

To: Members of the City of Sunrise Police Officers' Retirement Plan

From: The Board of Trustees

Date: February 17, 2016

Re: Questions and Answers about the
Deferred Retirement Option Program (DROP) (**TIER 1**)

The City of Sunrise Police Officers' Retirement Plan DROP has been created by City Ordinance. The Ordinance and rules and regulations adopted by the Board of Trustees govern your rights under the DROP. This information sheet has been prepared by the Board of Trustees to explain to you how the DROP operates.

What is the DROP?

DROP is an acronym for a Deferred Retirement Option Program. The DROP is an option which you may choose which allows you to receive a portion of your retirement benefit in a lump sum.

Who is eligible to enter the DROP?

Any police officer (hired on or before September 30, 2015) who attains normal retirement age (age 53 with 10 years of creditable service or completion of 20 years of service, regardless of age) is eligible to participate in the drop program.

When can I elect to participate in the DROP?

You should submit your drop application at least 30 days in advance of your date of entry in the DROP. The application is only available at City Hall – Finance Department. The terms of the program are specific, and you should read the information carefully to understand the program. In addition, you should consult the Plan Administrator about any questions you have concerning the DROP plan before signing up. Participation requires specific notice to the City and obligates you to agree to terminate your employment at the end of the maximum period of participation in the deferred retirement option plan.

Your DROP application may not show a date in the past on the day you submit your application. In other words, you are not allowed to DROP on a retroactive basis. Election to participate in the DROP is voluntary, but the election is irrevocable once you enter.

What happens after I complete my DROP application?

After you have submitted your drop application, the City will provide the plan administrator with your average final compensation (AFC) information through the date of your drop date and a copy of the drop application. When you enter the DROP, your last pension contribution will occur at the end of the payroll period for your date of entry in the DROP. The administrator cannot provide the actuary for the pension plan with your AFC until all of the information has been received from the City. Once you receive the final calculation of your pension, you will select the form (or type) of benefit. Once a final benefit selection has been elected, it cannot be changed. Further once selected, the administrator will have the plan actuary prepare the drop projection statement. This statement will outline each payment that

is scheduled during your participation and factor the interest paid in accordance with the prevailing ordinance.

How long may I participate in the DROP?

You may not participate in the DROP for more than 84 months.

If I elect to participate in the DROP, will I continue to accrue Credited Service for my pension?

No.

What is the effect of freezing my Credited Service as of the date I enter the DROP?

Your monthly DROP benefit is determined as described for Normal Retirement based on your Average Final Compensation and your Credited Service at your DROP entry date. Your Average Final Compensation and your Credited Service are frozen at your DROP entry date. This means your monthly benefit will be less than it would be if you did not enter the DROP and continued to work.

See the Summary Plan Description (SPD) for the details of what Normal Retirement, Average Final Compensation, and Credited Service means.

What happens to my contributions when I DROP?

Once you enter the DROP you will no longer contribute to the Plan.

What happens to my monthly pension benefits during the DROP period?

Your monthly DROP benefit accumulates in an account which is credited or debited according to your investment election. Investment options are described later. You may not receive a distribution from your DROP account until you separate from service. At that time, your monthly benefit will be paid directly to you according to the form of benefit you selected at DROP entry.

Will the money in the DROP account earn income while it remains in the DROP?

It depends upon your choice of investment. Investment options are as follows:

- (1) Under the first option, your DROP account will earn interest at a rate of 6% per annum.
- (2) Alternatively, you may choose to have all or a portion of the money credited to your DROP account invested in different investment vehicles chosen by the Board of Trustees. This is called the “self-directed” investment option. The Board has the right to change these options at any time. This investment vehicle is currently with Voya Financial (formerly known as ING Financial). The rate of return is based upon the actual rate of return on the investment option you select.

If I receive a disabling injury during the DROP period, am I eligible for a disability pension under the Plan?

No. Disability retirement benefits are payable when, under certain circumstances, you have been disabled to the extent that you are no longer able to work as a police officer. Once you enter the DROP, you are no longer eligible for a disability retirement. If you cannot work any longer, you are eligible to receive the balance in your DROP account and your monthly benefit will no longer accumulate in the DROP but will instead be paid directly to you according to the form of benefit you selected at DROP entry.

May I keep working during the DROP period and may I keep working after the DROP period?

You must remain employed in order to participate in the DROP. You must separate from service no later than the last day that you are in the DROP.

May I receive any of the money in my DROP account while I continue to work?

No.

Does the manner in which the DROP monies are paid to me impact my federal tax liability?

It may, and the effect may be significant. The Board of Trustees cannot give you tax advice. We do suggest, however, that before you decide how to take your DROP money, you receive advice concerning the tax ramifications of the distribution.

You may also request a copy of the Special Tax Notice from the Plan Administrator. The Special Tax Notice is intended to help you decide whether to roll over your money and how you can continue to defer federal income tax on your retirement monies.

If the monies are not rolled over to a qualified retirement account, will any money be withheld?

Yes. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes.

What happens to my retirement income at the conclusion of the DROP period?

At the time you leave employment, your monthly benefit will no longer accumulate in the DROP but will instead be paid directly to you according to the form of benefit you selected at DROP entry. Members must take full distribution of the funds within 30 days after separation. Payment can be made in any combination of a lump-sum or an eligible rollover distribution. As long as you do not take a distribution from the account. It is suggested that you consult with a tax/financial advisor before exercising your options.

When will I receive my first check after I leave employment with the City?

If proper notice of retirement is received, we can ensure a smooth transition to retirement. The custodian (our bank) for the Pension Fund, pays all benefits on the first day of the month following your date of retirement. So if you retire on May 30th, you will be paid on June 1st. The custodian will continue to pay your benefit on the first business day of each month during your retirement. The monthly benefit payment will be made by direct deposit to a checking or saving account.

What happens if I die prior to receiving the payment from the DROP?

Your designated beneficiary or beneficiaries will have the same rights of distribution for your DROP account that you have.

If you chose a form of benefit for your monthly pension which provided for a survivor's benefit to be paid after death, your Beneficiary will receive payments following your death. See the Summary Plan Description (SPD) for a description of the Optional Forms of Benefit.

For more information on what is meant by a "form of benefit", please see the Summary Plan Description (SPD) for a description of the Optional Forms of Benefit.

When should I submit my notice of retirement?

You should submit your notice of retirement to the City and the Board of Trustees at least 30-45 days in advance of your last day. This will allow you ample time to complete all the required paperwork to ensure a smooth transition. If you are transitioning from the drop to normal retirement, the benefit amount is already know and less lead time is required. If you retire from active service (not from the drop), your benefit will have to formally be calculated similarly as outlined above. This may result in an estimated benefit being paid until the AFC is received and calculated by the plan actuary and the final benefit selected is made by you.

Can I continue with the city's health insurance once I retire?

Yes, and enrollment is to be made through the city's risk management department. The monthly payment can be withheld from your retirement payment and paid to the city on your behalf.

May the rules and regulations of the DROP change?

Yes. The DROP has been created by the governing body of the City, and the governing body of the City may change the DROP. Additionally, the Board of Trustees has power to adopt administrative rules regarding the DROP and they may change from time to time.

You can contact the Plan Administrator if you have any questions:

Sunrise Police Officers' Retirement Plan

13790 NW 4 Street, Suite 105

Sunrise, Florida 33325

Phone: **954.845.0298**

Web Site: www.sunrisepolicepension.com

Email: support@sunrisepolicepension.com

Timelines:

You should expect the following time to process your benefits:

- Application to DROP: Recommend at least 30 days prior to your DROP date.
- Application for Retirement: Recommend 30-45 days prior to your date of separation
- Final Payroll: The administrator will typically receive your final payroll information 2-3 weeks following your date of entry in the DROP or retirement.
- Administrator Provides Information to the Actuary: Following receipt of final payroll from the city.
- Actuary Certifies Final Benefit Calculation: 1-2 weeks
- Benefit Calculation, and Benefit Election Form to DROP/Retiring Member: The administrator will notify members generally upon receipt of this information
- Wait for Employee to Respond: This is up to the member to decide on the final form of the benefit. This is a life decision and the form cannot be changed once selected. Usually within a week or so.

As you can see, your retirement benefit will normally take several weeks to process following your retirement or DROP date.

CHECKLIST:

Forms to DROP/ Retire

- _____ DROP Application Package (*DROP Only – See Finance Department*)
- _____ Copy of Birth Certificate or Driver’s License *
- _____ Beneficiary Designation (*Update If Necessary*)
- _____ Benefit Election Form (*Choose Form of Pension Benefit Payment after Processing of Benefit*)

Additional Forms To Begin Payment Of Benefits

- _____ Direct Deposit Form (*Direct Deposit of Pension Benefit to Checking or Savings Account*)
- _____ W-4P (*Tax Withholding Form For Pension Benefit*)
- _____ Beneficiary Designation (*Update If Necessary*)
- _____ Health Insurance Deduction Authorization (*Completed at risk management*)

***If you are missing documentation when you DROP or retire, please submit your application prior to any deadlines. You should then provide the missing documentation in a timely manner. You can substitute a Driver’s License and one form of identification showing date of birth for the birth certificate if necessary.**