

## **TIER TWO: PLAN OVERVIEW**

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

### **1. When do I become a member of the Plan?**

Each person employed by the City of Sunrise Police Department as a full-time sworn Police Officer becomes a member of the Plan as a condition of his employment. Tier 2 is applicable to all members hired on or after September 30, 2015.

### **2. Do I contribute to the Plan?**

You will contribute 8% of your annual salary to the Plan which will be deducted on a pre-tax basis each payroll period.

### **3. How is my benefit determined?**

Your Retirement Benefit is determined by multiplying your Average Final Compensation times your Credited Service times a multiplier, limited to no more than 70% of your Average Final Compensation:

$$\begin{aligned} & 3.0\% \times \text{Average Final Compensation} \times \text{Credited Service up to 20 years} \\ & \qquad \qquad \qquad \text{Plus} \\ & 2.0\% \times \text{Average Final Compensation} \times \text{Credited Service above 20 years} \end{aligned}$$

#### **a. What is my Average Final Compensation?**

This is the average of your salary during the five highest consecutive years of your last ten years of Credited Service.

#### **b. What is my Credited Service?**

This is your total length of service from your last date of hire until your date of termination or entry into DROP.

#### **c. Does my Salary include everything I am paid?**

No. It includes regular pay, holiday pay, and some general monthly expense allowances. It does not include overtime, lump sum payouts of accrued benefits upon termination, auto allowances, uniform allowances, mileage and travel reimbursements, and income from private details.

For example: You have worked as a police officer for the Sunrise Police Department for 24 years. Your average final

compensation was determined to be \$50,000. Your Normal Retirement Benefit will be:  
 $3\% \times \$50,000 \times 20 = \$30,000$  [plus]  $2\% \times \$50,000 \times 4 = \$4,000$ .  
Your normal retirement benefit is \$34,000.

The Plan's actuary uses this calculation to determine how much you are entitled to each month based upon a number of factors, including your age and that of your beneficiary, and which benefit option you have chosen. In no event shall you receive a benefit that is less than the equivalent of 2.75% multiplier for each year of credited service.

#### **4. When am I eligible to receive a benefit?**

You are eligible to receive your full monthly retirement benefit upon reaching normal retirement age which is age 55 with 10 years of service or reaching age 52 with 25 years of service. You are eligible to receive a reduced monthly benefit upon reaching early retirement age which is age 50 with 10 years of service. If you choose to receive an early retirement benefit, your benefit will be reduced by 3% for each year prior to normal retirement.

For example, you leave your job with Sunrise Police after ten years of service and choose to begin receiving your monthly benefit at age 52. The amount of your monthly benefit will be 9% less than what you would receive if you waited until age 55 to begin receiving your benefit.

#### **5. May I choose a beneficiary to receive a benefit after I die?**

Yes. You should have a beneficiary designation form on file and keep it updated. You are allowed to change your beneficiary up to two times without the approval of the Board of Trustees after you have retired or entered DROP. You should also be aware that if you choose your spouse as your beneficiary, you must submit a new beneficiary designation form, even if you want your spouse to remain as the beneficiary.

#### **6. May I choose the form of my retirement benefit?**

Yes. Unless you choose otherwise, at the time you retire or enter the DROP your pension is payable in the Normal Form of Benefit which is a 10-Year Certain & Life Annuity. This form of benefit provides you with monthly payments for your life with the guarantee that if you should die within 10 years your Designated Beneficiary will receive a monthly payment equal to the monthly payment you were receiving for the remainder of the 10 years. The other optional forms of benefit available to you are as follows:

- Life Annuity: This is a monthly benefit payable for your lifetime and ceases upon your death.
- Joint & Survivor Annuity Option: A reduced monthly benefit payable to you for life,

and further continuing after your death to your designated Beneficiary at either 50%, 66 2/3%, 75%, or 100% (according to your election) of the monthly payment you were receiving for their life.

- Joint & Survivor Annuity with Pop-Up to Life Only Annuity Option: If you have elected the Joint & Survivor Annuity Option you may select the pop-up option. Should your designated Beneficiary die before you, your benefit will increase to a Life Only Annuity payable to you for the remainder of your lifetime and ceasing upon your death.

**7. Is there a Cost of Living Adjustment (COLA)?**

No, except if you were employed as a police officer by the City of Sunrise prior to September 30, 2015 and were rehired on or after September 30, 2015, you may be entitled to a COLA.

**8. Is there a supplemental benefit?**

Not until the Plan is fully funded and the annual investment earnings are more than the Plan's assumed rate of return.

**9. May the rules and regulations of the Plan change?**

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

## **TIER 2: DROP**

### **1. 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.

### **2. Who is eligible to enter the DROP?**

You are eligible to make a one-time, irrevocable election to enter DROP after you have reached your Normal Retirement Age.

### **3. When must I elect to participate in the DROP?**

You must elect to enter DROP within 6 months of reaching normal retirement age. You must complete and submit a DROP application by the date you would like to enter the DROP. 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.

### **4. How long may I participate in the DROP?**

You may not participate in the DROP for more than 4 years. You must remain in the employment of the City to participate in the DROP and you must leave employment with the City at the end of your DROP period. You will be asked to sign an agreement at the time you apply to participate in the DROP that you will resign from the City no later than four years after your first DROP deposit.

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

No. Credited Service is frozen as of the date you elect to participate in the DROP. In addition, only Pensionable Compensation up to your date of DROP is used towards computing your pension.

### **6. 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. Although you will continue to be employed by the City, 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.

**7. What happens to my contributions when I DROP?**

Once you enter the DROP you will no longer contribute 8.0% of pay to the Plan.

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

Your monthly DROP benefit accumulates in an account which is credited with interest as described later. You may not receive a distribution from your DROP account until you leave employment with the City. 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.

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

Maybe someday, but not as of the date of this document. The interest rate earned by the DROP is 0% until the pension plan is fully funded and then it will earn the actual plan return with a minimum of 0% and a maximum of 4%.

**10. 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.

However, you may be eligible for workers compensation. Workers compensation is administered by the City and is not administered by the Board of Trustees. Generally, workers compensation pays benefits for on duty injuries.

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

No. In order to receive distributions from your DROP account, you must terminate employment from the City.

**12. How will the DROP monies be paid to me?**

As of right now, you may receive the DROP money paid directly to you as a lump sum, or you may roll it over.