

AUSTIN POLICE RETIREMENT SYSTEM
POST RETIREMENT OPTION PLAN (PROP)
POLICY AND PROCEDURE

A. PURPOSE

An amendment to the Austin Police Retirement System Act (“Act”) governing the Austin Police Retirement System (“System”) effective September 1, 2001 creates a new investment option called a Post Retirement Option Plan (“PROP”) for police officers who elect RETRO DROP at retirement. The purpose of this policy and procedure is to provide a coordinated and fully documented process for applicants to apply for PROP. In addition, this policy and procedure is intended to provide those associated with the process (Members of the System, the System’s Board of Trustees (“Board”), and the System’s administrative staff) with a detailed outline of the steps, time frames, and rules regarding PROP and the processing of applications for participation in PROP.

B. GENERAL RULES

1. As used in this policy and procedure, the effective date of a Member’s retirement is the last day of the month in which the Member terminates employment with the City of Austin as a police officer (or as an employee of the System) for a member who has applied for and is eligible to begin receiving a service retirement benefit.
2. In order to be eligible to elect PROP, a Member must also have elected RETRO DROP, as defined in Section 6.07 of the Act governing the System, at date of retirement.
3. A retired member’s PROP effective date must be the retired member’s effective date of retirement.
4. Retirees electing PROP may elect to leave all or part of their RETRO DROP balance in the System. If a retiree elects PROP, the portion of the RETRO DROP balance elected for the PROP can be no less than \$2,500. The portion of the RETRO DROP balance that is elected for the PROP must remain in the System a minimum of 90 days after their PROP effective date before the System will make an elective PROP distribution.
5. Any retired member with an existing RETRO DROP balance on September 1, 2001 that has not yet been paid from the System will be eligible to elect PROP.

6. An alternate payee named in a QDRO will not have the right to participate in PROP.
7. If a member elects PROP but dies before receiving all of the PROP balance, only a spouse beneficiary will be allowed to continue participation in PROP. A non-spouse beneficiary will receive the PROP balance (including accrued earnings) at the end of the first full month after the member's death has been properly reported to the System.
8. **The Act permits the Board of Trustees of the System to change this PROP policy and procedure at any time.**

C. PROCEDURE

1. A Member who desires information concerning PROP will be provided this information along with information he or she receive concerning RETRO DROP.
2. A Member may schedule an appointment with the System's administrative office to discuss both RETRO DROP and PROP.
3. During the appointment, the System's administrative staff will:
 - (a) inform the Member of the contents of this policy and procedure, the application for PROP ("PROP Application"), the distribution form ("Distribution Form"), and the beneficiary designation form ("PROP Beneficiary Form");
 - (b) respond to any questions the Member may have concerning the contents of this policy and procedure or concerning the provisions of Article VI, Section 6.07 of the Act governing the System (Article 6243n-1) (being the section relating to RETRO DROP and PROP);
 - (c) respond to any questions the Member may have regarding the Member's PROP benefits;
 - (d) accept the application should the Member elect to participate in PROP;
 - (e) accept the Notice of Intent to Retire should the Member choose to elect to participate in RETRO DROP and PROP; and
 - (f) accept the Distribution Form, should the Member (during the course of the Appointment) desire to elect the form in which his or her PROP account balance is to be distributed, the future date(s) of distribution, and the amount of the future payment(s).

Note: Under no circumstance will the System's administrative staff provide tax advice.

4. A Member must designate a beneficiary for PROP benefits by filing a completed PROP Beneficiary Form with the System's administrative office. The beneficiary for PROP benefits may be different from the beneficiary for the Member's monthly retirement benefits.

5. A Member may designate a contingent beneficiary who will receive the PROP benefit in the event the first beneficiary dies prior to or within 72 hours after the death of the Member.
6. The System's administrative office will review the application and the Distribution Form (if any) in order to determine whether they were properly and fully completed.
7. Upon full completion of the Application, consideration of the Application will be placed on the agenda for a Board meeting for approval.
8. Within a reasonable period of time after Board approval of the PROP Application, the Fund's administrative office will:
 - (a) notify the Member of the Board's approval of the PROP Application; and
 - (b) arrange for the separate accounting of the Member's PROP account balance.
9. The System's administrative office will also respond to balance inquiries, but only if such inquiries are in writing, and only if made by a PROP participant pertaining to his or her PROP balance, the designated beneficiary of such participant, the spouse of such participant, or the legal representative for each, respectively.
10. Should a PROP participant desire to change his or her designated beneficiary, the participant must execute and file at the System's administrative office a revised PROP Beneficiary Form.
11. The account of a PROP participant shall be credited with earnings or losses at an annual rate established under a rule adopted by the Board. In establishing that rate, the Board will consider all information it considers relevant (e.g., the market value rate of return of the System's assets for recent plan years as well as for recent calendar quarters, the recent and current investment environment, and the additional administrative expenses associated with PROP). The rate as so established shall be effective for the next 12 months beginning on September 1 of the year in which it is adopted for all PROP accounts during that 12-month period.
 - (a) Investment return will be credited at the end of each month, beginning with the first full calendar month immediately following the Member's retirement date, based on the Member's account balance at the beginning of the month using a compound monthly rate equivalent to the adopted annual rate.
 - (b) The adopted annual rate for the 12 months beginning September 1, 2009 through August 31, 2010 is 4.0%.
 - (c) The compound monthly rate for the 12 months beginning September 1, 2009 through August 31, 2010 is 0.3333%.

Note: The method of crediting interest in the determination of the RETRO DROP lump sum amount and the 5% annual rate are specified in the Act governing the System and are both different from the monthly crediting of investment return

on the PROP account balance for each Member participating in PROP and the PROP annual rate.

D. DISTRIBUTIONS FROM A MEMBER'S PROP ACCOUNT

1. A Member who elects PROP may request to receive his or her entire account balance at any time, subject to the restrictions in this Section D. In addition, a Member may request a partial payment from his or her account balance up to twice a year. To request a payment, either entire or partial, the Member must file a completed Distribution Form with the System's administrative office, specifying the requested payment date, which must be the last day of a calendar month, and the requested amount. More than one partial payment may be requested on the same Distribution Form. Partial payments may be irregular in timing and for different amounts or may be at regular intervals (e.g., once a year or every six months) and for the same amount each payment.
2. A PROP participant will be allowed to revoke or amend his or her Distribution Form prospectively at any time before the date the participant attains the age of seventy and one-half (70 ½) by filing a new Distribution Form with the System's administrative office.
3. Any filing of a Distribution Form, whether an original filing or a revocation or amendment of an earlier filing, will not take effect until at least 25 days after it has been received and accepted by the System's administrative office. Distributions will be made only on the last day of a calendar month. Therefore, no distribution can be made until the last day of a calendar month that is at least 25 days after a Distribution Form has been received and accepted by the System's administrative office.
4. No PROP distribution shall be made directly to any participant who has not attained age fifty-nine and one-half (59-1/2) at the time of the distribution unless either:
 - (a) the Member terminated covered employment in a calendar year in which the member had attained at least age fifty (50) (or, if the Member was an employee of the System, had attained at least age 55): OR
 - (b) the distribution is made in the form of a rollover to an Individual Retirement Account or Individual Retirement Annuity (IRA) or a qualified plan trust.
5. Any distribution of the PROP account is subject to a mandatory twenty percent (20%) withholding for federal income tax unless the distribution is transferred directly by the System to an IRA or a qualified trust.
6. In the event of the death of the PROP participant before the date the account balance is completely distributed, the account balance shall be paid to the participant's designated beneficiary or, if no designated beneficiary exists, to the participant's estate. However, if the participant's spouse is the designated beneficiary, the surviving spouse has the option of continuing participation in PROP in place of the deceased participant.

7. No PROP distribution will be made to a designated beneficiary or estate of a participant until after the date of Board approval of such payment. The Board will not approve the distribution to a designated beneficiary or estate until such time as it receives sufficient documentation of the participant's death.
8. If a Member who elects PROP still is participating in PROP with an account balance at the end of the calendar year in which he or she attains age 70 ½, then the following steps must be taken in order for the System and the participant to comply with Section 401(a)(9) of the Internal Revenue Code (IRC):
 - (a) By February 1st of the year following the year of attaining age 70 ½, the participant must file with the System's administrative office a new Distribution Form along with a written statement from the participant's tax advisor that the future payments requested in the Distribution Form will comply with Section 401(a)(9) of the IRC and why they will comply.
 - (b) The System will review the filing in (a) to determine whether it agrees with the tax advisor.
 - (c) If the System does not agree with the tax advisor, the System will ask the participant to revise the Distribution Form.
 - (d) If the participant does not revise the Distribution Form to the satisfaction of the System before March 5th of the year following the year of attaining age 70 ½, then the participant shall be deemed to have elected to receive his or her entire account balance on March 31st of that year.
 - (e) If the System agrees with the tax advisor's statement with the filing in (a), the Distribution Form becomes irrevocable March 31st of the year following the year of attaining age 70 ½, except the participant may override that request at any time by filing a completed Distribution Form requesting a single payment of the remaining balance.
9. Should the participant fail to file a Distribution Form before March 5th of the year following the year in which the participant attains the age of 70 ½, such participant shall be deemed to have elected to receive his or her entire account balance on March 31st of that year.
10. No partial payment may be requested in an amount of less than \$2,500.