AUSTIN POLICE RETIREMENT SYSTEM

DEFERRED RETIREMENT OPTION PLAN

RETRO DROP POLICY AND PROCEDURE

A. <u>PURPOSE</u>

The purpose of this policy and procedure is to provide a coordinated and fully documented process for applicants to apply for the Retroactive Deferred Retirement Option Plan ("RETRO DROP") of the Austin Police Retirement System ("System"). 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 RETRO DROP and the processing of applications for participation in RETRO DROP.

B. <u>GENERAL RULES</u>

1. In order to be eligible to elect RETRO DROP, a Member must, as of his or her RETRO DROP benefit computation date:

   (a) Have completed at least 23 years of creditable service in the System, regardless of age, excluding premembership military service credit.

2. A Member's RETRO DROP benefit computation date:

   (a) Must be the last day of the month used for determining the Member's monthly retirement benefit; and

   (b) May not precede the Member's effective date of retirement by more than 36 months; and

   (c) Must be at least one month prior to the Member's effective date of retirement.

3. If a Member who terminates his or her employment with the City of Austin by voluntary or involuntary means is eligible to retire, elects RETRO DROP, and receives his or her first monthly annuity payment is subsequently re-hired as a police officer (or terminates employment with the System and is subsequently re-hired by the System), the Member may not again elect the RETRO DROP.

4. Because of the complexity in estimating the actuarial costs of RETRO DROP, the Act governing the System provides that the Board may modify or eliminate the RETRO DROP by the adoption of Board rules if the modification or elimination is approved by the Board's Actuary and would not cause the amortization period for the Retirement System's unfunded actuarial liability to exceed the maximum amortization period adopted by the Governmental Accounting Standards Board.

5. 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 as a police officer (or as an employee of the System) for a person who has applied for and is eligible to begin receiving a service retirement benefit.

C. PROCEDURE

1. A Member who desires information concerning RETRO DROP, but is not yet prepared to participate in RETRO DROP, may:

   (a) request in writing a non-binding written estimate of the amount of his or her RETRO DROP benefit; and/or

   (b) schedule an appointment with the System's administrative office to discuss RETRO DROP, during which a non-binding estimate of the amount of his or her RETRO DROP benefit can be made, provided that the appointment has been scheduled sufficiently in advance.

2. An estimate of the RETRO DROP benefit will be based on the benefit computation date selected by the Member, which date must meet the requirements set forth above.

3. A Member who desires to elect RETRO DROP must schedule an appointment to meet with the System's administrative office ("Appointment"). In order to timely process the application, ***the appointment should be scheduled not later than thirty (30) calendar days prior to the Member's intended effective date of retirement***.

4. The appointment must be scheduled during the normal business hours of the System, which are currently set at 8:00 a.m. to 5:00 p.m. Monday through Friday.

5. If requested, the System's administrative office will mail information pertaining to RETRO DROP participation to the Member prior to the appointment.

6. A Member must have all eligible service credit, such as pre-membership military, ULOA, cadet, probationary, forfeiture and permissive service credits purchased and accredited prior

to the appointment.

7. A Member must bring the following items to the appointment.

   (a) a copy of Member and beneficiary birth certificates;

   (b) a copy of Member and beneficiary social security cards;

   (c) copy of the marriage certificate if the Member is married;

   (d) a copy of divorce decree with "QDRO" if applicable; and

   (e) photo identification

8. During the appointment, the System's administrative staff will:

   (a) inform the Member of the contents of this policy and procedure, the application for RETRO DROP ("Application"), the distribution election form ("Distribution Form"), the beneficiary designation form ("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);

   (c) respond to any questions the Member or the Member's beneficiary may have regarding the Member's RETRO DROP benefits;

   (d) accept the application should the Member choose to elect to participate in RETRO DROP;

   (e) accept the Notice of Intent to Retire should the Member choose to elect to participate in RETRO DROP; 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 RETRO DROP benefit is to be distributed.

9. A member who elects to participate in RETRO DROP must select his or her benefit computation date, sign the application, initial every page, and must verify in writing that he or she:

    (a) understands the terms and conditions of RETRO DROP, as expressed in this policy and procedure and as set forth in Article VI, Section 6.07 of the Act governing the System;

    (b) in making the RETRO DROP election, has relied entirely on this policy and procedure and Article VI, Section 6.07 of the Act governing the System; and

    (c) has had the opportunity to consult a tax advisor and or financial planner of the Member's own choosing; and

    (d) understands that the RETRO DROP option calculations are preliminary and the dollar amounts of the lump sum and monthly annuity are subject to change based on final information following actual employment termination.

10. If the Member elects to leave the RETRO DROP lump sum with the System after the last day of the month immediately following the Member's effective date of retirement, he or she must designate a beneficiary for RETRO DROP benefits. The RETRO DROP benefit may not be left with the System for a period longer than 60 days after the last day of the month immediately following the Member's effective date of retirement.

11. A Member may designate a contingent beneficiary who will receive the RETRO DROP benefits in the event the first beneficiary dies prior to or within 72 hours after the death of the member.

12. 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.

13. Upon full completion, the Application will be placed on the agenda for a Board meeting for approval.

14. Within a reasonable period of time after Board approval of the Application, the Fund's administrative office will:

    (a) notify the Member of the Board's approval of the Application, including the exact calculation of the amounts of RETRO DROP benefits to be credited to the Member; and

(b) arrange for the separate accounting of the Member's RETRO DROP benefits if the Member chooses to leave the monies with the System.

15. The System's administrative office will also respond to other balance inquiries, but only if such inquiries are in writing, and only if made by a RETRO DROP participant pertaining to his or her RETRO DROP lump sum, the designated beneficiary of such participant, the spouse of such participant, or the legal representative for each, respectively.

16. Should a RETRO DROP participant desire to change his or her designated beneficiary, the participant must execute and file at the System's administrative office a revised Beneficiary Form.

C. <u>DISTRIBUTION OF A MEMBER'S RETRO DROP LUMP SUM</u>

1. No RETRO DROP lump sum benefit will be paid (or otherwise distributed) to a RETRO DROP participant until the date selected by the RETRO DROP participant, which date may not be earlier than the last day of the month immediately following the month of retirement nor later than 60 days after the effective date of retirement. The date may be any business day within that period of time.

2. In the event of the death of the RETRO DROP participant before the date the participant elected to receive that benefit, the payment shall be made to the participant's designated beneficiary or, if no beneficiary exists, to the participant's estate, unless the participant has designated otherwise in writing, duly acknowledged and filed with the Board.

3. No RETRO DROP benefit will be paid to a designated beneficiary or estate of a participant until the effective date of Board approval of such payment. The Board will not approve the payment of RETRO DROP benefits to a designated beneficiary or estate until such time as it receives sufficient documentation of the participant's death.

4. No RETRO DROP lump sum distribution shall be made to any participant who has not attained age fifty-nine and one-half (59 ½) at the time of the distribution unless either:

   (a) the participant terminated covered employment in a calendar year in which the participant had attained at least age fifty (50) (or in the event that the participant was an employee of the System, the participant had attained at least age fifty-five (55) prior to or during the calendar year of terminating covered employment); OR

   (b) the distribution is made in the form of a rollover to an Individual Retirement Account, an Individual Retirement Annuity, or a qualified trust.

5. Payment of a RETRO DROP participant's RETRO DROP lump sum benefit will be made in a single payment distribution made on the date selected by the RETRO DROP participant but not later than 60 days after the last day of the month immediately following the retirement date or April 1 of the year after the participant attains 70 ½ year of age (whichever first occurs).

6. The distribution of the taxable portion of the RETRO DROP lump sum is subject to a mandatory twenty percent (20%) withholding for federal income tax unless the lump sum is transferred directly by the System to an Individual Retirement Account (IRA), an Individual Retirement Annuity, or a qualified trust.

7. A RETRO DROP participant can select the date on which the participant will receive his or her lump sum distribution by filing a completed Distribution Form with the System's administrative office.

8. Should the RETRO DROP participant fail to file a Distribution Form as to the participant's RETRO DROP lump sum with the System's administrative office within 60 days after the last day of the month immediately following the participant's retirement date or before the participant attains the age of seventy and one-half (70 ½), such participant shall be deemed to have elected to receive his or her RETRO DROP lump sum distribution not later than the 60^{th} day after the retirement date or April 1 of the year after the participant attained age 70 ½, whichever first occurs.

9. A RETRO DROP participant will be allowed to revoke or amend his or her Distribution Form (prior to payment of that benefit) at any time before the expiration of 60 days after the last day of the month following the participant's retirement date or 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.

10. Any filing of a Distribution Form, whether an original filing, a revocation of an earlier filing, will not take effect until thirty (30) days after it has been received and accepted by the System's administrative office. Therefore, no distribution can be made until thirty (30) days after a Distribution Form has been received and accepted by the System's administrative office.

11. All payments to a RETRO DROP participant are subject to the limitations prescribed by Article XI, of the Act governing the System (the limitations imposed by Section 415 of the Internal Revenue Code).