AUSTIN POLICE RETIREMENT SYSTEM

POLICY FOR THE

RETROACTIVE DEFERRED RETIREMENT OPTION PLAN (RETRO DROP)

A. PURPOSE and DESCRIPTION

The Retroactive Deferred Retirement Option Plan, referred to as "RETRO DROP", is a one-time benefit paid at retirement to an eligible member with a subsequent associated reduced monthly annuity. The purpose of this policy is to provide the rules for eligibility and the System's Board authority for modifications pursuant to Texas Vernon's Civil Statutes, Article 6243n-1, Section 6.07.

B. ELIGIBILITY

1. A member is eligible for a RETRO DROP retirement if they are a commissioned law enforcement officer with the City of Austin Police Department, or an employee of the System, and are making payroll contributions to the fund.

2. A member is eligible for a RETRO DROP retirement if they have at least 23 years of creditable service on or before March 31, 2015 excluding purchased pre-military service or permissive service credit.

3. Proportionate Retirement service credit (PRP), pursuant to Chapter 803, Texas Government Code, may be counted as creditable service toward DROP eligibility when combined with any number of years to reach 23 total years of creditable service; however, PRP will not be included in the calculation of the service retirement annuity.

4. Pursuant to state law, the number of years of creditable service required for the RETRO DROP may be changed if the change:
   (a) is approved by the board's actuary;
   (b) is approved by the board as a board rule;
   (c) applies to all members on the effective date of the change and all persons who become members after the effective date of the change; and,
   (d) does not increase the requirements for a person who already is eligible to participate in RETRO DROP on the effective date of the change.

C. GENERAL RULES

1. A member's election to participate in RETRO DROP cannot be changed, as it constitutes immediate retirement. At the time a member elects DROP, he or she will designate the form of the DROP benefit distribution, either a lump sum payment or a rollover to the Post Retirement Option Plan (PROP) or to another qualified plan.

2. The member shall select the RETRO DROP benefit calculation date. The 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.

3. A RETRO DROP lump sum benefit payment may include up to the 36 months, plus member contributions, and interest.

4. In the event of the death of the RETRO DROP participant before the date the participant elected to receive the benefit, the payment shall be made to the participant's designated beneficiary or, if no beneficiary exists, to the participant's estate.

D. DISTRIBUTION OF A RETRO DROP LUMP SUM

1. 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 had attained age fifty (50) prior to or during the calendar year of terminating covered employment (or in the event the participant was an employee of the System, the participant had attained age 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 (IRA), an Individual Retirement Annuity, or a qualified trust.

2. 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).

E. MODIFICATION OR ELIMINATION OF PROGRAM

1. Because of the complexity in estimating the actuarial costs of RETRO DROP, state law 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.

Tim Atkinson, Chair
Board of Trustees