

**ADMINISTRATIVE RULES
for the
POLICE OFFICERS'
DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

**Adopted by the City of North Miami Beach
Police & Fire Retirement Committee: [March 2004]**

1. PURPOSE

The purpose of these rules is to document a full and complete process for police officers to participate in the Deferred Retirement Option Plan (DROP) of the City of North Miami Beach Retirement Plan for Police Officers & Firefighters (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 ordinance or this set of administrative rules, the DROP ordinance will prevail.**

Ordinance 2002-28 and 2008-3 provides that the Police & Fire Retirement Committee shall establish rules as are necessary and appropriate for the effective, efficient administration of the DROP.

2. ELIGIBILITY

To be eligible for DROP participation, a police officer must meet the following criteria:

- A.** The officer (a) must have attained 20 years of credited service, or (b) must have reached age 52 with 15 years of credited service. Total years of participation in the DROP cannot exceed eight (8) years unless extended by City Council pursuant to Sec. 601A(s) of the Retirement Plan.
- B.** The officer 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.
- 3.** Although not required for DROP participation, each officer will be encouraged to complete two additional forms at the time of application for entry into DROP. Each officer should complete these forms so that if the officer dies during the DROP period, the officer's designated beneficiary will receive the balance of the DROP account and a monthly benefit will be paid to the officer's selected beneficiary in the form desired by the officer.
 - A.** The officer 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 police officer 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.

- B.** 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.
- 4.** Any police officer who desires information concerning DROP – but it not yet prepared or eligible to participate may request a non-binding estimate 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 officer'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.
- 5.** Any police officer who desires to participate in DROP will be required to:
- A.** Schedule an appointment with the Pension Office to file the following:
 - DROP Application / Irrevocable Written Election Form
 - Irrevocable Notice of Employment Termination
 - (Optional) - A written election as to which of the optional forms of retirement benefit the officer elects to receive.
 - (Optional) – Beneficiary Designation for Accumulated DROP Benefits
 - Any other forms that may be deemed necessary to facilitate DROP participation
 - B.** The meeting must be held no later then thirty (30) days prior to the intended DROP participation date. This will allow sufficient time for processing the DROP paperwork. The appointment is a condition of participating in DROP. It must be scheduled between the hours of 7:00 a.m. – 4:00 p.m. Monday through Thursday.
- 6.** During the appointment, the Pension Office will:
- A.** Review the DROP provisions of the ordinance with the police officer;
 - B.** Review the administrative rules with the police officer;
 - C.** Respond to any questions the police officer 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

7. A police officer who elects to participate in DROP must execute all forms and verify that the terms and conditions of DROP, as expressed in these administrative rules, are understood.
8. DROP participation will be effective on the first day of the month following receipt, by the Pension Office, of all necessary and fully-executed forms or the first day of a later month as elected by the officer.
9. 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 police officer 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 officer's weekly Pension Plan contribution, effective on the DROP participation date; and
 - D. Arrange for the police officer's DROP account to be established.

10. **GENERAL RULES**

- A. **A police officer's election to participate in DROP is IRREVOCABLE.** Once an officer 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 police officer 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 maximum eight (8) years allowed, or an extended period as may be approved by the City Council pursuant to Sec. 601A(s) 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 police officer'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 no payouts for accrued sick leave or for accrued vacation leave at the time the police officer enters the DROP (except as may be required to finance Internal Revenue Service approved buy-backs of credited service). At the police officer's option, payouts for all or a portion of the officer's pensionable accrued compensatory leave time may be paid to the participant at the time the participant enters the DROP. If such payments are

requested, they will be included in the police officer's final average monthly compensation for pension purposes.

- E. The DROP 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 three years after the participant's actual separation of service from the City as a police officer. Cost-of-living increases will be governed in all respects by Section 6.01(c) 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 credited annually, with the actuarially assumed interest assumption at the actuarially assumed rate of return used in the annual valuation of the Plan. This interest rate is not guaranteed and 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 maximum eight (8) years or an extended period as may be determined by the City Council pursuant to Sec. 601A(s) of the Retirement Plan, all DROP payments (and all earnings thereon) will be required to be returned to the Plan. In addition, the officer 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 police officer not elected DROP participation.
- K. After a police officer enters the DROP, he or she will *not* be entitled to receive a disability retirement 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.

11. 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 Board approval of such payment. The Board 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 thirty (30) days from separation of service as to the method of distribution that the DROP participant chooses. In the absence of notification within thirty 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 Police Officers' & Firefighters' Retirement Committee at their meeting of April 22, 2004 and are effective immediately.

SGT. Mo Asim
Chairman

Signature of DROP Participant

Dated: