

**ADMINISTRATIVE RULES
for the
GENERAL EMPLOYEES'
DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

Adopted by the City of North Miami Beach General Employees' Retirement Committee: (Revised - 12/4/2014 - Ordinance 2013-15 and 2013-19)

1. PURPOSE

The purpose of these rules is to document a full and complete process for general employees to participate in the Deferred Retirement Option Plan (DROP) of the City of North Miami Beach Retirement Plan for General Employees (Plan). For anyone associated with the process, these rules are also intended to provide a detailed outline of the steps, time frames and rules regarding DROP and the processing of applications for DROP participation. **In the event of any discrepancy between the DROP ordinances and this set of administrative rules, the DROP ordinances will prevail.**

Ordinances 2006-6, 2013-15 and 2013-19 provide that the General Employees' Retirement Committee shall establish rules as are necessary and appropriate for the effective, efficient administration of the DROP.

2. ELIGIBILITY¹

To be eligible for DROP participation, a general employee must meet the following criteria:

- A. The employee must have (a) attained 20 years of credited service and reached age 55 as of 9/30/13; (b) reached age 62 as of 9/30/13, regardless of the number of years of service; (c) attained 25 years of credited service and reached age 60; or (d) attained 10 years of service and reached age 62.
- B. The employee must properly complete and deliver to the Pension Office, prior to the date of entry into DROP, the following forms:
 - Deferred Retirement Option Program (DROP) Application & Irrevocable Written Election Form.
 - Irrevocable Notice of Employment Termination.

1. Members of the IUPA bargaining unit are not eligible to participate in the DROP.

3. DURATION

- A. For those employees entering the DROP who had attained 20 years of credited service and had reached age 55 as of 9/30/13 and for those employees entering the DROP who had reached age 62 as of 9/30/13, total years of participation in the DROP cannot exceed five (5) years.
- B. If an employee is not eligible under the terms in the preceding paragraph (A), but is otherwise eligible to participate in the DROP, the total years of participation in the DROP cannot exceed three (3) years.

4. DESIGNATION OF BENEFICIARY

- A. Although not required for DROP participation, each employee will be encouraged to complete two additional designation of beneficiary forms at the time of application for entry into DROP. Each employee should complete these forms so that if the employee dies during the DROP period, the employee's designated beneficiary will receive the balance of the DROP account and a monthly benefit will be paid to the employee's selected beneficiary in the form desired by the employee.
- B. The employee will have the opportunity to designate a primary beneficiary or beneficiaries to receive the DROP account balance in the event death occurs before all money in the DROP account has been distributed. The employee may also designate a contingent beneficiary or beneficiaries to receive the DROP account should the primary beneficiary or beneficiaries predecease the DROP participant. A DROP participant will be permitted to change beneficiaries for the DROP account at any time prior to payment of the DROP account by filing a new Beneficiary Designation Form with the Pension Office.
- C. A designated beneficiary or beneficiaries will receive the DROP account balance only if the DROP participant dies before receiving the entire DROP account balance. Absent a beneficiary designation, or if no beneficiary survives the DROP participant, the DROP account balance remaining unpaid at the time of his/her death will be to the estate of the retiree.

5. BENEFIT ESTIMATE

Any employee who desires information concerning DROP – but is not yet prepared or eligible to participate may request a non-binding estimate from the pension office at no cost of his/her DROP benefit (monthly retirement benefit). This amount will be based on estimated credited service and final monthly compensation, determined as of the proposed DROP participation date. The calculation will produce an estimated amount that would be

credited to the employee's DROP account each month during the DROP period. It is understood, however, that the actual monthly DROP benefit will depend on a number of factors and may differ from the estimate provided. The employee should not rely upon such an estimate to make plans concerning retirement or financial commitments or needs.

6. ADDITIONAL PARTICIPATION REQUIREMENTS

Any general employee who desires to participate in DROP will be required to:

- A. Schedule an appointment for a meeting with the Pension office to be held no less than thirty (30) days prior to the intended DROP participation date. The meeting must be scheduled between the hours of 9:00 a.m. – 4:00 p.m. This will allow sufficient time for processing the DROP paperwork. The appointment is a condition of participating in DROP.
- B. File the following with the Pension Office during this appointment:
 - DROP Application / Irrevocable Written Election Form
 - Irrevocable Notice of Employment Termination
 - A written election as to which of the optional forms of retirement benefit the employee elects to receive
 - (Optional) – Beneficiary Designation for Accumulated DROP Benefits
 - Any other forms that may be deemed necessary to facilitate DROP participation
- C. Execute all forms and verify that the terms and conditions of DROP, as expressed in these administrative rules, are understood.

7. PENSION OFFICE RESPONSIBILITIES

During the appointment, the Pension Office will:

- A. Review the DROP provisions of the ordinance with the employee;
- B. Review the administrative rules with the employee;
- C. Respond to any questions the employee may have concerning the contents of the administrative rules; and
- D. Provide and review all forms that may be deemed necessary for participation in DROP

DROP participation will be effective thirty (30) days after receipt of all necessary and fully-executed forms on the first day of the following month, by the Pension Office, or the first day of a later month as elected by the employee.

Within a reasonable period of time following the execution of the forms, the Pension Office will:

- A. Calculate the amount of monthly retirement benefit to be credited to the DROP account during the DROP period, and will obtain verification from the Plan's Actuary as to the accuracy of such calculated amount;
- B. Notify the employee of the amount of monthly retirement benefit to be credited to his/her DROP account during the DROP period (after verified for accuracy);
- C. Make arrangements with the City's Payroll and/or Human Resources Departments to discontinue the employee's weekly Pension Plan contribution, effective on the DROP participation date; and provide the Human Resource Director with the original of the employee's irrevocable resignation letter; and
- D. Arrange for the employee's DROP account to be established.

8. GENERAL RULES

- A. **A general employee's election to participate in DROP is IRREVOCABLE.** Once an employee joins DROP, he/she will not be permitted to re-enter the Retirement Plan, unless a court of competent jurisdiction determines that the irrevocable election is not enforceable.
- B. A general employee electing to participate in the DROP program shall continue in active employment with the City of North Miami Beach, and shall not receive any monthly benefit payments until he/she terminates employment on or before the applicable maximum three (3) or five (5) years allowed, or an extended period as may be approved by the City Council pursuant to Sec. 6.14(18) of the Retirement Plan. Service earned after the effective date of DROP participation shall not be considered credited service for Plan purposes and will not, therefore, be considered in determining the amount of the DROP participant's monthly retirement payment.

Additionally, the general employee's final average monthly compensation will be frozen as of the date of entry into the DROP.

- C. The Pension Fund will establish, for bookkeeping purposes only, a separate DROP account for each DROP participant.
- D. There will be no payouts for accrued sick leave or for accrued vacation leave at the time the general employee enters the DROP.
- E. Upon entry in the DROP, the participant's contribution to the Plan will be discontinued.
- F. Credited service and final average compensation, for purposes of determining the amount of DROP benefit, will be frozen upon entry into the DROP.
- G. Cost-of-living increases to the participant's monthly benefit will start on the October 1 coincident with or next following one year after the participant's actual separation of service from the City as a general employee. Cost-of-living increases will be governed in all respects by Section 6.13 of the Retirement Plan. Any increases will apply only to the monthly retirement benefit payable after termination of employment and not to any amounts credited to or distributed from the participant's DROP account.
- H. The participant's DROP account will be updated annually. The interest rate is 3%, compounded monthly. This amount may be changed from time to time by the Retirement Committee.
- I. No DROP participant shall make any withdrawal from his/her DROP account until after termination of employment. Loans from the DROP account are not permitted.
- J. Should the DROP participant successfully challenge his or her irrevocable resignation and continue employment with the City beyond the applicable maximum number of years (three, five, or an extended period as may be determined by the City Council pursuant to Sec. 6.14(18) of the Retirement Plan) all DROP payments (and all earnings thereon) will be required to be returned to the Plan. In addition, the employee will be required to make contributions to the Plan in an amount sufficient to cover the employee and City contributions that would have been made,

plus interest as recommended by the Plan's actuary, had the general employee not elected DROP participation.

- K. After a general employee enters the DROP, he or she will *not* be entitled to receive a disability retirement benefit or a pre-retirement death benefit.
- L. If a participant dies prior to termination of employment or prior to receiving payment of all amounts in the DROP account, the funds in his/her DROP account shall be payable to a designated beneficiary, or, if none, to the participant's estate. Payment will be made in a lump sum.

9. DISTRIBUTIONS

- A. No amount will be distributed to a participant from his/her DROP account until after the separation from service.
- B. No amount will be distributed from a participant's DROP account following the participant's death until the effective date of the Plan's approval of such payment. The Plan will not approve payment until such time as it receives sufficient documentation of the DROP participant's death. (For example, a death certificate would be deemed "sufficient documentation".)
- C. Distributions from DROP accounts will be included in the recipient's taxable income for the year received and will be subject to all applicable tax withholding rules. To the extent permissible under federal tax laws, payment of a DROP account can be made in the following forms:
 - A lump sum distribution of the balance in the DROP account.
 - All or part of a lump sum distribution may be directly rolled over to an Individual Retirement Account (IRA) or to another eligible tax-qualified retirement plan that will accept rollovers.
- D. Upon a DROP participant's separation from service, she/he must notify the Pension Office within sixty (60) days from separation of service as to the method of distribution that the DROP participant chooses. In the absence of notification within sixty days, the DROP money will be paid in a lump sum to the DROP participant, with appropriate withholdings.

- E. All DROP monies will be distributed no later than sixty (60) days following the latest of the following dates:
- The date the Pension Office receives notification of the DROP participant's selection as to the distribution
 - The date the participant separates from service
 - The date the Pension Office receives notification of the death of the participant

The administrative rules outlined above were adopted by the General Employees' Retirement Committee at their meeting of **December 8, 2015** and are effective immediately.

Signature of DROP Participant

Dated: