

CITY OF BOCA RATON

General Employees' Pension Plan

DEFERRED RETIREMENT OPTION PLAN (DROP) POLICY

Pursuant to the authority granted to the Board of Trustees by Sections 12-87(15) and 12-105 of the Boca Raton Code, the Board of Trustees of the General Employees' Pension Plan hereby adopts the rules for the Deferred Retirement Option Plan for General Employees, hereinafter referred to as "DROP", as follows:

1. Eligibility

On or after October 1, 2004 a member of the Plan, who is actively employed by the City of Boca Raton, may enter into the DROP on the first day of any month following the attainment of age fifty-five (55) and completion of twenty (20) years of continuous service, the attainment of age fifty-three (53) with at least 30 years of continuous service age 50, or with a reduced benefit at age fifty (50) and completion of twenty (20) years of continuous service.

2. Written Election

On or after October 1, 2004 a member electing to participate in the DROP must complete and execute the proper forms provided by the Plan administrator. In addition, the member must sign the City's irrevocable and unconditional letter of resignation, which will be immediately effective. The resignation letter must specify termination of employment and participation in the DROP no later than the end of the 60th month after commencement of DROP participation. Such forms must be submitted to the Pension Administrator at least 45 days prior to the date upon which the Board will meet to consider the written DROP Election. Election in the DROP is irrevocable once DROP payments begin.

3. Limitation and Disqualification for Other Benefits and Serving as a Trustee

A member may participate in the DROP only once. After commencement of participation, the employee shall not have the right to be a contributing member of the Pension Plan and shall not be eligible for disability or actively employed death benefits. No member will be allowed to serve or continue to serve as an elected Trustee on the Pension Board following commencement of DROP participation.

4. Cessation of Contributions

Upon the date of a member's commencement of participation in the DROP, the member's contributions and the City's contribution will be discontinued.

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5. **Benefit Calculation**

For all Pension Plan purposes, on the date the member enters the DROP, the member will be considered to have retired. The member will not accrue any additional continuous service or any additional benefits under the plan. Service, earnings or increases in earnings thereafter shall not be recognized by the Plan or used for the calculation or determination of any benefits payable by the Plan.

6. **Payments to DROP Account**

The monthly retirement benefits, including any future cost of living increases if provided by the Council, that would have been payable had the member elected to cease employment and receive a retirement benefit shall be paid into the member's DROP account during the member's DROP participation period (see Item 8 below).

7. **DROP Account Earnings**

At the end of each month, the average daily balance in a member's DROP account shall be credited or debited with an amount equal to the actual overall net return on pension fund investments realized by the Plan for that month. "Net return on pension fund investments" for the purpose of this paragraph is the total return on all such investments. An example of how earnings are calculated is attached hereto as Exhibit A.

Alternatively, a member may elect to have his/her DROP account credited with earnings under a "safe-harbor" investment option. If this option is elected, earnings will be posted monthly at a rate that is equal to 1/12th of the lesser of the Fed Funds Target Rate or the Assumed Actuarial Rate as they are in effect on the last day of each month. An example is attached hereto as Exhibit B.

A member's DROP account shall only be credited or debited with earnings for the period of time the member is a participant in the DROP.

8. **DROP Participation Period**

On or after October 1, 2004 participation in the DROP will commence on the first day of the month following acceptance of the application by the Pension Board and will cease upon the earlier of the following:

- a. The termination of a member's employment (for any reason)
- b. The end of the 60th month of DROP participation

9. **Payout**

When DROP participation ceases, 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.

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The balance in the DROP account will be distributed, in a cash lump sum, within thirty days, or as soon as practicable thereafter, to the member, if living. If the member is deceased, the DROP account balance will be distributed to the member's beneficiary or, if there is no named, living beneficiary, the member's estate.

In lieu of a payment directly to the member, all or a portion of an eligible distribution may be paid to a qualified entity (Individual Retirement Account, another qualified pension plan, 457 Deferred Compensation Plan, etc.) via a direct trustee-to-trustee rollover.

All payments or distributions made by this plan, are subject to the applicable rules and regulations of the Internal Revenue Code.

10. Amendment

The Board of Trustees can amend these DROP policies at any time. Such amendments shall be consistent with the provisions covering the DROP as set forth in Section 12-105 of the Boca Raton Code and shall be binding upon existing and all future DROP participants.

This policy was originally adopted by the Board of Trustees on December 12, 2001 and last amended on January 13, 2005.

IN THE EVENT OF A CONFLICT BETWEEN THESE POLICIES AND THE PROVISIONS OF THE CODE OF ORDINANCES, THE PROVISIONS OF THE CODE SHALL CONTROL. ALL MEMBERS SHOULD REFER TO CHAPTER 12, CODE OF ORDINANCES, FOR A FULL EXPLANATION OF THE RULES PERTAINING TO DROP ELIGIBILITY AND PARTICIPATION.

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EXHIBIT A

EXAMPLE OF QUARTERLY DROP ACCOUNT ACTIVITY
USING THE OVERALL NET RETURN OF THE PENSION FUND

Assumptions:

DROP Account Balance on January 1: \$25,000

Monthly DROP Deposits (on 1st day of month): \$1,500

Note:

Negative rates and returns (losses) are shown in parenthesis ()

Example:

January 1 balance: \$25,000.00 + \$1,500.00 = \$26,500.00

January return: 1.0%

January earnings (losses): \$26,500.00 x .01 = \$265.00

January 31 balance: \$26,765.00

February 1 balance: \$26,765.00 + \$1,500.00 = \$28,265.00

February return: (.75)%

February earnings (losses): \$28,265.00 x (.0075) = (\$211.99)

February 28 balance: \$28,053.01

March 1 balance: \$28,053.01 + \$1,500.00 = \$29,553.01

March return: .95%

March earnings (losses): \$29,553.01 x .0095 = \$280.75

March 31 balance: 29,833.76

THE ABOVE EXAMPLE IS FOR DEMONSTRATION PURPOSES ONLY AND IS NO INDICATION OR GUARANTEE OF THE AMOUNT OF YOUR PENSION BENEFIT OR THE FUND'S ACTUAL INVESTMENT PERFORMANCE.

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EXHIBIT B

EXAMPLE OF QUARTERLY DROP ACCOUNT ACTIVITY
UNDER THE SAFE-HARBOR INVESTMENT OPTION

Assumptions:

DROP Account Balance on January 1: \$25,000

Monthly DROP Deposits (on 1st day of month): \$1,500

Rate is equal to annual Fed Funds Target (FFT) Rate capped at 8.0%

Example:

January 1 balance: \$25,000.00 + \$1,500.00 = \$26,500.00

FFT Rate: 1.25%

January earnings: \$26,500.00 x (.0125/12) = \$27.60

January 31 balance: \$26,527.60

February 1 balance: \$26,527.60 + \$1,500.00 = \$28,027.60

FFT Rate: 2.0%

February earnings: \$28,027.60 x (.02/12) = \$46.71

February 28 balance: \$28,074.31

March 1 balance: \$28,074.31 + \$1,500.00 = \$29,574.31

FFT Rate: 2.25% (cap is 8.0%)

March earnings: \$29,574.31 x (.0225/12) = \$55.45

March 31 balance: 29,629.76

THE ABOVE EXAMPLE IS FOR DEMONSTRATION PURPOSES ONLY AND IS NO INDICATION OR GUARANTEE OF THE AMOUNT OF YOUR PENSION BENEFIT OR THE RATE AT WHICH EARNINGS WILL BE POSTED.