had not been survived by a spouse.

By striking the last sentence of subparagraph (c)(2) in the ELECTION PROCEDURES SECTION of Article VI and substituting the following:

If a Participant has a spouse who is entitled to a Preretirement Survivor Annuity derived from the Participant's Accrued Benefit, his election period as to the preservation of retirement option death benefit begins 90 days before the first day of the Plan Year in which the Participant reaches his **Early** Retirement Date.

This amendment is made an integral part of the aforesaid Plan and is controlling over the terms of said Plan with respect to the particular items addressed expressly herein. All other provisions of the Plan remain unchanged and controlling.

Unless otherwise stated on any page of this amendment, eligibility for benefits and the amount of any benefits payable to or on behalf of an individual who is an Inactive Participant on the effective date(s) stated above, shall be determined according to the provisions of the aforesaid Plan as in effect on the day before he became an Inactive Participant.

Signing this amendment, the Employer, as plan sponsor, has made the decision to adopt this plan amendment. The Employer is acting in reliance on its own discretion and on the legal and tax advice of its own advisors, and not that of any member of the Principal Financial Group or any representative of a member company of the Principal Financial Group.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

DES MOINES WATER WORKS

By \_\_\_\_\_

\_\_\_\_\_

Title