



## Appendix IV Deferred Retirement Option Program (DROP)

**Policy Objectives:** Retention of experienced public safety employees beyond normal retirement age; provide for the orderly entry into and out of the DROP plan.

### **Details of the Plan:**

- ***Service Requirement:*** Twenty (20) years of actual service.
- ***Plan Participation:*** Three (3) years, with two (2) one year renewals--five (5) years total.
- ***Entry Requirements:*** Initial enrollment limited to 35 employees in each plan, limited to four employees per month. Enrollment is seniority based after initial enrollment.
- ***Early Exit Availability:*** Able to exit early with a one time forfeiture of account balance. There is no re-entry.
- ***Contributions:*** Employee -- None (willing to discuss); Employer -- None.
- ***Employee Status:*** Full time merit employee; eligible for all pay and benefits; union rules; promotion; pay; discipline, etc. Participation in DROP does not guarantee employment; i.e., termination for disciplinary reasons could affect DROP account status.
- ***Computation of DROP Payment:*** Normal Retirement benefit based on first month following election. COLA is awarded July 1 as if retired. No future service or earnings used at actual retirement. Upon termination, pension payment, adjusted for COLA, will be paid on the first of each month to the retiree. Status then officially changes from employee to retiree.
- ***Earnings on DROP Balance:*** Actuarial assumed rate at entry but not less than eight (8) percent. Credited monthly and paid as of December 31 on the balance; pro-rated in first year and last year.
- ***Payment Options:*** (a) Lump Sum; (b) Annuity based on pre-determined table; (c) Joint/Survivor Annuity. Payout must be elected at termination and there will be no changes in payout. Payout can be deferred one time.
- ***Death Benefits Before Payout:*** Lump sum or rollover of account balance to IRA as of the date of death with interest to date of death. No annuity option. Paid in addition to other statutory death benefits as either employee or retiree.

- ***Death Benefits After Payout Begins:*** Lump sum or rollover of remaining account balance to IRA as of date of death with interest to date of death; continuation of payout to named beneficiary. Paid in addition to other statutory death benefits as either employee or retiree.
- ***Disability Retirement while in DROP:*** Retired on disability as if the employee never entered DROP. Full FAE (current earnings) used to compute payment. DROP account balance forfeited.
- ***Statements:*** Annual as of December 31; quarterly to be considered if practical and not too costly.