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*Deferred Retirement Option Plan (DROP) Procedures*

**City of Boca Raton  
Police & Firefighters' Retirement System**

*Adopted: June 17, 1992*

*Last Amended: May 25, 2021*

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Pursuant to the authority granted to the Board of Trustees by Section 12-151(7) of the Boca Raton Code, the Board of Trustees (Board) of the Boca Raton Police & Firefighters' Retirement System (System) hereby adopts the Deferred Retirement Option Plan for Police Officers and Firefighters, hereinafter referred to as "DROP", as follows:

**1. Eligibility**

A member of the System may enter into the DROP on the first day of any month following the completion of twenty (20) years of continuous service or attainment of age 55 and completion of ten (10) years of continuous service.

**2. Written Election**

A member electing to participate in the DROP must complete and execute the proper forms, including benefit election, choice of regular or self-directed DROP, irrevocable resignation from covered city employment, and a current designation of beneficiary. Such forms must be completed in the pension office (at which audio and video recordings of the process may be made and preserved in the Retirement System's records) at least 45 days prior to the requested DROP entry date. If the member is unable to be physically present the meeting will be held by recorded communications media technology. Entry into the DROP is irrevocable once DROP credits begin. Participation in the DROP is a one-time irrevocable election. However, if a member's marital status changes while in the DROP, under certain conditions a one-time only change to the member's benefit option with the commensurate change in benefit amounts may be elected during DROP participation.

**3. Disqualification for Other Benefits**

After commencement of participation, the member shall not be eligible for disability or pre-retirement death benefits unless allowed to re-enter the System as a contributing member.

**4. Cessation of Contributions**

Upon determining a last date of service, which must be after normal retirement eligibility and be the last day of a pay period, a member's participation in the DROP will commence the first of the following month. The deduction or pickup of the member's contributions will be discontinued by the City and the actuary will be so notified so that the member's continued service as an employee will not be regarded in determining the normal cost of the Retirement System.

**5. Benefit Calculation**

For all System purposes, the average monthly earnings and continuous service of a member participating in the DROP shall remain as they existed on the effective date of commencement of participation in the DROP. Service, earnings or increases in earnings while employed and in the DROP shall not be recognized by the System or used for the calculation or determination of any benefits payable by the System. The monthly retirement benefits, including any future cost of living increases, shall be credited to the member's DROP account.

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## 6. **DROP Options**

Upon electing to participate in the DROP, a member must choose one of the options set forth in paragraphs (a) and (b) below.

(a) **Regular DROP.** The member's DROP account is credited or debited with the same net return as the System's investment portfolio. The member shall receive quarterly statements from the System.

(b) **Self-Directed DROP.** The member's DROP account is invested as directed by the member in one or more investment options determined and monitored by the Board as recommended by the System's Investment Consultant. The rate of investment return earned on the member's account is the actual rate of return realized by the member's designated options. The investments are held by a third-party company but remain the assets of the System. The member shall receive quarterly statements directly from the third-party company. At the time of final separation, the member will be required to transfer these funds to another qualified account including the Regular DROP prior to disbursement to the member.

(c) **Option Change.** After making the initial selection, a member may elect two changes at any time during active DROP participation. Members may request a change at any time except for during the months of August and September. The transfer will occur within 60 days of receiving the member's request in the pension office.

## 7. **Account Earnings**

Investment earnings are applied to the member's account as follows:

(a) **Regular DROP.** The member's DROP account shall be credited or debited with an amount calculated based on the rate equal to the actual net rate of investment return realized by the System each month applied to the member's average daily balance. Exhibit A demonstrates the calculation of monthly DROP earnings.

(b) **Self-Directed DROP.** The Plan does not administer, nor is responsible for determining returns on the self-directed DROP.

## 8. **Administrative Expenses**

To compensate the System for the expenses of administering and operating the DROP, each member's account shall be charged a monthly administrative fee based on the System's administrative and investment expenses which shall be reviewed and is subject to increase or decrease annually. The administrative expense charged to members participating in the regular DROP is calculated on the member's average daily balance monthly. Exhibit A demonstrates the calculation of the monthly administrative fee expense. The administrative expense charged to members participating in the self-directed DROP is the same administrative rate charged to the participants in the regular DROP minus the investment expense component.

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## 9. Payout

(a) Upon the termination of a member's employment (for any reason, whether by retirement, resignation, discharge, disability or death) on or before the expiration of the member's maximum DROP participation period, the retirement benefits payable to the member or to the member's beneficiary (if the member selected an optional form of retirement benefit which provides for payments to the beneficiary) shall be paid to the member or beneficiary and shall no longer be paid to the member's DROP account.

(b) After termination of a member's employment, on or before the expiration of the member's maximum DROP participation period, DROP balances in the Regular DROP remain in the System until withdrawal is requested by the member. The balances in the member's DROP account shall be payable at the member's option within 45 days after Board approval. The withdrawal may be a direct payment to the member; a rollover into another IRS qualified plan; or a combination of the two. Direct payments other than rollovers, are subject to federal income tax withholding.

(c) Upon separation from employment on or before the expiration of the member's maximum DROP participation period, funds in the self-directed accounts must be transferred back into the System within 45 days of separation for distributions or rollover to another eligible plan, including the Regular DROP. If the member does not make the transfer by the 45 day deadline, the System will transfer the full self-directed account balance into the Regular DROP while awaiting instructions from the member. A withdrawal from the self-directed accounts is not processed until the funds are received from the third-party company and is non-interest bearing during the processing period.

(d) Withdrawal options are as follows:

- i. At the time of separation from employment, the member may elect a full or partial withdrawal of the DROP balance. This withdrawal does not count towards the quarterly withdrawal limitation. (Section iii below).
- ii. Single partial payment which can be elected within 30 days of separation of service date.
- iii. A partial withdrawal of the DROP balance quarterly (January 15<sup>th</sup>, March 15<sup>th</sup>, June 15<sup>th</sup>, & September 15<sup>th</sup>).
  - a. equal monthly installments may be requested the amount of which may be changed quarterly.
- iv. Annual one time request for payment, which can be elected only once in a calendar year.
- v. To ensure timely processing the pension office must receive withdrawal requests no later than the 15<sup>th</sup> of the quarter month. Withdrawal requests will occur within 60 days of the submittal deadline after Board approval.
- vi. After the termination of a member's employment, a full single lump sum withdrawal of the remaining balance of the DROP account may be requested by a member at any time.
- vii. Balances in a member's account after deduction of installment payments shall continue to be credited or debited with account earnings and charged with expenses until the entire balance is paid out.

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## 10. **DROP Participation Period**

Participation in the DROP will commence on the first day of the month following the Board's approval of the member's entry into the DROP and will cease upon the earlier of the following:

- a. The termination of a member's employment
- b. The end of the 84<sup>th</sup> month of DROP participation
- c. The end of the 60<sup>th</sup> month for current Police DROP participants as of May 25, 2021 who did not, by written form, elect to extend their DROP participation

## 11. **Continued Employment after DROP Participation**

If the City permits a member to remain in City employment covered by the System after participating in the DROP for seven years, beginning with the member's 85<sup>th</sup> month of DROP participation, the member's DROP account will no longer be credited or debited with earnings. The balance in the member's DROP account will be transferred to an account held by the Retirement System's Custodian trust company. There will be no benefit payments from the System and all DROP account activity, including the posting of investment return, will cease while the member remains employed. Once the member terminates employment or dies, the member's (or any survivor annuitant's) benefit payments will begin and the "frozen" DROP account balance, with no further credits or debits for earnings, must be distributed to the member, rolled over, or a combination of both, as the member so chooses unless the member began post-DROP continued employment before September 30, 2020, in which case section 9, above, shall apply as though the member terminated employment on or before the expiration of the member's maximum DROP participation date.

## 12. **Death Payments**

If a DROP member dies before his or her account balances are paid out in full, the participant member's designated beneficiary shall have the same rights as the member to elect and receive the payout options set forth in paragraph 9 above. DROP payments to a beneficiary shall be in addition to any retirement benefits payable to the beneficiary under any optional form of retirement benefits elected by the member. Members who are or have been DROP participants are not eligible for pre-retirement death or disability benefits.

## 13. **Delegation**

The Board of Trustees delegates to the Pension Manager or her designee the authority to enroll members in the DROP, commence credits to their DROP accounts, and request the City to discontinue member contributions, with Board of Trustees approval no later than the next regular meeting thereafter.

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**14. Amendments**

The Board can amend these DROP procedures at any time. Such amendments shall be consistent with the provisions covering the DROP as set forth in the police and firefighters' collective bargaining agreements, the City of Boca Raton Code of Ordinances, the Florida Statutes and the Internal Revenue Service Rules and Regulations. Such amendments shall be binding upon all future DROP participants and upon all DROP participants who have balances in their account. Such amendments may increase the expenses, decrease the account earnings or limit or restrict the Payout options.

  
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Chairman

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**EXHIBIT A**

**EXAMPLE OF MONTHLY DROP ACCOUNT ACTIVITY**

**Assumptions:**

DROP Account Balance on April 1: \$25,000  
Monthly deposit on the 30<sup>th</sup>: \$5,000 (Generally one of the last two days of the month)  
Net investment return for the Month (April 1, 2021): 3.00% (rate used is plan's actual return)  
Monthly administrative fee: .0644% (Administrative plus investment expenses divided by average net assets)

**Calculations:**

The monthly earnings and administrative fee is calculated based on the average daily account balance for the month.

The Average Daily Balance:

(25,000 x 29 days outstanding) / 30 days in month in April =	\$24,166.67
(\$25,000 + \$5,000 deposit = \$30,000 x 1 days outstanding) / 30 days =	<u>\$1,000.00</u>
Average Daily Balance for the Month	<u>\$25,166.67</u>

Calculation of Earnings

\$25,166.67 Average Balance x 3.00% Monthly earnings rate = \$755.00 Earnings

Calculation of Administrative Fee

\$25,166.67 Average Balance x .0644% Monthly admin rate = \$16.21 Fee

DROP Account Balance on April 30,:

Beginning Balance	\$25,000.00
Add: Monthly Deposit	\$ 5,000.00
Add: Earnings	\$ 755.00
Less: Administrative Fee (determined annually)	<u>(\$ 16.21)</u>
Balance at End of Month	<u>\$30,738.79</u>

DROP activity is calculated monthly and DROP statements are distributed quarterly.

***THE ABOVE EXAMPLE IS FOR DEMONSTRATION PURPOSES ONLY AND IS NO INDICATION OR GUARANTEE OF INVESTMENT PERFORMANCE.***