

# City of Detroit

POLICE AND FIRE RETIREMENT SYSTEM

Legacy

Hybrid

## APPLICATION FOR SERVICE RETIREMENT

(To be filled out in ink)

S.S. # \_\_\_\_\_

RETIREMENT NUMBER
----------------------

To the Board of Trustees of the Police and Fire Retirement System:

I, \_\_\_\_\_, a member of the Police and Fire  
Name in full

Retirement System under membership number \_\_\_\_\_ hereby make application for service retirement in accordance with the provisions of the Pension Trust Fund.

My date of birth is: Month _____ Day _____ Year _____	I request my retirement to be effective: Month _____ Day _____ Year _____
I desire my retirement allowance benefits sent to: No. _____ Street _____ City _____ State _____	My title on the payroll is:  Department employed in:

I certify that I understand the various options and the difference between the options. I elect to receive my retirement allowance in the following manner.

<input type="checkbox"/> OLD PLAN With Escalator Clause	<input type="checkbox"/> NEW PLAN	<input type="checkbox"/> DROP Date _____
<input type="checkbox"/> Regular Service Retirement Allowance	<input type="checkbox"/> OPTION 1 Cash Refund Annuity	<input type="checkbox"/> OPTION 2 Joint and 100% Survivorship Annuity
		<input type="checkbox"/> OPTION 3 Modified Joint and 50% Survivorship Annuity
		<input type="checkbox"/> OPTION A Modified Joint and 75% Survivorship Annuity

(Write plan of retirement elected) \_\_\_\_\_

ANNUITY REFUND DESIRED      YES       NO       ALREADY REFUNDED

If option 2, 3 or A is elected, do you desire Pop-Up Plan Protection?      Yes       No

### NOMINATION OF BENEFICIARY IF OPTION 1 2 3 OR A IS ELECTED

I nominate as my beneficiary:	Beneficiary's date of birth: Month _____ Day _____ Year _____	
Beneficiary's Address: No. _____ Street _____ City _____ State _____	Beneficiary's place of birth:	Beneficiary's Soc Sec No:
	Beneficiary's relationship to me:	Sex

### PROOF OF BIRTH DATE OF BENEFICIARY REQUIRED IF OPTION 2,3 OR A IS ELECTED

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Retiring Member

Any balance under Option Two, Three or A is to be paid to my \_\_\_\_\_ Relationship

\_\_\_\_\_  
Name of Beneficiary

\_\_\_\_\_ date of birth \_\_\_\_\_

\_\_\_\_\_  
Signature of Witness

Dated \_\_\_\_\_

\_\_\_\_\_  
Signature of Member



**CITY OF DETROIT**  
POLICE AND FIRE RETIREMENT SYSTEM

**POP-UP OPTION SELECTION**  
(TO BE FILLED OUT IN INK)

Social Security Number \_\_\_\_\_

Pension Number \_\_\_\_\_

I, \_\_\_\_\_, have selected Pension Benefit Option II or Option III  
(print name)  
and elect to be covered by the following Pop-Up Option

**SELECT ONE OPTION**

POP-UP OPTION A

I elect to take the reduced pension benefit. In the event my option beneficiary predeceases me, my pension amount would be increased to a Straight Life amount.

POP-UP OPTION B

I elect to receive my option benefit without reduction, however my option beneficiary will receive a benefit of \_\_\_\_\_ (Option II) or \_\_\_\_\_ (Option III) if I should predecease my option beneficiary.

POP-UP OPTION C

I elect to pay for the cost of this option by a lump sum payment of \_\_\_\_\_ % of my annual pension. I, and my option beneficiary will then receive the full Option II or Option III amounts without reduction. I elect to have the above amount deducted from my initial pension check(s).

I UNDERSTAND THAT I CANNOT CHANGE THIS OPTION AT ANY TIME IN THE FUTURE.

In witness whereof I have hereunto set my hand and seal this \_\_\_\_\_ day \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
witness

\_\_\_\_\_  
signature



**City of Detroit Police and Fire Retirement System  
Signature Card**

Name \_\_\_\_\_ Pension No. \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_  
City State Zip Phone

Social Security Number \_\_\_\_\_

Signature of member \_\_\_\_\_

The above signature was executed in my presence on

\_\_\_\_\_  
Mo Day Year

\_\_\_\_\_  
Notary Public of

My commission expires \_\_\_\_\_



**DEFERRED RETIREMENT OPTION PLAN ("DROP")  
OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT  
DROP ELECTION**

STEP 1 – MEMBER INFORMATION		
Social Security Number	Pension Number	Bargaining Unit (e.g., DPOA)
Name of Member (first, middle initial, last)		
Address (number and street, city, state and zip code)		
Home telephone number ( )	Other telephone number ( )	E-mail address

STEP 2 – DROP ELECTION DATE
DROP election date (month, day, year) _____ / _____ / _____
My DROP election date cannot be earlier than the day I deliver my DROP election form to the System, and it <u>will be the last day I will accrue any service credit or change in compensation for AFC purposes towards my System pension benefit.</u>
I am eligible for a 25 year service retirement (or such other DROP eligible service retirement requirement as provided in the applicable collective bargaining agreement) from the Police and Fire Retirement System of the City of Detroit ("System") at the time of my election.

STEP 3 – SYSTEM RETIREMENT FORMS
In connection with my DROP election I agree to provide the System, as soon as possible, applicable signed and completed System form(s) providing that my DROP election date will be my retirement date for System purposes, and as soon as possible and in accordance with standard System procedures complete System forms necessary to elect how my System benefit will be paid when I retire (and which election will determine how my DROP calculations will be based before retirement and after DROP election), and take any other action the System deems necessary.

STEP 4 – MEMBER ACKNOWLEDGEMENT OF DROP MAXIMUM DURATION
I have been informed that participation in the Drop Plan is now limited to a maximum of 5 years for DFFA Members; DPOA, DPLSA and DPCOA members now have a ten (10) year maximum for drop Plan participation.

MEMBER ACKNOWLEDGEMENT		
I irrevocably elect the above DROP election date for participation in the Deferred Retirement Option Plan (DROP) of the Police and Fire Retirement System of the City of Detroit. I have read and understand the " <i>Guidelines for Making the DROP Decision</i> ". I have had an opportunity to consult with my own personal financial advisor. I understand that I cannot change my DROP election after this form is received by the System. I also understand and acknowledge that due to the time necessary to properly establish and record keep my DROP, there may be an administrative delay between my DROP election and when funds are first allocated to my DROP account. By signing below, I acknowledge that I have read and understand this statement.		
Signature of member	Printed name of member	Date (month, day, year)
Signature of witness	Printed name of witness	Date (month, day, year)

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT  
500 Woodward Avenue Suite 3000,  
Ally Detroit Center,  
Detroit, Michigan 48226





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## DROP APPLICANTS

I have applied to retire and DROP. I understand that the current DROP for DFFA Members has a five (5) year limitation and that limitation applies until my union has negotiated different terms and the Bankruptcy Court has accepted them. Members of DPLSA and DPCOA now have a ten (10) year DROP as of October 31, 2018, retroactive to members that applied after July 1, 2014. Members of DPOA now have a ten (10) year DROP as of May 9, 2019. I also understand that applying to DROP is irrevocable regardless of any circumstances changing.

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Print name

---

Signature

---

Date

**POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT  
DEFERRED RETIREMENT OPTION PLAN ("DROP")**

**BENEFICIARY DESIGNATION**

Use this form to name an individual(s) to receive the balance of your DROP benefit if you die before withdrawing the entire balance (or before the entire balance has been used to purchase annuity over one or more lives, if permitted). If you do not complete this form, your DROP balance will be paid to your estate.

If you experience a life change event such as marriage, divorce, etc., you may want to change your DROP beneficiary. Simply complete a new beneficiary designation form for your DROP benefit and send it to: Attn: Police and Fire Retirement System the City of Detroit, 500 Woodward Avenue, Suite 3000, Detroit, Michigan 48226.

**SECTION 1: MEMBER INFORMATION** *Please print or type*

NAME	SOCIAL SECURITY NUMBER	DATE OF BIRTH

**SECTION 2: DROP BENEFICIARY(IES) DESIGNATION**

There are no restrictions regarding who you can name as the beneficiary(ies) for your DROP benefit. The individual(s) you name below will receive the balance of your DROP benefit upon your death.

Beneficiary Name	Relationship	Social Security No.	% of Benefit (column must total 100%)	Beneficiary's Address (Street, City, State, Zip)

**SECTION 3: MEMBER SIGNATURE**

*I understand that upon my death the balance of my DROP benefit will be paid to the individual(s) named on the most recent DROP beneficiary designation form on file with the Police and Fire Retirement System of the City of Detroit. This DROP beneficiary designation will supercede any previous versions I may have filed with the System. I also understand that if the beneficiary(ies) I named above is/are not living, the System shall prorate the percentage referenced for them among, and pay my surviving listed beneficiary(ies), provided if there are no surviving beneficiaries, it will pay my estate.*

Member Signature:	Date
Witness Signature:	Date

***For this beneficiary designation to be valid, this form must be on file with  
The Police and Fire Retirement System of the City of Detroit.***



Name \_\_\_\_\_

SSN \_\_\_\_\_

**POLICE AND FIRE RETIREMENT SYSTEM  
RETIREMENT APPLICATION CHECKLIST  
Items 10-18 Do Not Apply for DROP Retirements**

Initial Selections

**1. TYPE OF RETIREMENT**

- Service Retirement       Duty Disability Retirement       DROP Plan
- Vested Retirement       Non-Duty Disability       Widows Pension
- Early Vested Retirement       Conversion       Survivors Pension
- Hybrid       Conservatorship Papers discussed \_\_\_\_\_

\_\_\_\_\_

**2. OPTION SELECTION**

- Straight Life       Option 1 (Cash Refund Annuity)       Option A (75% Survivor)
- No option required       Option 2 (100% Survivor)       Option 3 (50% Survivor)

\_\_\_\_\_

**3. UNUSED SICK PAY OPTION**

- YES       NO

\_\_\_\_\_

**4. POP-UP SELECTION**

- Option A       Option B       Option C

\_\_\_\_\_

**5. DEFINED CONTRIBUTION PLAN (Annuity Fund)**

- No Withdrawal       Partial Withdrawal       Rollover-Form to be submitted
- Previously Withdrawn       Total Withdrawal       Total Withdrawal at Future Date

Annuity Withdrawal Forms Received \_\_\_\_\_

\_\_\_\_\_

**6. PROOF OF BIRTH**

**EMPLOYEE**     Supplied       To Be Supplied

\_\_\_\_\_

**BENEFICIARY**     Supplied       To Be Supplied

\_\_\_\_\_

**7. MARRIAGE CERTIFICATE**

- Not married     Supplied     To Be Supplied

\_\_\_\_\_

**8. LETTER OF INTENT TO RETIRE/DROP**

- Supplied     To Be Supplied

\_\_\_\_\_

**9. DROP MAXIMUM (DFFA) DURATION (5YR) ACKNOWLEDGED**

\_\_\_\_\_

**10. DROP MAXIMUM (DPOA, DPLSA, DPCOA) DURATION (10YR) ACKNOWLEDGED**

\_\_\_\_\_

**11. LAY-OFF TIME**

- No lay-off time     Lay-off time Amount \_\_\_\_\_

\_\_\_\_\_

**12. DEATH BENEFIT**

- YES       NO

\_\_\_\_\_

**13. GROUP LIFE INSURANCE (Disability Only)**

- YES       NO

\_\_\_\_\_

**14. WITHHOLDING TAX**

- No withholding       Married      \_\_\_\_\_ Exemptions
- Fixed amount \$ \_\_\_\_\_       Single      \_\_\_\_\_ Exemptions

\_\_\_\_\_

POLICE AND FIRE RETIREMENT SYSTEM  
RETIREMENT APPLICATION CHECKLIST  
(Page 2)

Initial Selections

**STATE WITHHOLDING TAX**

1. Not taxable     2. Before 1946     3. Between 1946 and 1952     4. After 1952

15. **DIRECT DEPOSIT**     YES     NO

16. **DIVORCE/EDRO**     YES     NO

17. **BENEFICIARIES CONFIRMED**

ANNUITY  
DEATH BENEFIT  
LIFE INSURANCE

18. **MILITARY SERVICE PURCHASED**     YES     NO

I acknowledge that any outstanding balance for the purchase of military service time must be paid in full before my retirement

\*\*\*\*\*

**I HEREBY CERTIFY THE FOLLOWING:**

1. I have carefully read the above.
2. I understand the benefits and the options available.
3. I had the opportunity to ask questions.
4. I understand changes will not be allowed after I cash my first pension check or 180 days after my retirement date, whichever comes first.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
WITNESS



# INSTRUCTIONS FOR COMPLETING APPLICATION FOR PARTICIPATION IN THE DEFERRED RETIREMENT OPTION PLAN (DROP) OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

## IMPORTANT:

1. Remove the form. Do not return these instructions to the System.
2. Please type or print. Use black ink.
3. Complete all information.
4. Return the completed form directly to the System at the address below.
5. Before you make a DROP election, (i) if you are divorced and a domestic relations order has been entered with the Court, or (ii) if you are in the process of contemplating divorce, you are strongly urged to consult with your attorney and/or the System about how your DROP election will be affected by the domestic relations order and/or divorce.

## STEP 1: Member Information

**Member's Social Security Number:** Enter all nine digits of your Social Security Number. Your application will not be processed without this information.

**Union Membership:** Enter the Union to which you belong.

**Member's Name:** Enter you first name, middle initial, and last name.

**Member's Address:** Enter your full street address, city, state and the five or nine-digit zip code.

**Member's Telephone Number:** Enter your telephone numbers, beginning with area code. If available, please provide separate home and other telephone numbers.

**E-mail Address:** Enter the E-mail address, if available.

## STEP 2: DROP Election Date

**DROP Election Date:** Please enter the date as MM/DD/YYYY. You must be eligible for a 25 year retirement allowance (or such other DROP eligible service retirement requirement as provided in the applicable collective bargaining agreement) as of your DROP election. This date cannot be earlier than the date you deliver your DROP election form to the System. Your DROP election date is the last day you will accrue any System service or compensation for pension purposes.

## IMPORTANT:

*You cannot choose a retroactive DROP election date. Retroactive DROP elections are not accepted or allowed (for example, you cannot elect to DROP on December 15, 2009 effective December 1, 2009).*

*Due to the time necessary to properly set up and properly record keep your DROP, there may be an administrative delay between your DROP election and when funds are first allocated to your DROP account.*

## STEP 3: System Retirement Form

As soon as possible provide the completed System form(s) indicating the form of pension benefit you elect at retirement (e.g. single life annuity). DROP allocations cannot occur until the System receives the form(s).

## Member Acknowledgement

Please read the "Guidelines for Making the DROP" explaining the DROP. Your DROP election is **irrevocable** and cannot be changed after this form is received by the System. Sign, print your name, and date the form to acknowledge that you have read the "Guidelines for Making the Drop", and have a witness sign and print his or her name witnessing your signature.

*Once the form has been completed according to these instructions, return the form and attachments (DO NOT return the instructions) to the System at the following address:*

The Police and Fire Retirement System of the City of Detroit  
500 Woodward Avenue, Suite 3000, One Detroit Center, Detroit, Michigan 48226

## Member Note – Changes To Information

If you have any changes or corrections to any of the information on this form, such as name or address, please notify the System immediately at the address above. Notifying the DROP will ensure that you receive correct and important information regarding your benefits and taxes.

# *Your Choice*

## **Guidelines for Making the DROP Decision**

For Eligible Members of the Police and Fire Retirement System of the City of Detroit;

- Detroit Police Officers Association (DPOA)
- Detroit Police Lieutenants and Sergeants Association (DPLSA)
- Detroit Police Command Officers Association (DPCOA)
- Detroit Fire Fighters Association (DFFA)
- Non-Union Executives of the Police and Fire Departments

## **INTRODUCTION**

The Police and Fire Retirement System of the City of Detroit (“System”) received a favorable determination letter from the Internal Revenue Service in November of 2009 and an amended favorable determination letter in November of 2016 for the System’s optional Deferred Retirement Option Plan (DROP) for eligible members.

System members covered by a Collective Bargaining Agreement authorizing DROP participation are eligible to elect to participate in the DROP program if they are immediately eligible for a 25 year service retirement under the System (or such other DROP eligibility service retirement requirement as provided for in the applicable Collective Bargaining Agreement or Plan of Adjustment).

NOTE: Once you elect to participate in the DROP Program, your election is irrevocable, and you stop accruing Service Credits for all plans. You are not allowed to change or revoke your DROP election.

This booklet has been prepared to help you make your choice. Here, we will cover the following topics:  
Understanding Your Current System Benefits

### **Comparing the DROP Program - How to Choose the Option that is Better for You**

The choice you make is completely voluntary. It is also a very personal decision. Whether remaining active in the current System or selecting the new DROP Option will be better for you will depend on your circumstances. Your choice will depend upon some or all of the following factors:

- The relative income stream at retirement that the regular System benefit or the DROP option can be expected to produce.
- The importance to you of characteristics such as portability, transferability, lump sum and other distribution options.
- How long you have worked for the City and how long you intend to continue to be employed.
- Your overall personal financial situation.

Also, this is simply a summary of DROP provisions. If there is a conflict between this document and the System’s DROP terms, the Plan of Adjustment (POA) or Collective Bargaining Agreement (CBA), or if this document is ambiguous, DROP terms govern.

## **PART I. UNDERSTANDING YOUR CURRENT SYSTEM PENSION**

To completely evaluate your DROP option, it is important that you thoroughly understand your current System benefit. Here, we will review the basic DROP features of the System.

### **Normal Age and Service Retirement Benefit**

Upon meeting retirement eligibility criteria, as outlined in your applicable Collective Bargaining Agreement, you may apply to retire and DROP. Your annual pension, payable monthly, is generally

calculated as follows:

Years of Credited Service X Average Final Compensation X Multiplier

NOTE: This is a simple example so that you have an idea of how your calculation actually works. Determining AFC involves a detailed calculation, please see your Collective Bargaining Agreement for more details.

## **Average Final Compensation**

### Hybrid/Component I

The average of the compensation received by a member during the five consecutive years of credited service which immediately precede the date of the member's last termination of City employment as an employee of the Police Department or the Fire Department.

### Legacy/Component II

The average of the current compensation for the ranks held during your last five years of service (effective July 1, 2000, last three years for DPCOA and Executive members and their Fire equivalents), plus the value of your last full longevity payment and 25% of unused sick leave as of June 30, 2014 (if Elected prior to June 30, 2014). AFC includes prior longevity distributions during the averaging period in accordance with the following schedule: 1% of compensation after 5 years of service, 2% after 11 years, 3% after 16 years and 4% after 21 years.

## **Distribution Options**

There are essentially three retirement options:

1. A defined benefit plan monthly benefit payable for the life of the participant equal to the regular age and service retirement benefit, which includes receiving defined contribution plan amounts in the form of a monthly annuity.
2. Actuarially equivalent Joint and Survivor Monthly Benefit Option.
3. Return of your employee contributions in a lump sum (known as the "Defined Contribution Plan") which could affect your monthly benefit referenced in paragraph above.

## **Cost of Living Adjustment (COLA)**

COLA's are based on Collective Bargaining and the Plan of Adjustment.

- Retirees hired before 1969 receive an increase proportionate to the annual increase received by active employees.
- Retirees hired after 1969 receive an annual cost of living adjustment of 1.0125%, based upon the original retirement amount or compounded, depending on the bargaining unit.
- Retiree's with a Hybrid Retirement Plan, post June 30, 2014, may get a 1% COLA, depending on the funding status of the plan.

Rules vary by Collective Bargaining Agreement (CBA), please see your CBA for specifics.

## **PART II. COMPARING THE DROP PROGRAM**

Here is how the Deferred Retirement Option Plan (DROP) Program works:

### **Eligibility:**

You are eligible to irrevocably choose the DROP after you become eligible for a 20 or 25 year service retirement allowance (or other such DROP eligible service retirement requirement as provide for in the applicable collective bargaining agreement) under the System. At this point, you have essentially three choices:

1. Actually retire and begin receiving an immediate full monthly pension which includes defined contribution plan amounts, or take the defined contribution plan amounts in a lump sum and begin receiving a monthly pension from the defined benefit plan.
2. Continue working and accruing benefits under the System (based on continued service and compensation).
3. Continue working, but irrevocably elect the DROP Program.

### **Choosing the DROP:**

You can choose to participate in the DROP any time after you become eligible. It is a voluntary election. Remember, if you choose the DROP, the decision to participate in the DROP is **IRREVOCABLE**. You make your election to DROP by completing and signing the appropriate DROP election form (which you can obtain from the System) and delivering your DROP election to the System (you should also make a copy for yourself). Your DROP election date on your DROP election form must be the date you deliver the form to the System, or a future date. **Your DROP election date will be the last day you will accrue any service or compensation for computing pension benefit.** You cannot retroactively elect to DROP. For example, you cannot deliver a DROP election form to the System on August 1, 2018 electing to DROP on July 1, 2018.

### **Operation of the DROP:**

If you choose to elect to participate in the DROP, the following will happen:

- Your System benefits will become “frozen” (i.e., no further service credit or compensation will accrue).
- Your contributions to the System will end.

You must choose, in writing, a form of distribution for your system pension benefit (e.g., straight life monthly benefit or joint & survivor monthly benefit) in accordance with System processes.

Effective with your DROP election, 75% of the amount of your monthly pension (including applicable

escalator increases) that you would have received from the System had you actually retired on your DROP election date is instead paid into your individual DROP account where it will accrue earnings on a tax-deferred basis for as long as you participate in the DROP. **NOTE:** There will likely be an administrative delay before your first DROP amounts are allocated to your DROP account while the System sets up your DROP account.

At this time your DROP account will be invested in a stable value, group annuity contract product with VOYA that provides a credited rate of interest set once each year by VOYA. You should carefully review VOYA material detailing how your DROP account is invested. You will be provided notice of any subsequent change in the DROP investment product or provider.

Your DROP allocations, currently limited to five (5) years, will continue for as long as you continue to be actively employed as a police officer or fire fighter with the City. The five (5) year limitation applies until otherwise collectively bargained and agreed to by the Bankruptcy Court as required by the Plan of Adjustment (POA)

While you are actively employed as a police officer or fire fighter participating in the DROP, to the System's knowledge you are subject to the same employment rules and regulations as before you elected to participate in the DROP. You will continue to be paid your wages as an employee. To the System's knowledge, your seniority status will not be affected during your DROP participation. However, you will not accrue any additional credit towards retirement as a DROP participant.

Participation in the DROP does not guarantee continued employment.

When you end your active employment as a police officer or fire fighter with the City you may take a distribution from your DROP account, leave it in the account or you may directly roll over your DROP to an IRA.

At the end of your DROP Participation, when you retire, you will begin to receive 100% of your "frozen" System pension (including annual escalator amounts) that you would have received had you initially retired at the date you elected to participate in the DROP, plus you will be entitled to the value of your individual DROP account (which, together, are subject to applicable IRS limits on "annualized" benefits. The IRS limit on annual benefits is \$220,000 in 2018. Your DROP benefit is annualized to apply the limit).

### **PART III. HOW TO CHOOSE THE OPTION THAT IS BETTER FOR YOU**

This is an important choice. In order to make an informed and comfortable decision, you should take the following steps:

**STEP ONE:** Acquire as Much Knowledge as Possible.

Learn all you can about the operation and characteristics of the System and the DROP option. In addition to this booklet, some other tools that will help you are:

- Your Collective Bargaining Agreement and the Plan of Adjustment
- Attending a Scheduled Group Informational Meeting with representatives from VOYA
- Review VOYA investment materials
- Consulting with your DROP Plan Retirement Specialist and/or Personal Financial Adviser

### **STEP TWO: Obtain Benefit Projections from Each Option.**

The income that each option can be expected to produce is, for most people, one of the most important factors in making their decision.

Note: Any results from such analysis are simply projections and are highly dependent upon the salary increase and earnings rate assumptions that are used. They do not constitute any promise or guarantee of benefits that will eventually be obtained from either the System pension and/or DROP.

### **STEP THREE: Do Some Comprehensive Retirement Planning.**

No doubt the income stream from the retirement option that you select will be a major source of support for you and your family after you cease active employment with the City. However, it will not be the sole and exclusive means to provide you with retirement income. To develop a comprehensive forecast of your retirement income situation you need to consider some or all of these other sources:

- Social Security Benefits
- Any 457 Deferred Compensation Plan you may have
- IRAs and Personal Savings (including amounts rolled over from the defined contribution part (ASF) of the pension plan)
- Spouse's Retirement Plans
- Wages from Part Time Employment
- Other Sources of Income

You should also do a personal inventory as well, considering additional factors, which may affect the type of retirement option you should choose:

- How long you intend to be employed with the City
- Your health, that of your spouse and family health and longevity history
- The ages and support needs of your children or other dependents
- Whether you would want to leave any remaining retirement assets to heirs after you die
- The particular lifestyle you wish to live after full-time employment

### **CONCLUSION**

Your System provides you (and your spouse, if elected) with a pension income stream for life after you retire.

In the DROP, you may have a lower pension as compared to if you continued in the System, but you will accumulate an account (the DROP account) that can also provide an income stream or a lump sum. A DROP account will offer you portability and investment reward/risk.

The option which is better for you is a matter of individual choice based upon your particular personal and family situation. If you follow the steps mentioned above, we believe you can make the choice that is right for you.

## APPENDIX A

### FREQUENTLY ASKED QUESTIONS ABOUT THE DROP

#### **What is the Deferred Retirement Option Plan (“DROP”)?**

The DROP is a voluntary election by you to freeze your System pension benefit at the time of your DROP election, and to have an amount equal to System pension otherwise payable to you, as if you had then retired, instead allocated to a separate DROP Account earning interest until you actually retire. At retirement you are entitled to your frozen System pension as of your DROP election and your DROP account balance.

#### **Who is eligible to participate in the DROP?**

Eligible members are System members in the following groups:

- Detroit Police Officers Association (DPOA)
- Detroit Police Lieutenants and Sergeants Association (LSA)
- Detroit Police Command Officers Association (DPCOA)
- Detroit Fire Fighters Association (DFFA)
- Non-Union Executives of the Police and Fire Departments

and who are immediately eligible for a 20 or 25 year service retirement (or such other DROP eligible service retirement requirement as provided in the applicable collective bargaining agreement).

#### **When will participation in the DROP begin?**

If you are otherwise eligible, you may now begin to make DROP elections.

#### **Is there a minimum or a maximum period that I must stay in the DROP?**

Members entering the DROP on or after July 1, 2014 have a five (5) year cap as outlined by Collective Bargaining Agreements and the Plan of Adjustment (POA). All changes to DROP are subject to approval of the Bankruptcy Court per the Plan of Adjustment (POA).

Once the time period expires, you must cease employment. You may choose to actually retire any time after entering the DROP and before you reach the maximum years in your Collective Bargaining Agreement. Then you will then begin receiving your frozen pension amount plus whatever amounts have accumulated in your individual DROP account.

### **What happens if I die or become disabled during the DROP Program?**

If you die while in the DROP and before termination of employment as a police officer or fire fighter with the City, your System benefit will revert to your regular, pre-DROP “frozen pension”, plus applicable adjustments, and it will be payable in accordance with your System benefit election on file and which was made in connection with your DROP election. Your named beneficiary, or if none then your estate, will be entitled to the amounts remaining in your DROP account. When RSCD is notified of a death, beneficiary details are provided to Voya. The named beneficiary should then contact Voya at 800-584-6001 to inquire about benefits and initiate processing.

If you become disabled while an employee in the DROP and your employment as an active police officer or firefighter with the City is terminated because you are disabled, you shall immediately be retired and commence the form of System retirement selected at DROP commencement plus applicable pension improvement increases. You are also entitled to your DROP account. You will not be entitled to disability retirement benefits.

### **If I elect the DROP, does my employment status change?**

If you elect the DROP, to the System’s knowledge, you will have the same rights and privileges as other active employees of the City. However, you will accrue no additional System defined benefit pension plan and defined contribution plan benefits, and you will have DROP allocations made to your DROP account.

### **If there are increases to the System’s benefit formula made while I am in the DROP Program, will they apply to my frozen benefit?**

No, unless the benefits are specifically made retroactive to cover prior years of service before your DROP election.

### **If I am promoted while I am participating in the DROP, will my System pension change when I retire?**

No. Upon your DROP election your System pension freezes and will not change (except for applicable escalators).

### **How may I take distributions from my DROP account?**

You can take distributions in any form that you wish as long as it is permitted by the IRS. You can withdraw all your amounts in a lump sum (which may be rolled over to an IRA), take periodic distributions, purchase an annuity or any combination of the above. You may also refrain from taking immediate distributions and leave your account to accumulate until you are required to take distributions at age 70-1/2. If you elect this option you must keep your contact information updated. Again, you may rollover all or a part of your DROP account into an IRA or a qualified plan that accepts such rollovers.

## **What are the tax consequences of taking distributions from my DROP account?**

Basically, DROP account distributions are subject to income tax when withdrawn unless rolled over to an IRA or another employer's plan. Additionally, there is a 10% penalty on distributions, or withdrawals taken before age 59-1/2 (unless rolled over). However, there are many exceptions to this rule. There may be no penalty if:

- You separate from service (i.e., retire), and are age 50;
- You are any age and take withdrawals "on a periodic basis over your life, or joint life, expectancy" (like an annuity).
- If you die, become disabled, or have a severe medical necessity for yourself or your dependents.

We recommend you speak with a tax specialist for any tax related questions.

## **Am I able to take a loan from my DROP account?**

No.

## **What if I am in the process of getting divorced, or I get divorced in the future?**

DROP assets, like other forms of pension benefits, may be considered marital property subject to division in a divorce proceeding. While DROP assets are not subject to distribution until a member terminates active employment as a police officer or fire fighter with the City, pursuant to a domestic relations order a court can award all or part of your DROP account to a former spouse in the same manner as it can assign other retirement payments to a former spouse.

## **How do I process a Qualified Domestic Relations Order (QDRO) from my Drop Account?**

Court documents should be mailed directly to:

Voya Retirement Insurance and Annuity Company  
P.O. Box 990063  
Hartford, CT 06199-0063

\*Please reference the Drop Plan Account Number: VFG492

Voya will provide the form that is required to process a QDRO to the participant and Alternate Payee (former spouse), as per the court document.

## **What if I am divorced, there is a domestic relations order in effect, and I want to elect to DROP?**

If you are eligible to make a DROP election, you are divorced, and your System pension is subject to a domestic relations order currently in effect, you are strongly advised to review the specific terms of the domestic relations order that is in effect. You may also want to seek assistance from your attorney. With respect to those DROP eligible members whose benefits are subject to a domestic relations order, if they elect to DROP the System plans to review such orders on a case by case basis to

determine if the order affects the amount of their DROP election or assigns all or part of their DROP account.

**Can I withdraw my defined contribution plan contributions (Annuity Savings Fund) in a lump sum, and still participate in the DROP program?**

Yes.

**Can I take a withdrawal from my Drop Plan Account while still employed as a police officer or fire fighter with the City?**

No.

**Can I request a Hardship Withdrawal from my Drop Plan Account?**

No.

**Can I find out more about how the DROP is invested?**

VOYA Life Insurance and Annuity Company, the designated administrator and investment provider for the DROP Plan will conduct thorough group and individual education sessions concerning all aspects of the DROP investment vehicle.

The decision is left to you whether to DROP. **You are urged to also consult with your personal financial advisor.**

**How can I get more information?**

Entering the DROP is a big decision. Once a decision is made to enter and approved, it is FINAL. Before entering the DROP you are encouraged to contact your Union representative with your questions about DROP procedures.

If you have questions about your DROP account and how it is invested, contact Drop Plan Representative:

Mark Woolhiser, at 734-207-8800

If you'd like to request a distribution and/or a rollover (once separated from service/retired), contact: Voya at 800-584-6001.

If you wish to update or change your Beneficiary Designation, contact: RSCD at 313-224-3362.

The DROP is a valuable benefit, but like anything, it does not meet everyone's needs in the same way. Before you elect to participate in the DROP, be sure of your rights and make careful plans for your future. It would be wise to consult with your own financial adviser concerning the choices that are most advantageous for your specific circumstances.