

**MIRAMAR FIREFIGHTERS PENSION PLAN**

**STATEMENT OF POLICY REGARDING  
DEFERRED RETIREMENT OPTION PLAN ("DROP")**

WHEREAS, the Miramar Firefighters' Retirement Plan ("Plan") provides for Deferred Retirement Option Plan ("DROP") benefits;

WHEREAS, the Board of Trustees of the Plan ("Trustees") desire to adopt a Statement of Policy regarding the operation of the DROP;

NOW, THEREFORE, it is hereby resolved that the following Statement of Policy Regarding DROP is hereby adopted.

**I. Eligibility.**

- A. Any active member of the Retirement System may participate in the DROP upon becoming eligible for an unreduced service retirement.
- B. The maximum DROP participation period shall be five (5) years commencing at the earliest date of eligibility. The available DROP participation period shall decline by one month until the expiration of a sixty (60) month period beginning at eligibility date.

**II. Election to Participate.**

- A. A member electing DROP participation shall execute such forms as the Board of Trustees shall require. The DROP election shall be effective on the first day of the month following the date of election. Applications must be filed with the

Board not less than five (5) business days prior to the effective date.

**III. Limitations on Participation.**

- A. **The Ordinance** provides that the DROP election shall be irrevocable following deposit of the first payment into the member's account. **Due to payroll processing (including payment of the pensionable unused accrued leave), benefit calculation time, and required cessation of the employee contributions, the deposit of the first payment will be considered made on the member's elected effective date and, therefore, irrevocable on the effective date even if the first payment is made sometime later.**
- B. A member may participate in the DROP only once. After DROP participation commences, a member may not rejoin the Retirement System as an active member nor shall the member be eligible to receive disability or pre-retirement death benefits from the System.
- C. A member shall continue to receive all other benefits guaranteed active members under any collective bargaining agreement or applicable City policy, unless otherwise addressed in this plan.

**IV. Contributions.**

- A. Upon DROP commencement, the member contributions shall be reduced to one-half the then prevailing rate and shall be matched by the City. Said contributions will be credited to each individual member's DROP account.

**V. Benefit Calculation.**

- A. Upon commencement of DROP participation, a member's active participation in the System shall cease. The normal service retirement shall be calculated using the member's average of compensation and credited service as of the date of DROP participation. No further service shall be credited to a member. Members in the DROP are eligible for the cost-of-living (COLA) adjustment and monthly subsidy.
- B. Accrual of vacation, holiday, personal and sick leave will continue during DROP participation in accordance with the collective bargaining agreement or applicable City policy.

**VI. Payments to the DROP Account.**

- A. Upon DROP commencement, the member shall have the option to have the City pay a lump-sum contribution of the member's unused vacation, compensatory, personal and sick leave into the individual member's DROP account, as per the guidelines in the collective bargaining agreement or choose to receive said payout at DROP termination. Once a member elects such a pay out at DROP commencement he forfeits his/her rights to any future payouts of unused vacation, personal, or sick leave at the termination of DROP.
- B. Payments shall be made monthly to a member's DROP account in the amount which would be paid had the member separated from the City and commenced normal retirement.

**VII. DROP Earnings**

- A. Vested participants retired before October 1, 2012 shall make an irrevocable

election as to how his/her contributions will be credited with earnings at time of application to enter the DROP. Members have the option to select between two (2) methods to credit investment earnings to their account.

1. A variable interest rate equal to the fund's actual investment return, net of investment expenses, subject to costs, fees and expenses of administration of the share accounts, which shall be debited from the individual accounts on a proportionate basis in accordance with the procedure developed by the Board of Trustees.
  2. A fixed annual rate that is equal to the then prevailing actuarial assumption rate minus one hundred fifty (150) basis points.
- B. Vested participants retired on or after October 1, 2012 will earn a variable interest rate equal to the Fund's actual investment return, with a floor of 0% and an annual ceiling of 8%, net of investment expenses.
1. Interest shall be credited at a maximum of 1.9427% per quarter.
  2. The credited rate for the quarter will be determined by looking at the past one year rolling return divided by 4.118. If the rate exceeds 8%, the actual rate credited for the quarter will be divided by 4.118. If the return is less than 0%, the rate will be 0%.
- C. No interest shall be paid on any DROP account after termination of DROP eligibility. No member shall receive DROP payment until actually separated from the City.
- D. There shall be no fee charged for DROP administration.

**XIII. DROP Payout.**

- A. Upon termination of employment for any reason, DROP participation shall cease and any future retirement benefits shall be paid directly to the member, or in the case of death to the designated beneficiary.
- B. Payment shall be made from the DROP account no earlier than thirty (30) days after the separation from the City. Payment shall be made in accordance with the DROP & Share Distributions Policy.
- C. The Board of Trustees may accelerate or alter any payment schedule as may be required to comply with the provisions of IRC Sections 401(a)(9) and 415.
- D. No DROP payment may be made in a manner inconsistent with state or federal law.

**IX. Promotions.**

- A. Members shall be eligible for promotion during DROP participation; provided, however, that no such promotion shall affect the benefit rate calculated upon DROP commencement.

**X. Death/Disability During DROP.**

- A. Should a member die during DROP participation, the DROP account proceeds shall be distributed to the named beneficiary in a lump-sum amount and the member's retirement benefit shall be distributed to the named beneficiary as if the member had retired on the day the member entered the DROP. If no beneficiary is named or alive, the DROP account proceeds shall be deemed

as part of the member's estate as if he/she had retired on the day prior to death.

- B. Should a member become disabled during DROP participation, the member's DROP participation shall cease and said member shall be entitled to DROP proceeds and begin receiving his retirement benefit as outlined within this program.

**XI. Benefit Amounts Not Guaranteed.**

- A. All benefits payable under this DROP program shall be paid solely from DROP assets. Neither the City nor the Board of Trustees shall have any duty to pay the member, except as set forth in this program. No rate of return on DROP assets is guaranteed and by their participation, members consent to the terms of this program and discharge the City and Board of Trustees from any and all liability, except as set forth in this program.

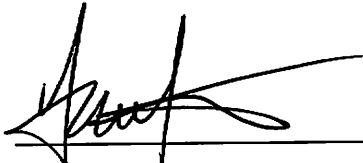
IN WITNESS WHERE OF the Board of Trustees has adopted this STATEMENT OF POLICY REGARDING DEFERRED RETIREMENT OPTION PLAN ("DROP") this 23<sup>rd</sup> day of September, 2019.

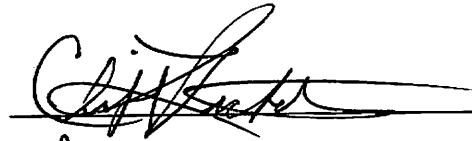
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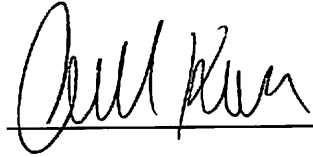
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Chairman

  
Secretary

 (plan Administrator)

Witnessed by: \_\_\_\_\_