# POLICE OFFICERS' RETIREMENT SYSTEM
# 2016

# SUMMARY PLAN DESCRIPTION
# City of Hollywood, Florida

**Including the Reformed Planned Retirement Benefit Option, Deferred Retirement Option Plan and Share Plan Information**

## INTRODUCING YOUR RETIREMENT SYSTEM

The Police Officers' Retirement System of the City of Hollywood, Florida (the "System") plays an important role in your future by working with Social Security and your personal savings to help provide you with a lifetime of income once you retire. You and the City of Hollywood, Florida (the "City") share in the cost of the Retirement System. The System uses a formula to determine the benefit to be paid to you at retirement. The Board of Trustees, which consists of seven members, supervises, administers and manages the System.

On the following pages you will find valuable information describing the main features of the System, including:

- When you qualify for retirement,
- How your pension is calculated and how it can be paid,
- How your spouse or other beneficiary is protected in the event of your death, and
- Additional information that will help you plan ahead.

This summary plan description explains how the Retirement System works and what it can mean to you in your overall financial planning. Please read these materials carefully and share them with your family.

This is a summary plan description of the Police Officers' Retirement System of the City of Hollywood, Florida. It highlights the main provisions of the System but is subject to the terms of the official documents or contracts, which may be modified from time to time. As much as possible, this brochure has been written in non-technical terms, avoiding the formal language of the retirement laws and rules. If questions of interpretation arise as a result of the attempt to make the retirement provisions easy to understand, Title III "Administration," Chapter 33, "City Employees," Section 33.125 through Section 33.138, "Police Officer's Retirement System," of the City of Hollywood Code of Ordinances is the final authority and shall prevail in the event of a conflict. This description of your Retirement System is not an employment contract or any type of employment guarantee and is not a guarantee of benefits. The City reserves the right to change or terminate the System and/or contributions and change available benefits in accordance with applicable law.

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# ELIGIBILITY AND MEMBERSHIP

## *Who Is Eligible*

You are eligible for membership in the Retirement System (the "System") if you are an active employee, at least 18 years of age, who has passed all required medical examinations and other requirements of the City. You are eligible for the System after you have completed the academy.

> ***What is a Police Officer?***
> Any person who is appointed or employed full-time by the City who is certified or required to be certified as a law enforcement officer, and who is vested with authority to bear arms and make arrests, and whose primary responsibility is the prevention and detection of crime or the enforcement of the penal, criminal, traffic or highway laws of the State. This definition includes all certified supervisory and command personnel whose duties include, in whole or in part, the supervision, training, guidance and management responsibilities of full-time law enforcement officers, part-time law enforcement officers or auxiliary law enforcement officers, but does not include part-time law enforcement officers or auxiliary law enforcement officers.

## *When Membership Begins*

Your membership becomes effective upon completion of the academy. Previously you became a System member after completing one-year probationary period of employment.

> ***Did you know?***
> If you are a current probationary officer you will become a member of the System immediately and begin making contributions to the System of 8% of your earnings on your pay date of October 30, 2015 (1st full pay period after October 7, 2015). Probationary officers will receive credited service with the System for all periods they make employee contributions. You will be allowed to buy back your time in the academy or your probationary period prior to this change. To purchase credit, you will simply contribute a percentage of your earnings for your probationary time, plus interest as determined by the Board of Trustees (the "Board"). You have until the date you retire to make this election and the required contribution.

## *Who Pays the Cost*

You and the City share in the cost of your Retirement System. You must contribute a percentage of your annual earnings in order to receive benefits under the System as follows:

Prior to 10/1/06 – 8.0% of earnings
Effective 10/1/06 – 8.5% of earnings
Effective 10/1/09 – 9.0% of earnings
Effective 10/1/10 – 9.25% of earnings
Effective 10/1/11 – 9.5% of earnings
Effective 5/1/13 – 8.0% of earnings

If you elect Option 2 of the Reformed Planned Retirement Benefit (see section titled "The Reformed Planned Retirement Benefit (RPRB)") you will contribute 0.5% of earnings while participating in the RPRB.

After completion of 27 years of continuous service, you will contribute only 0.5% of your earnings whether or not you elect Option 2 of the RPRB.

> ***What is continuous service?***
> Any period during which you are employed by the City as a Police Officer, measured from your date of hire to your date of termination of employment (to the nearest full month). Continuous service is not interrupted by authorized leaves of absence, vacation, suspension or specific military service or disability leave as described in the official plan documents.

### *How to Participate*

Although participation in the System is mandatory, there are specific actions required of you to begin your full membership, such as having a physical examination conducted by the Pension Board's approved physician. In addition, you must complete a beneficiary designation form.

### *How You Become Vested*

If you leave employment with the City, either voluntarily or by discharge, before qualifying for retirement, you may still be entitled to a benefit under the System. You will be eligible for a vested pension benefit if you have completed 10 or more years of continuous service.

- If you have less than 10 years of continuous service, you will receive a refund of your contributions without interest.
- If you have 10 or more years of continuous service, you will receive 1) or 2):

    1) Your pension benefit accrued to the date of your termination, payable for life. If as of September 30, 2011 you had 10 or more years of service you can begin receiving your benefit as early as age 50. If you have less than 10 years of service as of September 30, 2011, you can elect to receive the frozen portion of your accrued benefit calculated as of September 30, 2011 when you reach age 50. The remaining portion of your accrued benefit for service earned after September 30, 2011 will not be paid until you reach the new normal retirement age of 55.
    2) A refund of your contributions, plus 3% interest compounded annually.

> ***What is vesting?***
> The process of acquiring a nonforfeitable right to the value of your pension benefit. You become fully vested in your System benefit after 10 years of continuous service with the City.

## HOW THE SYSTEM WORKS

When you qualify for a System benefit, your pension will be figured from the pension benefit formula explained below. Normally, the benefit payment will be in the form of a 10-year certain and life annuity. This payment form guarantees at least 120 payments (10 years of full payments) to you and/or your beneficiary with a 50% annuity guaranteed to your spouse, if any, after your death or the 10-year certain period, whichever is later. Special rules apply if you are on a disability pension. See section titled "If You Become Disabled" for more details. You also may be able to elect an alternative payment option. For more details on alternative payments, see section titled "Optional Forms of Payment."

### *Normal Retirement*

You are eligible for basic pension benefits beginning the month coincident with or next following the month after you reach your normal retirement date.

Any member with <u>10 or more years of service as of September 30, 2011</u> is eligible to commence pension benefits when they:

- Reach age 50, or
- Complete 22 years of continuous service.

A member with <u>less than 10 years of service as of September 30, 2011</u> may retire upon:

- Reaching age 55 with 10 years of continuous service, or
- Complete 25 years of continuous service

### Benefit if Eligible to Retire on September 30, 2011

If you were eligible to enter the DROP or retire (that is, age 50, or any age with 22 or more years of service) as of September 30, 2011, you will receive a monthly benefit based on the following formula.

***3% of average monthly earnings X years of continuous service up to 20 years***
***PLUS***
***4% of average monthly earnings X years of additional continuous service***

This benefit cannot exceed 80% of your average monthly earnings or your accrued benefit as of June 7, 2006, whichever is greater.

Upon the completion of 22 years of continuous service, you will receive a monthly benefit of 80% of your average monthly earnings. The maximum Normal Retirement benefit payable is 80% of your average monthly earnings.

## Benefit if <u>Not</u> Eligible to Retire on September 30, 2011

If you were not eligible to retire on September 30, 2011, you will receive a monthly benefit based on the sum of your frozen accrued benefit as of that date plus a benefit for your service on and after October 1, 2011.

<u>Frozen Accrued Benefit as of September 30, 2011</u>

> Your frozen accrued benefit as of September 30, 2011 will equal your best three year average monthly earnings as of that date times 3.3% times your years of service up to September 30, 2011, including service in excess of 20 years.

<u>Benefit for Service on and after October 1, 2011</u>

> For service on and after October 1, 2011 your benefit is 3% of your best five year average monthly earnings out of the last ten years times your years of service on and after October 1, 2011.
>
> 3% times a member's service on and after October 1, 2011 cannot be greater than 80% minus the total benefit percentage the member earned for service up to September 30, 2011.

***What are earnings and average monthly earnings?***
For service before October 1, 2011, earnings are defined as the sum of your salary, overtime pay up to 400 hours per year, longevity pay, assignment pay, payments for accrued holiday time, payments for accrued blood time, annual "cashout" payments for accrued vacation and payments for accrued compensatory time. Earnings do not include payments for unused sick time or unused vacation time. Beginning on October 1, 2011, your pensionable earnings will only include salary, longevity pay and assignment pay. Your earnings will no longer include overtime, payments for accrued holiday time, payments for accrued blood time, annual cash out payments for accrued vacation time and payments for accrued comp time.

If you were eligible to retire on September 30, 2011 and to determine the frozen accrued benefit as of September 30, 2011 if you were not eligible to retire on that date, your average monthly earnings are defined as 1/12$^{th}$ of the arithmetical average of your highest paid three 12-month measurement periods preceding your retirement date, excluding pay for overtime in excess of 400 hours for each 12-month measurement period. Beginning on October 1, 2011, instead of using the best three year average, the definition has changed to the best five year average. Under the Ordinance after October 1, 2011, your average monthly earnings are your highest consecutive 60 months of the last 120 months of service. In other words, it is your best 5 of the last 10 years of service.

## Here Are a Couple of Examples

First, let's look at an example of the calculation of the maximum benefit for a member.

Let's say John is age 49 with 21 years of service on September 30, 2011. After that date, John works as a police officer for 9 years and retires at age 58 with 30 years of service.

**STEP 1:**
3% x 9 years of service after 9/30/11 = 27% - benefit percentage accumulated under the 3% accrual rate

**STEP 2:**
3.3% x 21 years of service = 69.3% - benefit percentage accumulated as of 9/30/11

**STEP 3:**
80% - 69.3% = 10.7% - maximum benefit percentage for service after 9/30/11

**STEP 4:**
Lesser of result under STEP 1 and STEP 3 = 10.7% - benefit percentage for service after September 30, 2011

Now let's look at an example that does not involve a maximum benefit.

Beth is age 48 with 20 years of service on September 30, 2011. After that date, Beth works as a police officer for 4 years and retires at age 52 with 24 years of service. Beth's best three year average monthly earnings as of September 30, 2011 was $5,000. At the time of her retirement at age 52, her best five year average monthly earnings is $4,500. Below is how Beth's benefit is calculated.

**STEP 1**

3.3% of $5,000 [best three year average monthly earnings as of 9/30/11] x 20 years [service on 9/30/11] = $3,300 per month

**STEP 2**

3% of $4,500 [best five year average monthly earnings at time of retirement] x 4 years [service after 9/30/11] = $540 per month

**STEP 3**

$3,300 + $540 = $3,840 monthly pension benefit paid to Beth beginning at age 52

Upon the completion of three years after retirement, Beth will begin receiving a 2% cost-of-living increase compounded annually on her frozen monthly accrued benefit as of September 30, 2011 of $3,300 (calculated in STEP 1). See section titled "Annual Increase in Benefits" for a discussion of the increase in benefits after retirement.

## *If You Become Disabled*

### Service Incurred

If you receive a medically substantiated service-connected injury, disease or disability while you are working that permanently incapacitates you, physically or mentally, from your regular duties as a Police Officer, you will receive a monthly benefit equal to the greater of:

- Your accrued benefit on the date of your disability, based on the benefit formula described on pages 3-4, or
- 50% of your earnings (as defined on page 5) in effect on the date of disability.

This benefit, which is determined by the Board of Trustees, begins on the 91st day of your disability and ends when you recover or die, whichever occurs first. If you recover and are reinstated from your disability before reaching your normal retirement date, credit for service during the period of disability will be counted as continuous service. If you should die, your beneficiary or beneficiaries will receive benefits based on your marital status and beneficiary designation (see section titled "Survivor Benefits at Normal or Disability Retirement").

### Special Conditions for a Service Incurred Disability

If you become totally and permanently incapacitated as the result of a condition caused by tuberculosis, hypertension, heart disease or hardening of the arteries that results in total or partial disability or death, you may be eligible for retirement with a service incurred disability benefit. Upon examination by the Medical Board and agreement by the Pension Board, if you are determined to be totally and permanently disabled with any of the above ailments, you can then retire. This is because such ailments are presumed to be accidental and suffered in the line of duty if certain preconditions have been met.

> ***What is the Medical Board?***
> The Medical Board consists of three physicians appointed by the Board of Trustees who coordinate all required medical examinations and investigate all applications for disability. The Medical Board plays an advisory role for the Pension Board.

### Non-Service Incurred

If you have at least five years of continuous service as of the date of a non-service incurred injury, illness, disease or disability that permanently incapacitates you, physically or mentally, from your regular duties as a Police Officer, you will receive a monthly benefit equal to:

- 2.5% of your average monthly earnings for each year of continuous service; but not less than 25% of your monthly earnings.

This benefit, which is determined by the Board of Trustees, begins on the 91st day of your disability and ends when you recover or die, whichever occurs first. If you recover and are reinstated from your disability before reaching your normal retirement age, credit for service during the period of disability will be counted as continuous service. If you should die, your beneficiary or beneficiaries will receive benefits based on your marital status and beneficiary designation (see section titled "Survivor Benefits at Normal or Disability Retirement").

## Return to Active Duty

If you have retired under a disability pension benefit and are later determined to be able to return to active duty, your pension will be discontinued and you will resume active duty at the same rate of compensation currently in effect for your pay grade. Upon request of the Chief of Police, the Board of Trustees will review the medical condition of any member receiving a disability pension. If it is found that you are able to resume active duty, you will be ordered to do so. If you return to work, your pension benefit will cease, and your service will be reinstated. When you retire again, benefits will be recalculated, taking into account your additional continuous service.

## "Light Duty" Positions for Service Incurred Disability

If you are injured in the line of duty and become incapable of performing the regular duties of a sworn Police Officer, the City may assign you to a "light duty" position, depending on available vacancies. If the City offers you a light duty position and you decline that position, you will be ineligible for both continued employment and pension benefits.

> ***What is "light duty"?***
> A light duty position is defined as any Police Officer position within the Police Department that does not require you to perform all the duties of a Police Officer.

## Exclusions

A disability pension benefit will not be granted for injuries resulting from:

- The use of narcotics, drugs or alcohol,
- Your involvement in riots, insurrection or unlawful assembly, or
- Your participation or involvement in the commission of a crime or unlawful act.
- Injury or disease sustained while serving in any armed forces, except as may otherwise be required by law.
- Injury or disease sustained after your employment with the City has terminated.
- Injury or disease sustained while working for anyone other than the City and arising out of such employment.

## Survivor Benefits at Normal or Disability Retirement

If you die after retirement or during disability but before receiving retirement benefits for a period of 10 years (120 payments), benefits will be paid to your beneficiary or beneficiaries as follows:

- If you are unmarried, the balance of the 120 payments will be made to your beneficiary or, if all beneficiaries are deceased or none are designated, to your estate.
- If you are married and your spouse is sole beneficiary, the balance of the 120 payments will be made to your spouse, if alive, or to your estate. If your spouse is alive and unmarried after receipt of the 120th payment, then the monthly payment to your spouse will be reduced by 50% and will continue until he or she dies or remarries. (If you die after receiving 120 payments, your spouse will be entitled to the same 50% benefit until he or she dies or remarries.)
- If you are married and your spouse is not a designated beneficiary, the balance of the 120 payments will be paid to your beneficiary or beneficiaries or, if all beneficiaries are deceased or none are designated, to your estate.
- If you are married and have designated multiple beneficiaries including your spouse, the balance of the 120 payments will be paid to your beneficiaries pro-rata or, if all beneficiaries are deceased, to your estate.

Your surviving spouse will be eligible for the 50% benefit mentioned above only if you were married at the time of your normal or disability retirement. If you marry after your retirement date, your spouse will be eligible for the 50% survivor benefit only if, at the time of your retirement, you had designated your prior spouse as your sole beneficiary.

## Is Your Beneficiary Form Correct?

In the event you die, your benefits or contributions will be distributed to the person or persons designated by name on the beneficiary form on file with the System. No provision in your last will and testament will change this designation. Please be sure that your beneficiary form designates the person or persons you intend to receive your benefits and that you review this choice in the event of a major life change such as a divorce or the death of your beneficiary.

You may change your beneficiary as often as necessary prior to the date you retire or begin participating in DROP (see section titled “The Deferred Retirement Option Plan”). Once you retire or begin participating in the DROP, you may change your joint annuitant or beneficiary up to two times without the approval of the Board. Any additional changes must be approved by the Board. Upon receipt of a completed change of joint annuitant form, the Board will adjust your monthly benefit by the application of actuarial tables and calculations developed to ensure that the benefit paid is the actuarial equivalent of the present value of your current benefit.

If you change your beneficiary after you enter DROP or retire:

- You must pay the actuarial cost of the change, which will be based on the remaining value of your benefits under the plan.
- In no event will the change in beneficiary result in an increase in your retirement benefits.

> ***What is a beneficiary?***
> The person entitled to receive benefits if you die. You must designate a beneficiary in writing to the Board.

### *If You Die*

### Death With At Least 10 Years of Service

If you die prior to retirement and after completing at least 10 years of service, your beneficiary is entitled to a monthly benefit for his or her lifetime equal to the greater of the benefit you had earned at the time of your death, calculated according to the formula on page 3, or the benefit otherwise payable according to the following sections ("Service Incurred Death With Less Than 10 Years of Service" or "Non-Service Incurred Death With Less Than 10 Years of Service").

If your beneficiary dies before receiving 120 monthly payments, payments will continue to your estate until all 120 payments have been received.

If you die without having designated a beneficiary, the death benefit will be paid to your estate and will continue until 120 payments have been made.

### Service Incurred Death With Less Than 10 Years of Service

If you die within five years of an illness, injury or disability received in the line of duty, your pension benefit will be paid as follows:

- If you are unmarried, your designated beneficiary will receive a monthly benefit for 10 years (120 payments) equal to 50% of your earnings at the time of your death. If your beneficiary dies before receiving 120 monthly payments, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.
- If you are unmarried, have surviving children, and have not designated a beneficiary, a monthly benefit equal to 50% of your earnings at the time of your death will be paid to your surviving children for a period of 10 years or until the youngest child reaches age 18, whichever is later. If the payments cease before 120 payments have been made, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.
- If you are unmarried, have no surviving children, and have not designated a beneficiary, your estate will receive a monthly benefit equal to 50% of your earnings at the time of death, for a period of 10 years (120 payments).
- If you are married, your spouse is entitled to a monthly benefit equal to 50% of your earnings at the time of your death. Payments will continue until your spouse dies or remarries, at which time benefits will continue to be paid to your surviving children until the youngest child reaches age

18. If the payments cease before 120 payments have been made, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.

### Non-Service Incurred Death With Less Than 10 Years of Service

If you die within five years of an illness, injury or disability not received in the line of duty, your pension benefit will be paid as follows:

- If you are unmarried, your designated beneficiary will receive a monthly benefit for 10 years (120 payments) equal to 25% of your earnings at the time of your death. If your beneficiary dies before receiving 120 monthly payments, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.
- If you are unmarried, have surviving children, and have not designated a beneficiary, a monthly benefit equal to 25% of your earnings at the time of your death will be paid to your surviving children for a period of 10 years or until the youngest child reaches age 18, whichever is later. If the payments cease before 120 payments have been made, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.
- If you are unmarried, have no surviving children, and have not designated a beneficiary, your estate will receive a monthly benefit equal to 25% of your earnings at the time of death, for a period of 10 years (120 payments).
- If you are married, your spouse is entitled to a monthly benefit equal to 25% of your earnings at the time of your death. Payments will continue until your spouse dies or remarries, at which time benefits will continue to be paid to your surviving children until the youngest child reaches age 18. If the payments cease before 120 payments have been made, your estate will receive the same monthly benefit until the remainder of the 120 payments have been made.

## HOW YOUR BENEFIT IS PAID

Unless you choose one of the optional forms of payment described below, your pension benefit will be paid by the standard method. The options are designed so that the total actuarial value of the benefit is the same, regardless of the method of payment you choose. If you elect an optional form of payment, you must make your election by writing the Board of Trustees.

### *Standard Form of Payment*

The standard form of your payment will be a monthly benefit payable during your lifetime with 120 guaranteed payments. If you die before the 120th payment is made, payments will then continue to your designated beneficiary – or, if all beneficiaries are deceased or none are designated, to your estate – until all 120 payments have been received.

See section titled "Survivor Benefits at Normal or Disability Retirement" for details about survivor benefits.

### *Optional Forms of Payment*

You may choose an optional form of payment before your retirement starts.

#### Joint and Last Survivor Option

You may elect to receive a decreased retirement benefit during your lifetime and have this benefit continue after your death to a person other than your spouse. Only a person in your immediate family may be designated as a beneficiary under this option.

#### Life Annuity

You may elect a single life annuity option as a form of benefit payment. In this form your pension is payable for as long as you live. All benefits stop when you die.

#### Other

Retirement benefits may be paid in any other form approved by the Board, as long as payments are actuarially equal. No portion of your benefit may be paid in a lump sum.

### *Claims and Procedures*

Claims for benefits under the System must be filed in writing with the Board. If you are eligible for any benefits from this System, you will be provided with a notification form showing the amount of your benefit and options, if any, and the earliest date on which such benefit is payable.

Your request for System benefits shall be considered a claim for System benefits, and it will be subject to a full and fair review. If your claim is wholly or partially denied, the Board will furnish you with a written notice of its denial. This written notice will state as clearly and concisely as possible the Board's findings and conclusions.

If your claim has been denied, and you wish to submit your claim for review, you may file a request with the Board for a public rehearing and review by the Board. You must file your request within 30 days of the mailing of the Board's initial denial.

As soon as practicable after the Board receives your request for a rehearing, it will meet after giving you a minimum of 30 days notice. You have the right to be present at this meeting with legal counsel, if you desire. You will be allowed to submit any evidence in support of your claim.

If the Board again denies your claim, you may seek appellate review of the decision within 30 days in the Circuit Court in and for Broward County, Florida.

## THE REFORMED PLANNED RETIREMENT BENEFIT (RPRB)

The Reformed Planned Retirement Benefit Option (RPRB) is an optional form of benefit payment you may elect when you reach your normal retirement date. If you elect the RPRB, when you end your employment with the City you must receive your pension benefit under the RPRB. You can elect one of two RPRB options. Option (2) is a new RPRB choice with reduced employee contributions and a lump sum payment at service termination. Option (1) is the planned retirement benefit option in effect prior to Ordinance No 2015-22. If you elect the current PRB option you may receive your benefit under another form of benefit payment when you actually terminate from service. If you have already elected the prior planned retirement benefit option you had until November 16, 2015 to elect the RPRB. Any police officer who has entered the DROP is not be eligible for the RPRB.

The table below compares the key provisions of the Reformed Planned Retirement Benefit under the two options.

| | Current Planned Retirement Benefit [RPRB Option (1)] | Reformed Planned Retirement Benefit [RPRB Option (2)] |
|---|---|---|
| *Employee contribution while participating* | 8.0% of earnings | 0.5% of earnings |
| *Benefit at retirement (service termination) -* | | |
| Monthly benefit | Option (i) - Calculated as if you retired when you make election to participate<br><br>Option (ii) - Calculated using your service and pay when your service terminates | Calculated as if you retired when you make election to participate |
| Lump sum benefit | Option (i) - Based on number of years you worked after electing to participate<br><br>Option (ii) – No lump sum<br><br>After service termination you cannot leave your lump sum in the plan | Based on number of years you worked after electing to participate<br><br>After service termination you can leave your lump sum in the plan |
| *Investment earnings on lump sum benefit* | Option (i) only - The Retirement System's actual investment rate of return and the following schedule.<br>(a) 0% if plan investment earnings are less than 0%<br>(b) 100% of plan return up to 4% per year<br>(c) 0% of plan return from 4% to 6% per year<br>(d) 50% of plan earnings in excess of 6% per year | The Retirement System's actual net investment rate of return. Earnings could be less than 0%. You receive no downside protection on the investment return. |

### *Electing the Reformed Planned Retirement Benefit Option*

To participate in the RPRB you must make a written election no later than 60 days after reaching your normal retirement date (based on years of service or age). You are eligible for normal retirement beginning the first of the month after:

**If you had 10 or more years of service on September 30, 2011 (vested), the earlier of**

- Reaching 22 years of credited service, or
- Reaching age 50.

**If you had less than 10 years of service on September 30, 2011 (non-vested), the earlier of**

- Reaching 25 years of credited service, or
- Reaching age 55 with 10 years of credited service.

If you choose to participate in the RPRB you must make an irrevocable election of one of the following two options:

(1) Contribute 0.5% of pay while participating in the RPRB. At termination you will receive a lump sum equal to the total of monthly pension benefits you would have received from your RPRB date up to your actual retirement date, plus investment earnings. The investment earnings will be equal to the net investment rate earned by the Retirement System's assets (see more below).

(2) Continue making 8% of pay contributions while participating in the RPRB. At termination you will have the option of:

  (i) Receiving a lump sum equal to the total of monthly pension benefits you would have received from your RPRB date up to your actual retirement date, plus investment earnings. The investment earnings will be credited according to the current RPRB interest credit schedule. In addition, you will receive a lifetime monthly pension benefit calculated based on your accrued benefit at your RPRB date.

  (ii) A lifetime monthly pension calculated using your service, average final compensation and pension benefit formula as of the date you actually retire, not as of an earlier RPRB participation date.

If you were participating in the Planned Retirement Benefit as of October 7, 2015 you must make an irrevocable election of one of the two options above by November 16, 2015. If you elect Option (2) you will receive a refund equal to 7.5% of your pay (8% minus 0.5%) for the time you participated in the PRB and were making 8% contributions. After electing Option (2) your future contributions will be reduced from 8% to 0.5% on your pay date of December 23, 2015 ($2^{nd}$ full pay period after November 16, 2015).

Your written election to participate in the RPRB will indicate the maximum number of years you may participate in the RPRB and your latest employment termination date.

The maximum RPRB period is eight years if you had 10 or more years of credited service on September 30, 2011. If you had less than 10 years of credited service on September 30, 2011 the maximum RPRB period is five years.

If you elect to participate in the RPRB your service with the City will be limited to 30 years. However, if you elect to participate in the RPRB you may terminate employment any time prior to reaching the earlier of 30 years of service or the maximum period of RPRB participation.

### *How Is Your Reformed Planned Retirement Benefit Calculated?*

If you elect the Reformed Planned Retirement Benefit your pension benefit generally will be calculated as if you had stopped working and retired on your election date, but not before your normal retirement date. The date as of which your pension benefit is calculated is called the RPRB date.

The monthly RPRB is calculated based on your accrued benefit on your RPRB date. The monthly benefit will begin on your actual retirement date (when you stop working with the City). The monthly RPRB is payable on any of the Retirement System's optional forms of benefit. (See Section titled "How Your Benefit Is Paid")

In addition, you will receive a lump sum equal to the total of monthly pension benefits you would have received from your RPRB date up to your actual retirement date, plus investment earnings. The investment earnings will be based on the net investment rate earned by the Retirement System's assets for each month you worked after the RPRB date.

If you elect RPRB Option (2) – lump sum only at retirement date - the investment earnings will be based on the net investment rate earned by the Retirement System's assets for each month you worked after the RPRB date, including returns of less than 0%. If you currently participate in the PRB and you elect Option (2) your accumulated PRB account as of December 31, 2015 will transfer to the new RPRB plan and earn the System's investment return from January 1, 2016 forward.

If you elect RPRB Option (1) the investment earnings will be based on the net investment rate earned by the Retirement System's assets for each month you worked after the RPRB date and the following schedule.

- 0% for any month in which plan investment earnings are less than 0%
- 100% of monthly plan investment earnings up to .327% (4% per year)
- 0% of annualized plan investment earnings from 4% to 6%
- 50% of plan investment earnings in excess of 6% annualized

If you elect RPRB Option (2) you can leave the RPRB lump sum in the System after you retire/separate from employment. The plan's actual investment rate of return will be applied to the RPRB lump sum as long as it remains in the System. You will pay a fee for the administrative cost of managing your lump sum while it is in the System after your retire.

If you elect RPRB Option (1) you cannot leave the RPRB lump sum in the System after you retire/separate from employment.

With RPRB Option (2) you choose the form of payment - how your benefit will be paid - at your RPRB date. Under Option (1) at the time you terminate and make your final RPRB election you need to choose the form of payment.

Remember if you elect RPRB Option (1) you do not have to elect the RPRB option when you terminate from service even if you had elected to participate in the RPRB at your normal retirement date. If you do not elect the RPRB option when you terminate from service (i.e., retire), your monthly pension benefits will be calculated using your service, average final compensation and pension benefit formula as of the date you actually retire, not as of an earlier RPRB participation date. By not electing the RPRB at retirement you will receive credit for additional service and pay increases up to your actual retirement date.

***What is the Reformed Planned Retirement Benefit date?***

The RPRB date is the date used to calculate your pension benefit if you elect the RPRB option. To participate in the RPRB you must make a written election at any time after reaching your normal retirement date. However, you choose the RPRB date at the time you elect the RPRB option and are ending your employment with the City. The RPRB date is generally any date between the date you elected to participate in the RPRB and the date you stop working, but not before your normal retirement date.

The maximum RPRB period is eight years if you were vested on September 30, 2011 and five years if you were not vested on that date. Your pension benefit will be calculated based on your accrued benefit on your RPRB date.

A RPRB date example:

On July 1, 2016, Mary reaches her normal retirement date at age 48 with 22 years of service. Mary continues working with the City past her normal retirement date and elects to participate in the RPRB on July 1, 2017 with a maximum RPRB period of seven years.

Mary stops working for the City on July 1, 2024. Mary's pension benefit payable beginning on July 1, 2024 will be based on her frozen accrued benefit as of September 30, 2011 and her benefit earned for service from October 1, 2011 to July 1, 2017 (her RPRB date) and her final average earnings on July 1, 2017, not her service and pay on her retirement date of July 1, 2024.

### *Here Are a Couple of Examples of How Your RPRB Benefit Is Calculated*

Below are a couple of examples of the calculation of your pension benefit under Option (2) of the Reformed Planned Retirement Benefit. For examples on the calculation of the pension benefit under Option (1) of the RPRB please see the "The Planned Retirement Benefit (PRB) Option" section of the 2014 summary plan description.

In general, your pension benefit is calculated using the following formula.

Your frozen accrued benefit as of September 30, 2011 equal to your best three year average monthly earnings as of that date times 3.3% times your service on September 30, 2011.

PLUS – for service on and after October 1, 2011 – 3% of the average monthly earnings for your highest five consecutive years out of the last 10 years times your years of service on and after October 1, 2011.

The total benefit percentage calculated using the formula above cannot be greater than the 80% maximum discussed earlier.

Let's say Robert retires on October 1, 2023 at age 58 with 30 years of creditable service. Robert's normal retirement date was October 1, 2015 when he was age 50 with 22 years of service. Robert elects to participate in the RPRB on October 1, 2015. Robert participated in the RPRB for 8 years from October 1, 2015 (his RPRB date) to October 1, 2023 when he stops working with the City. Here is how Robert's RPRB benefit is calculated using the formula shown above and the 80% maximum limit. Robert's best three year average monthly earnings as of September 30, 2011 was $6,500. Robert's average monthly earnings on his RPRB date of October 1, 2015 is $6,700.

STEP 1

Frozen monthly accrued benefit on September 30, 2011:
3.3% of $6,500 X 18 years [service on 9/30/11] = $3,861.00

STEP 2

3% x 4 years of service after September 30, 2011 = 12% - benefit percentage accumulated under the 3% accrual rate

STEP 3:

3.3% x 18 years of service = 59.4% - benefit percentage accumulated as of September 30, 2011

STEP 4:

80% - 59.4% (STEP 3) = 20.6% - maximum benefit percentage for service after September 30, 2011

STEP 5:

Lesser of result under STEP 2 and STEP 4 = 12% - benefit percentage for service after September 30, 2011

STEP 6

Monthly benefit for service from September 30, 2011 to RPRB date of October 1, 2015:
12% (benefit percentage for service after September 30, 2011 - STEP 5) of $6,700 = $804.00

STEP 7

$3,861.00 + $804.00 = **$4,665.00 total monthly pension benefit payable beginning October 1, 2023**

**RPRB lump sum** payable October 1, 2023 for the accumulated payments of $4,665.00 Robert would have received for the 96 months from his RPRB date of October 1, 2015 up to his actual retirement date of October 1, 2023, plus investment earnings based on the System's earnings. For illustration purposes we have calculated Robert would receive a lump sum of $544,831.18 based on the following hypothetical System investment earnings. You will notice that for periods with investment returns below 0% the RPRB return is negative.

Hypothetical Investment Earnings for Robert's Illustration

| Period | Fund Earnings - Annual | RPRB Lump Sum Earnings Credit - Monthly |
|---|---|---|
| 10/1/2015 – 9/30/2016 | 8% | 0.643% |
| 10/1/2016 – 9/30/2017 | 3% | 0.247% |
| 10/1/2017 – 9/30/2018 | -2% | -0.168% |
| 10/1/2018 – 9/30/2019 | 10% | 0.797% |
| 10/1/2019 – 9/30/2020 | 5% | 0.407% |
| 10/1/2020 – 9/30/2021 | 13% | 1.024% |
| 10/1/2021 – 9/30/2022 | 9% | 0.721% |
| 10/1/2022 – 9/30/2023 | -4% | -0.340% |

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Let's say Stephanie retires on October 1, 2036 at age 58 with 30 years of creditable service. Stephanie's normal retirement date was October 1, 2031 when she was age 53 with 25 years of service. Stephanie elects to participate in the RPRB on October 1, 2031. Stephanie elects the RPRB option for 5 years from October 1, 2031 (her RPRB date) to October 1, 2036 when she stops working with the City. Here is how Stephanie's RPRB benefit is calculated using the formula shown above and the 80% maximum limit. Stephanie's best three year average monthly earnings as of September 30, 2011 was $3,000. Stephanie's average monthly earnings on her RPRB date of October 1, 2031 is $5,400.

STEP 1

Frozen monthly accrued benefit on September 30, 2011:
3.3% of $3,000 X 5 years [service on 9/30/11] = $495.00

STEP 2

3% x 20 years of service after September 30, 2011 = 60% - benefit percentage accumulated under the 3% accrual rate

STEP 3:
3.3% x 5 years of service = 16.5% - benefit percentage accumulated as of September 30, 2011

STEP 4:
80% - 16.5% (STEP 3) = 63.5% - maximum benefit percentage for service after September 30, 2011

STEP 5:
Lesser of result under STEP 2 and STEP 4 = 60% - benefit percentage for service after September 30, 2011

STEP 6
Monthly benefit for service from September 30, 2011 to RPRB date of October 1, 2031:
60% (benefit percentage for service after September 30, 2011 - STEP 5) of $5,400 = $3,240.00

STEP 7
$495.00 + $3,240.00 = **$3,735.00 total monthly pension benefit payable beginning October 1, 2036**

**RPRB lump sum** payable October 1, 2036 for the accumulated payments of $3,735 Stephanie would have received for the 60 months from her RPRB date of October 1, 2031 up to her actual retirement date of October 1, 2036, plus investment earnings based on the System's earnings and the rules outlined above. For illustration purposes we have calculated Stephanie would receive a lump sum of $251,863.93 based on the following hypothetical System investment earnings.

Hypothetical Investment Earnings for Stephanie's Illustration

| Period | Fund Earnings - Annual | RPRB Lump Sum Earnings Credit - Monthly |
|---|---|---|
| 10/1/2031 – 9/30/2032 | 8% | 0.643% |
| 10/1/2032 – 9/30/2033 | 3% | 0.247% |
| 10/1/2033 – 9/30/2034 | -2% | -0.168% |
| 10/1/2034 – 9/30/2035 | 10% | 0.797% |
| 10/1/2035 – 9/30/2036 | 5% | 0.407% |

### *How does the RPRB benefit compare to my benefit if I don't elect the RPRB?*

It is your decision whether or not to elect the RPRB. Deciding whether to elect the RPRB depends on your personal circumstances and preferences. There are no set rules for making the decision. Keep in mind that once you elect to participate in the RPRB your decision is irrevocable and cannot be changed.

Generally, your RPRB monthly benefit will be lower than your monthly benefit if you do not elect the RPRB. That's because your monthly RPRB benefit is calculated using your pay and service on your RPRB date which is earlier than your actual retirement date. Therefore, your service and pay increases since your RPRB date will not be included in your monthly RPRB benefit. If you do not elect the RPRB, your monthly benefit will reflect your pay and service at your actual retirement date.

On the other hand, the RPRB allows you to receive a lump sum payment in addition to your monthly benefit. You cannot receive any portion of your pension benefit in a lump sum if you do not elect the RPRB.

Also, your contributions to the System while you participate in the RPRB Option (2) will only be 0.5% of your pay instead of 8% of pay.

What will be best for you -

(1) To elect the RPRB and receive a lower monthly lifetime pension benefit plus a lump sum payment at retirement, or
(2) To not elect the RPRB and receive a higher lifetime monthly pension benefit but no lump sum payment at retirement?

Using the previous example for Stephanie, below we compare the benefits payable with and without the RPRB.

If Stephanie elects the RPRB she would receive a lump sum payment of $251,863.93 on October 1, 2036 and a monthly benefit of $3,735 beginning on October 1, 2036 and payable for the rest of her life. These benefits are based on the frozen accrued benefit on September 30, 2011 and on 20 years of service after that date and average final monthly compensation of $5,400 on Stephanie's PRRB date of October 1, 2031.

If Stephanie does not elect the RPRB option her lifetime monthly benefit will be calculated as follows. On her actual retirement date of October 1, 2036 Stephanie has an average final monthly compensation of $6,400 and 25 years of service after September 30, 2011.

STEP 1

Frozen monthly accrued benefit on September 30, 2011:
3.3% of $3,000 X 5 years [service on 9/30/11] = $495.00

STEP 2

3% x 25 years of service after September 30, 2011 = 75% - benefit percentage accumulated under the 3% accrual rate

STEP 3:

3.3% x 5 years of service = 16.5% - benefit percentage accumulated as of September 30, 2011

STEP 4:

80% - 16.5% (STEP 3) = 63.5% - maximum benefit percentage for service after September 30, 2011

STEP 5:

Lesser of result under STEP 2 and STEP 4 = 63.5% - benefit percentage for service after September 30, 2011

STEP 6

Monthly benefit for service from September 30, 2011 to retirement date of October 1, 2036:
63.5% (benefit percentage for service after September 30, 2011 - STEP 5) of $6,400 = $4,064.00

STEP 7

$495 + $4,064 = **$4,559 total monthly pension benefit payable beginning October 1, 2036**

In this example, Stephanie will receive a monthly benefit for life of $4,559 without the RPRB option compared to a monthly benefit of $3,735 if she elects the RPRB. However, by not electing the RPRB, Stephanie gives up the lump sum payment of $251,863.93. Also, Stephanie would have made additional contributions of 7.5% of pay for the five years she did not participate in the RPRB.

As you can see, in this example, Stephanie's benefit without the RPRB will be $824 per month higher for the rest of her life than if she elects the RPRB. The increase in her monthly benefit is because her service after September 30, 2011 has increased from 20 years to 25 years and her average final monthly compensation has increased from $5,400 to $6,400 from her RPRB date of October 1, 2031 to her actual retirement date of October 1, 2036. However, the 80% maximum total benefit percent limits her benefit without the RPRB.

Actual pay increases and the 80% maximum impact will be different for each person. And, the investment earnings on the RPRB lump sum will vary depending on the actual System earnings during the RPRB period. If Stephanie elected Option (1) of the RPRB she does not have to decide until her actual retirement date of October 1, 2036 whether to elect the benefit based on service and pay as of October 1, 2031 or October 1, 2036. However, keep in mind that under Option (1) Stephanie would continue contributing 8% of pay during the RPRB period instead of 0.5% of pay under Option (2).

The RPRB will impact each individual differently based on everyone's unique circumstance. Please consult a financial or tax advisor to help determine the right benefit election for you.

### *What are the forms of benefit payment for my RPRB annuity?*

The forms of benefit payment have not changed. The standard form of payment is a guaranteed payment that you, your beneficiary or your estate will receive at least 120 monthly payments. If you are not married at the time of retirement and you die after receiving 120 payments, all benefits stop. If you are married at the time of retirement and you die after receiving 120 payments, and your spouse is alive and unmarried, your spouse will receive 50% of your benefit until the earlier of his or her death or remarriage. With RPRB Option (2) you select the form of benefit payment for your RPRB annuity when you elect to participate in the RPRB. For example, assume you elect a five year RPRB on October 1, 2016. If you are married on your RPRB date of October 1, 2016 your RPRB lump sum will be based on the accumulation with investment earnings of your benefit calculated as of October 1, 2016 under the 120 guaranteed payments form of benefit with your spouse on October 1, 2016 as the beneficiary. The 120 guaranteed payments period will begin on October 1, 2016 and end on October 1, 2026. If you die after receiving 120 payments, and your spouse is alive and unmarried, your spouse will receive 50% of your benefit until the earlier of his or her death or remarriage. On the other hand, if you elect RPRB Option (1) you select the form of benefit payment for your RPRB annuity when you retire/separate from service but as if you had retired on your RPRB date.

### *What are the payment options for my RPRB lump sum?*

Under Option (2) you can receive the RPRB lump sum in a single cash lump sum payment when your service terminates or you can choose to leave your lump sum in the Retirement System. For as long as your lump sum remains in the System it will receive the actual net investment return rate earned by the System. You will also pay a fee for the administrative cost to manage your lump sum. If you elect RPRB Option (1) you cannot leave your lump sum in the System. All or a portion of the RPRB lump sum can be paid out in a cash lump sum to you, converted to an annuity under the System optional forms of payment (such as, an annuity payable for as long as you live or a joint and survivor annuity with a portion going to your surviving beneficiary after you die) or rolled over to another tax-qualified plan, such as an IRA, in accordance with federal law.

### *Is my RPRB lump sum payment subject to income taxes?*

Yes. The distribution of your RPRB lump sum is subject to the Federal income and excise taxes in effect at the time you receive it, which may include a 10% tax penalty. You may defer income taxes by rolling over your distribution into a tax-qualified plan or to an IRA. Please consult a legal, financial or CPA tax advisor before making any RPRB lump sum decision. Also, please review the Special Tax Notice provided by the Plan Administrator.

### *What happens to my benefits if I become disabled or die while still working and after I elected to participate in the RPRB?*

The formulas used to calculate the disability benefits and pre-retirement death benefits (service and non-service incurred) have not changed. However, if you become disabled and are granted a disability retirement by the Board after electing to participate in the RPRB Option (2) you will receive your RPRB lump sum benefit and the monthly benefit under the form of payment you elected when you joined the RPRB. If you elected RPRB Option (1) and become disabled (as determined by the Board) you can receive the disability benefits provided by the System instead of your benefit under the RPRB.

In case you die while still working and after electing to participate in the RPRB and you elected Option (2), your designated beneficiary will receive your accumulated RPRB lump sum and the applicable monthly benefit under the option you elected when you participated in the RPRB. Under Option (1) of the RPRB in case you die while still working then your designated beneficiary or your estate will elect the RPRB option with respect to the RPRB benefits you have earned at the time of your death.

### *How is the cost of living adjustment (COLA) affected by the RPRB?*

You will receive the current 2% COLA only on your frozen accrued benefit as of September 30, 2011. If you participate in the RPRB program, the increase in benefits will commence at the later of:

- Your termination of employment, or
- Three years after you enter the RPRB program.

You will not receive a COLA on the part of your retirement benefit for service earned after September 30, 2011.

### *Will I be eligible for a Supplemental Pension Distribution (13$^{th}$ Check) if I elect the RPRB option?*

No member is eligible for a 13$^{th}$ check unless they are retired or were eligible to retire on September 30, 2011. Therefore, if you elect to participate in the RPRB you will be eligible for the 13$^{th}$ check only if you were eligible to retire on September 30, 2011.

### *Can the provisions of the RPRB be changed in the future?*

Yes. However, if the RPRB is eliminated, all members who are eligible to participate at the time will maintain the right to participate in the RPRB by submitting the written election form.

### *Do members contribute after making an election to participate in the RPRB?*

Yes, but the contribution you make will depend on which RPRB Option you choose. Your employee contribution to the System will be 0.5% of your earnings if you elect RPRB Option (2) and 8% of your earnings under Option (1).

# THE DEFERRED RETIREMENT OPTION PLAN (DROP)

The Deferred Retirement Option Plan (DROP) is a separate provision of your Retirement System that provides benefits for you if you elect to retire from the System and continue to for the City as a Police Officer. You are not eligible to enter the DROP unless you were eligible to retire on September 30, 2011, that is, you were at least age 50, or were any age with 22 or more years of service on September 30, 2011. If you would like to participate in the DROP, then you must make your intent known by writing to the Board of Trustees.

### *When DROP Begins*
Your participation in DROP begins on the day after you retire.

### *When DROP Ends*
Your membership in DROP ends on the earliest of the following dates:

- You elect, in writing, to cease membership,
- Your membership reaches 96 months (eight years), or
- Your participation in DROP results in a total of 30 years of employment with the City, or
- Your employment ends.

If you elect to end your membership in DROP before one of the above events occurs, you cannot re-enroll later. Any amount remaining in your DROP account will be paid to you upon your termination or death.

### *Purchase of Additional Benefits*
If you enter DROP after completing 10 or more years of service and reaching age 50, you may purchase additional pension benefits equal to the lesser of:

- 8% of average monthly earnings, or
- The percentage of average monthly earnings that would result in a total benefit of 80% of average monthly earnings.

You would be required to pay for the full actuarial cost of these additional benefits.

### *How DROP Works*
On the first day of the month that your membership in DROP begins, the monthly retirement benefit you would have received under the Retirement System will be transferred to your DROP account.

### *After-Tax Contributions*

You can also make after-tax contributions to your DROP account during the first 12 months of your membership in the DROP. These after-tax contributions are limited to 25% of your compensation as reported on form W-2 for that 12-month period and/or specific limitations outlined by the Internal Revenue Code.

### *Rollover Contributions*

You can roll over contributions previously made to other eligible governmental retirement plans into the Retirement System. You will need to provide the Board of Trustees any information deemed necessary for the Board to confirm the eligibility of your rollover funds.

### *Investment Elections and Earnings*

Contributions to your DROP account (except rollover amounts from an eligible 457(b) plan) will receive investment earnings based on your election of either the fixed rate of return investment (FRR) or the variable rate of return investment (VRR). When participating in DROP, you must elect to have 100% of your eligible contributions invested in either the fixed rate of return investment or the variable rate of return investment.

The FRR is 8% per year for those members hired on or before October 1, 2009. For members hired on or after October 1, 2009, the FRR is 6% per year. In the event that the System's market value of assets earn an investment rate of return in excess of 12% in a plan year, the excess return rate will be equally divided between DROP participants electing the FRR and the City. The VRR is based on the actual earnings of the System, and can go up or down, based on investment market conditions. DROP accounts are subject to administrative fees as determined by the Board of Trustees.

You may change your DROP investment option (example: FRR to VRR or VRR to FRR) monthly by completing an election form and returning it to the Office of Retirement. This form must be received by the Office of Retirement by the 15th of the month for the change to take place the next month. If the form is received after the 15th of the month, it will be held until the next cycle. For example: If a completed DROP Investment form is received on August 14, the change requested will take effect on September 1. If a completed DROP Investment form is received on August 16, the change requested will take effect on October 1.

### *Distributions*

Distributions from your DROP account will be made upon your termination from the City. Benefits will be paid in a cash lump sum, unless you elect otherwise. You may elect an optional payment method as described below.

- **Annual Installments.** Payments can be made in equal annual or quarterly installments, paid until your death or the death of your last named beneficiary, whichever is later.
- **Fixed Annuities.** Payments can be made in the form of a Joint and Survivor annuity with your spouse or other beneficiary receiving a reduced benefit after your death.
- **Other Optional Forms of Payment.** You may select another optional form of payment. Section 828 of the *Pension Protection Act of 2006* amended the Internal Revenue Code to eliminate the 10% penalty tax on early distributions to a qualified public safety employee from a governmental defined benefit plan if the employee separates from service after attainment of age 50.

If you die before your DROP account begins distribution, your DROP account will be paid to your beneficiary in the form of payment he or she chooses. If you have begun distributions prior to your death, the account is paid to the beneficiary in a lump sum payment or may be rolled over to another eligible retirement plan as directed by the beneficiary.

### *Direct Rollover of Certain Distributions*

You can have any portion of an eligible distribution paid directly to another eligible retirement plan.

### *Loans*

You are eligible to take a loan from DROP if you have participated in the System for at least 12 months. The amount available, when added to any other outstanding loan balances from DROP, cannot exceed the lesser of:

- 50% of your DROP account, or
- $50,000.

The minimum amount available is $1,000. You can pay back the loan, plus interest, through automatic payroll deductions, on a quarterly or more frequent basis. All loans must be repaid within five years. To request a loan, submit your request, in writing, to the Board of Trustees.

# THE SHARE PLAN

Like the DROP, the Share Plan is a separate provision of the Police Officers' Retirement System. Effective June 30, 2002, the Hollywood Police Officers' Share Plan implemented the provisions of Chapter 185, Florida Statutes. The Share Plan provides additional retirement benefits to qualified recipients. Funding for the Share Plan was discontinued as of Fiscal Year 2007.

### *How the Share Plan Works*

Under Florida Statutes, the City will receive funds from the State to be allocated to the System to pay for certain retirement benefits. Any remaining funds will then be allocated to individual accounts established in each participant's name. Your account will accumulate funds while you are employed as a Police Officer, as described earlier. Share amounts earn interest based on the variable rate of return as described earlier. Benefits will be paid in a single lump sum payment upon your termination of employment, disability, retirement or death. If you die before payment of your benefits, the entire amount of your account will be paid to your beneficiary.

## OTHER IMPORTANT INFORMATION

### *Military Service*
You will receive continuous service credit if you leave active employment with the City to enter the U.S. Armed Forces, and you return to active employment within the time frame after your discharge when your reemployment rights are protected by law. You must return to your employment as a Police Officer within one year after you are released from active duty in the military. If you die or become disabled while serving in the Armed Forces, you will not be entitled to service incurred disability or service incurred death benefits, except as may otherwise be required by federal law.

### *Annual Increase in Benefits*
After receiving retirement benefits for three years, you or your beneficiary will receive a 2% annual increase in benefits. If you participate in the DROP or RPRB programs, the increase in benefits will commence at the later of:

- Your termination of employment, or
- Three years after you enter the DROP or RPRB programs.

If you were not eligible to retire on September 30, 2011, you will receive the 2% annual increase only on your frozen accrued benefit as of September 30, 2011. You will not receive a benefit increase on the part of your retirement benefit for service earned by you after September 30, 2011. For example, if you had 8 years of service as of September 30, 2011, you will receive an increase in benefits on 24% [8 years of service times 3% multiplier] of your frozen best three average monthly earnings as of September 30, 2011.

### *Supplemental Pension Distribution (13th Check)*
If the actual rate of investment return on System assets exceeds the assumed rate of investment return, a supplemental pension distribution will be paid. The total amount will be equal to the present value of future benefits for retirees and beneficiaries, multiplied by the excess (not to exceed 2%) of the actual rate of investment return over the assumed rate of investment return for the fiscal year, but not more than the actual dollar amount of the excess return. The actual dollar amount of investment return is calculated as the increase in the market value of assets for the fiscal year.

No member is eligible for a 13th check unless they retire or enter the DROP prior to September 30, 2011.

### *Tax Regulations*
When you receive a distribution from the Retirement System, it generally will be subject to federal income tax, and in some cases, state and local taxes also. In addition, the distribution may be subject to tax withholding. Keep in mind, tax laws are complex and subject to change at any time. Therefore, you should consult a professional tax adviser who can help you make the most appropriate decisions based on your personal situation. Professional advice may help you avoid unexpected or unnecessary tax liability.

### *Coordination of Benefits (COB)*

If, prior to October 1, 2009, you transferred positions within the City and later became eligible for membership in the System, your date of transfer will be the date your job status officially changes. If you were covered under another City plan, those benefits will be calculated using that plan's formula. No new benefits will be accumulated in the previous plan. You will also receive benefits under the System upon retirement. Your salary, as defined in the System, will be used to calculate your pension benefit, if it is higher than your salary at the time of transfer. Your credited service will only include service after your date of transfer; old service does not count. However, if you receive death or disability benefits from the City, both old and new service will apply toward your benefit calculation. In either case, the maximum amount of service that will be included is 22 years. As of October 1, 2009, coordination of benefits with the City's General Employees Retirement Plan is no longer permitted.

### *Disqualification, Ineligibility, Denial, Loss, Forfeiture*

There are certain circumstances that may result in the disqualification, ineligibility, denial, loss, forfeiture, suspension or deferral of your benefits in this System. The following is a list of some but not all of such circumstances:

- Payment of your benefits may be subject to an income deduction order made pursuant to a state domestic relations law.

- Federal or state laws may limit the benefits otherwise payable by the System. For example, Section 415 of the Internal Revenue Code provides that annual pensions may not exceed specific dollar amounts ($195,000 in 2009, for example).

- Your retirement benefits may be forfeited if you are convicted of false, misleading, or fraudulent statements made to obtain public retirement benefits as provided by State law (Section 185.185, Florida Statutes).

- Your retirement benefits may be forfeited if you are convicted of certain specified offenses as set forth in Section 112.3173, Florida Statutes. Specified offenses are:

  (1) The committing, aiding or abetting of an embezzlement of public funds;
  (2) The committing, aiding, or abetting of any theft by a public officer or employee from his or her employer;
  (3) Bribery in connection with the employment of a public officer or employee;
  (4) Any felony specified in chapter 838, Florida Statutes, except Section 838.15 and Section 838.16, Florida Statutes;
  (5) The committing of an impeachable offense;
  (6) The committing of any felony by a public officer or employee who, willfully and with intent to defraud the public or the public agency for which the public officer or employee acts or in which he or she is employed of the right to receive the faithful performance of his or her duty as a public officer or employee, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of the power, rights, privileges, duties, or position of his or her public office or employment position; or
  (7) The committing on or after October 1, 2008, of any felony defined in Section 800.04, Florida Statutes, against a victim younger than 16 years of age, or any felony defined in Chapter 794, Florida Statutes, against a victim younger than 18 years of age, by a public

officer or employee through the use or attempted use of power, rights, privileges, duties, or position of his or her public office or employment position.

Conviction shall be defined as an adjudication of guilt by a court of competent jurisdiction; a plea of guilty or a nolo contendere; a jury verdict of guilty when adjudication of guilt is withheld and the accused is placed on probation; or a conviction by the Senate of an impeachable offense.

Court shall be defined as any state or federal court of competent jurisdiction which is exercising its jurisdiction to consider a proceeding involving the alleged commission of a specified offense. Prior to forfeiture, the Board shall hold a hearing on which notice shall be given to the Member whose benefits are being considered for forfeiture. Said Member shall be afforded the right to have an attorney present. No formal rules of evidence shall apply, but the Member shall be afforded a full opportunity to present his case against forfeiture.

Any Member who has received benefits from the System is excess of his Accumulated Contributions after his rights were forfeited will be required to pay back to the System the amount of the benefits received in excess of his Accumulated Contributions. The Board may institute all legal action necessary to recover such funds.

### *Legal Limitations*

All benefits will be restricted in accordance with Section 415 of the Internal Revenue Code. In addition, all benefits will be restricted because of limits placed on compensation that may be used for benefit purposes. This maximum may change in future years to reflect changes in the cost of living. In addition, government rules may limit the total benefits payable under the City's retirement and savings plans. In the unlikely event that these rules apply to your situation, you will be notified if your benefits become affected.

### *If The System Is Amended or Terminated*

The City reserves the right to change or terminate the System and/or contributions and change available benefits in accordance with applicable law. If the System is terminated, the Board of Trustees will take the following action:

(1) The Board will determine the date of the distribution and the asset value required to fund all nonforfeitable benefits, after taking into account the expenses of the distribution. The Board will inform the City if additional assets are required, in which event the City will continue to financially support the System until all nonforfeitable benefits have been funded.

(2) The Board will determine the method of distribution of the asset value, whether distribution will be by payment in cash, by the maintenance of another or substituted trust fund, by the purchase of insured annuities, or otherwise, for each Police Officer entitled to benefits under the System, as specified in paragraph (3).

(3) The Board will distribute the asset value as of the date of termination in the manner set forth herein, on the basis that the amount required to provide any given retirement income is the actuarially computed single-sum value of such retirement income, except that if the method of distribution determined under paragraph (2) involves the purchase of an insured annuity, the amount required to provide the given retirement income is the single premium payable for such annuity. The actuarial single-sum value may not be less than the member’s accumulated contributions to the System, with interest if provided by the System, less the value of any System benefits previously paid to the member.

(4) If there is asset value remaining after the full distribution specified in paragraph (3), and after payment of any expenses incurred with such distribution, such excess will be returned to the City, less return to the State of the State's contributions, provided that, if the excess is less than the total contributions made by the City and the State to date of termination of the System, such excess will be divided proportionately to the total contributions made by the City and the State.
(5) The Board will distribute, in accordance with the manner of distribution determined under paragraph (2), the amounts determined under paragraph (3).

If 24 months has elapsed since the date on which the System terminated or the date on which the Board received written notice that the contributions thereunder were being permanently discontinued, and the City or the Board has not complied with all the provisions relevant to System termination, then the Florida Department of Management Services will effectuate the termination of the System in accordance with the relevant terms of the System and Section 185.37, Florida Statutes.

If there is a complete discontinuance of the contributions required of the City, or a partial or complete termination of the System, then the rights of each member to the benefits accrued to the date of such discontinuance or termination, to the extent then funded for them, shall be nonforfeitable, and each member or the beneficiary of a deceased member will be vested in the values being held to fund their benefits, including a share of any unallocated trust assets, which share will be determined in accordance with terms of the System and Section 185.37, Florida Statutes.

# ADMINISTRATIVE INFORMATION

**Board of Trustees**

David Strauss, Chairman
Cathleen Marano, Secretary
Paul Laskowski, Trustee
Van Szeto, Trustee
Richard Brickman, Trustee
Melville Pollak, Trustee
Christopher O'Brien, Trustee

**Trustees Mailing Address:**

4205 Hollywood Blvd. Suite 4, Hollywood, Florida 33021

**Collective Bargaining Agreement**

Article 37 of the Collective Bargaining Agreement between the Broward County PBA and the City of Hollywood addresses the Pension System.

**Plan Administrator**

Dave Williams
4205 Hollywood Blvd., Suite 4, Hollywood, FL 33021
(954) 967-4395 Fax: (954) 967-4387

**Plan Sponsor Address**

City of Hollywood
2600 Hollywood Blvd., Hollywood, FL 33020

**Plan Year** (maintained on fiscal year basis)

October 1 – September 30

**Agent for Service of Legal Process**

David Strauss, Chairman
4205 Hollywood Blvd. Suite 4, Hollywood, Florida 33021

**Employer Identification Number**

59–6904194

## ACTUARIAL INFORMATION

The funding objective of the Retirement System is to establish and receive contributions which will maintain the plan in sound financial condition.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation in accordance with City Ordinance and Chapter 112 of Florida Statutes. The actuarially determined annual contribution consists of normal cost plus amortization of the unfunded actuarial accrued liability (UAAL). The objective is to establish, over time, a normal cost which will remain level as a percent of payroll. The unfunded actuarial accrued liability is amortized as a level percent of pay over periods up to 30 years. The actuarial cost method is designed to achieve this objective. The Retirement System receives contributions from the City, the State of Florida and from active members.

A summary of the actuarial information is presented below.

### SUMMARY OF VALUATION RESULTS

| | As of October 1, 2015 | As of October 1, 2014 |
|---|---|---|
| **1. Number of Members** | | |
| a. Active Members | **245** | **216** |
| b. Receiving or Due to Receive Benefits | **378** | **376** |
| **2. Total Annual Compensation** | **$18,649,015** | **$16,504,396** |
| **3. Total Retired Member Benefits** | **$21,695,704** | **$21,341,224** |
| **4. Unfunded Actuarial Accrued Liability** | | |
| a. Actuarial Accrued Liability (AAL) | $353,925,319 | $318,942,862 |
| b. Actuarial Value of Assets | $181,537,526 [2] | $172,701,186 |
| c. Unfunded Accrued Liability (a. - b.) | **$172,387,793** | **$146,241,676** |
| **5. Expected Contributions Fiscal Year** | **2016/2017** | **2015/2016** |
| a. Expected Member Contributions | $1,349,967 | $1,366,564 |
| b. Expected Chapter 185 Monies | $1,375,501 [3] | $1,269,750 |
| c. Expected City Contribution | $16,081,804 | $13,106,868 [1] |
| d. Total (a. + b. + c.) | **$18,807,272** | **$15,743,182** |

[1] There was a prepaid City contribution of $2,269,751 as of October 1, 2014 which the City used to reduce its cash contribution for fiscal year 2015.

[2] The actuarial value of assets includes a City contribution receivable of $4,104,375, which represents a lump sum payment for the 2014 and 2015 Supplemental Distributions.

[3] Receipt of the premium tax distribution assumes the City will make a lump sum payment of $4,104,375 to the System as required by the State of Florida in the letter dated October 2, 2015.

## FINANCIAL INFORMATION

The financial information below is summarized for the City of Hollywood Police Officers' Retirement System and does not include notes or detail. Audited financial statements for the year ended September 30, 2015 are available. You can request a copy of the financial statements by calling the pension office at (954) 967-4395 or view online at www.Hollywood PolicePensionFund.com under the "Disclosures" link.

### City of Hollywood Police Officers' Retirement System
### Statement of Plan Net Assets
### September 30, 2015 and 2014

| | As of September 30, 2015 | As of September 30, 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $4,480,550 | $3,051,193 |
| Receivables: | | |
| City contributions receivable | $1,564,389 | $0 |
| Employee contributions receivable | $59,257 | $0 |
| State contributions receivable | $0 | $1,269,750 |
| Accrued interest & dividends | $660,409 | $983,025 |
| Receivable for securities sold | $383,859 | $574,177 |
| DROP loans receivable | $971,431 | $1,084,462 |
| Total receivables | $3,639,345 | $3,911,414 |
| Prepaid expenses | $26,813 | $0 |
| Investments, at fair value: | | |
| Equity securities | $108,826,158 | $110,890,981 |
| Corporate bonds and notes | $55,066,788 | $72,299,116 |
| U.S. government securities | $16,282,949 | $20,182,583 |
| Foreign bonds | $5,332,927 | $5,543,297 |
| Domestic equity funds | $21,801,049 | $21,490,788 |
| Real estate | $25,718,933 | $16,481,816 |
| Alternative investment | $4,501,804 | $0 |
| Total investments | $237,530,608 | $246,888,581 |
| **Total Assets** | **$245,677,316** | **$253,851,188** |
| **Liabilities** | | |
| Accounts payable | $264,312 | $337,075 |
| Benefits payable | $0 | $0 |
| Prepaid City contributions | $0 | $2,269,751 |
| Payable for securities purchased | $2,762 | $51,469 |
| DROP accounts | $69,399,172 | $64,113,948 |
| Share plan accounts | $3,334,152 | $3,542,908 |
| **Total Liabilities** | **$73,000,398** | **$70,315,151** |
| **Net assets held in trust for pension benefits** | **$172,676,918** | **$183,536,037** |

# City of Hollywood Police Officers' Retirement System
# Statement of Changes in Plan Net Assets
# For the Years Ended September 30, 2015 and 2014

| | As of September 30, 2015 | As of September 30, 2014 |
|---|---|---|
| **Additions** | | |
| Contributions: | | |
| City | $13,425,807 | $11,209,547 |
| Employee | $1,454,477 | $1,341,148 |
| Rollovers | $194,366 | $0 |
| State | $0 | $1,269,750 |
| Buybacks | $15,919 | $27,952 |
| Total contributions | $15,090,569 | $13,848,397 |
| Investment income: | | |
| Net appreciation of in fair value of investments | ($1,722,594) | $18,344,204 |
| Interest and dividends | $6,228,080 | $5,801,920 |
| Total investment income | $4,505,486 | $24,146,124 |
| Less: | | |
| DROP earnings | ($5,059,622) | ($4,757,560) |
| Investment Expenses | ($1,330,339) | ($1,169,820) |
| Total reductions to investment income | ($6,389,961) | ($5,927,380) |
| Net investment income | ($1,884,475) | $18,218,744 |
| **Total Additions** | **$13,206,094** | **$32,067,141** |
| **Deductions** | | |
| Benefits paid | $23,543,803 | $22,682,068 |
| Participants' contributions refunded | $73,428 | $126,781 |
| Administrative expenses | $656,738 | $684,234 |
| **Total Deductions** | **$24,273,969** | **$23,493,083** |
| **Change in Net Assets** | **($11,067,875)** | **$8,574,058** |
| **Net Assets held in Trust for Pension Benefits (including Share account)** | | |
| Beginning of year [1] | $187,078,945 | $178,504,887 |
| End of year [1] | **$176,011,070** | **$187,078,945** |

[1] Includes Share Plan investments of $3,334,152 and $3,542,908 as of September 30, 2015 and 2014, respectively.