

**FIREFIGHTERS' RETIREMENT PLAN
CITY OF ST. LOUIS**

**DEFERRED RETIREMENT OPTION PLAN
POLICY AND PROCEDURES**

A. PURPOSE

The purpose of this Policy and Procedure is to provide a coordinated and fully documented process for eligible applicants to enter and obtain distributions from the Deferred Retirement Option Plan (“DROP”) of the Firefighters' Retirement Plan of the City of St. Louis (“FRP”) pursuant to Chapter 4.19 of the Revised Code of the City of St. Louis. In addition, this Policy and Procedure is intended to provide those associated with the process a detailed outline of the steps, time frames, and rules regarding the DROP and the processing of applications for participation in the DROP and distributions from the DROP.

B. ELIGIBILITY

1. A “Grandfathered Participant” is a Plan participant who was employed by the City as a firefighter on January 31, 2013, and whose benefit accrued under the prior Firemen’s Retirement System was frozen as of February 1, 2013.
2. Grandfathered Participants who have completed at least twenty years of service may elect to continue active employment and participate in the DROP program in lieu of accruing additional benefits for a period not to exceed five years. The DROP program is explained in this Policy and Procedures.
3. No Participant may elect to participate in the DROP program more than once.

C. FRP Coordination with Firemen’s Retirement System (FRS)

1. A Grandfathered Participant who elects to participate in the DROP program under the FRS for a period of time must also participate in the DROP program under the FRP for the same period of time. Because of the rule prohibiting duplication of benefits, a Participant cannot receive DROP payments under the FRS and accrue additional benefits under the FRP simultaneously. Years of Service attributable to a period for which a Participant is accumulating DROP payments under the FRS will be disregarded under the FRP for benefit accrual purposes.
2. A Participant must apply for DROP separately under the FRS and the FRP. Because of the non-duplication rule, a Participant who begins participating in the DROP program under the FRS on or after February 1, 2013 will be deemed to begin participating in the FRP beginning at the same time as participation in FRS and with the same election(s) chosen under FRS.
3. The FRP will pay into the DROP account only the benefit accrued under the FRP on and after January 1, 2013, which is based on all Years of Service with an offset of the benefit accrued under the FRS. (FRP will not pay any benefits accrued under

FRS into the FRP DROP account. The FRS will pay the benefit accrued under the FRS into the FRS DROP account.)

4. Participants who entered DROP under the FRS before February 1, 2013 may not participate in DROP under the FRP. However, such a Participant may accrue benefits under the FRP upon exiting DROP under the FRS on or after February 1, 2013.
5. It appears FRS determines Average Final Compensation by treating compensation received in the last 53 pay periods as received in the last two years. FRP will determine Average Final Compensation on the basis of actual days in the year. FRP will offset the gross pension amount calculated on that basis by the amount paid by FRS.
6. Sick leave accumulated before September, 2010 will be treated as attributable entirely to FRS. FRP will not recognize any such sick leave for purposes of a cash out or the DROP conversion features except to the extent any salary increases granted to Grandfathered Participants after FRP's effective date affect the calculation of sick leave cash out values as provided in Chapter 4.19.
7. Any and all benefits under the FRP shall be offset by benefits payable under the FRS as provided in Chapter 4.19.

D. PROCEDURE

1. A Grandfathered Participant who desires information concerning DROP but is not yet prepared to participate may request a non-binding estimate of the amount of his/her DROP benefit from FRP.
2. DROP participants begin accruing benefits upon participation. DROP deposits will occur on the first day of the month. Participation in a length of time of less than one calendar month will be pro-rated to a daily amount.
3. A Grandfathered Participant who desires to participate in DROP must meet with FRP's administrative staff at FRP's administrative office to file a DROP Election Form at least fifteen (15) days in advance of the desired DROP participation date.
4. The Grandfathered Participant must bring to the meeting proof of his/her date of birth (must be original or certified copy of Birth Certificate, Passport, Baptismal Certificate, Military Discharge or verification from the Social Security Administration). The original or certified document will be returned to the Grandfathered Participant. If the Grandfathered Participant cannot provide any of the documents listed above, he/she may contact FRP's administrative office for other acceptable means of proof of date of birth. The Grandfathered Participant must also bring documentation substantiating his or her DROP status under the FRS, including proof of election chosen.
5. During the meeting, FRP's administrative staff will:

- (a) inform the Grandfathered Participant of the contents of this Policy and Procedure, the Election Form for participation in the DROP, the Distribution Election Form and the Beneficiary Election Form; and
 - (b) respond to any questions the Grandfathered Participant may have concerning the contents of this Policy and Procedure.
- 6. A Grandfathered Participant who elects to participate in the DROP must elect to participate in writing by signing the Election Form and verifying that he/she understands the terms and conditions of the DROP, as expressed in Chapter 4.19 and this Policy and Procedure.
- 7. When filing the Election Form to participate in the DROP, the Grandfathered Participant will have the opportunity to designate a beneficiary to receive his/her DROP account in the event the Grandfathered Participant dies before receiving the account. The Grandfathered Participant may designate a contingent beneficiary on the Beneficiary form, who will receive the DROP account in the event the first selected beneficiary dies before the Participant. The Grandfathered Participant can change the DROP account beneficiary at any time while the Participant is alive by filing a new Beneficiary Election Form.
 - (a) Should a DROP Grandfathered Participant desire to change his or her previously designated beneficiary, the DROP Grandfathered Participant must execute a new Beneficiary Election Form. The effect of the Beneficiary Election Form is to revoke all prior designations of beneficiary for the DROP Grandfathered Participant's DROP benefits. As a consequence of signing a new Beneficiary Election Form, the DROP Grandfathered Participant must obtain the consent of his or her spouse if the beneficiary is other than the spouse, and such consent must be witnessed by a notary public. The signed Beneficiary Election Form must be returned to FRP's administrative office.
 - (b) The DROP Grandfathered Participant must bring the following to any appointment with FRP's administrative office when declaring or changing their beneficiary for DROP:
 - (1) a copy of any divorce decree and/or notarized authorization if divorced subsequent to the filing of his or her application for DROP participation or most recent signed Beneficiary Election Form;
 - (2) a copy of the marriage certificate if married or remarried subsequent to the filing of his or her Application for DROP participation or most recent signed Beneficiary Election Form with FRP's administrative office.
- 8. A designated beneficiary will receive the DROP account only if the Grandfathered Participant dies before receiving his/her entire DROP account balance. In the event the Grandfathered Participant fails to designate a beneficiary, or if no beneficiary

survives him/her, the Grandfathered Participant's estate will receive the DROP account balance remaining unpaid at the Grandfathered Participant's death.

9. FRP staff will verify that the Grandfathered Participant has applied to enter the FRS DROP. Notice of the Grandfathered Participant's election to participate in the DROP will be placed on the agenda for a Board meeting for approval.
10. Within ten (10) days after Board approval of the Grandfathered Participant's participation in the DROP, FRP's administrative office will:
 - (a) notify the Grandfathered Participant of the Board's approval of his/her DROP participation including the exact calculation of the monthly amount to be credited to the Grandfathered Participant's DROP account during the DROP period;
 - (b) arrange for the Grandfathered Participant's DROP account to be established;
 - (c) freeze the Grandfathered Participant's Years of Service as of his/her DROP entry date.
11. FRP's administrative office will annually provide each DROP Grandfathered Participant with a statement of their DROP account balance. FRP's administrative office will also respond to other balance inquiries, but only if such inquiries are in writing.
12. A Grandfathered Participant may stop his/her participation in the DROP by notifying the Board of Trustees in writing at least thirty (30) days in advance of the month he/she wishes to terminate participation.
13. Upon receipt of notice of a Grandfathered Participant's desire to end participation in the DROP, the Board of Trustees shall return the Grandfathered Participant to non-DROP participation status. Service rendered after a Grandfathered Participant returns to non-DROP status shall be counted as creditable service.
14. An active DROP Grandfathered Participant, or a former DROP Grandfathered Participant who has returned to non-Drop participation status, who wishes to retire must apply in writing to the Board of Trustees at least thirty (30) days but no more than ninety (90) days in advance of his/her desired retirement date. Upon receipt of such written application, FRP's administrative staff will:
 - (a) Provide the Grandfathered Participant with the necessary forms to complete relative to his/her retirement along with a reasonable deadline for submitting such forms;
 - (b) Provide the Grandfathered Participant with a Special Tax Notice Regarding Plan Payments Under Qualified 401(a) Plans (at least 30 days and not more than 90 days prior to distribution of benefits) and a DROP Distribution Election Form along with a reasonable deadline for submitting such form;

- (c) Respond to any questions the Grandfathered Participant may have.
- 15. The Grandfathered Participant must complete and file a DROP Distribution Election Form prior to his/her effective date of retirement.
- 16. When all the appropriate forms are fully completed, FRP's administrative office will place notice of the Grandfathered Participant's application for retirement along with notice of his/her DROP Distribution Election on the Board agenda for approval.

E. GENERAL RULES

- 1. A Grandfathered Participant's election to participate in the DROP is irrevocable once approved by the Board of Trustees. A Grandfathered Participant may terminate his/her participation as provided above; however, a Grandfathered Participant cannot void his/her participation in the DROP in exchange for credited Years of Service.
- 2. A Grandfathered Participant electing to participate in the DROP shall continue in active employment and shall not receive any direct retirement allowance payments during the time of participation. Years of service earned during the period of participation in the DROP shall not be creditable service and shall not be counted in determination of any service-based retirement benefit. As a consequence the following will apply:
 - (a) Upon the start of participation in the DROP program, the Grandfathered Participant shall make contributions at the rate of one percent (1%) of compensation, instead of eight percent of compensation of each Participant with at least twenty full Years of Service as of February 1, 2013, and nine percent of compensation of each Participant with fewer than twenty full Years of Service as of February 1, 2013.
 - (b) During the period of participation in the DROP program, the amount that the Grandfathered Participant would have received as a retirement income benefit (Normal Retirement Benefit or reduced Early Retirement Benefit) shall be deposited in the Grandfathered Participant's DROP account on a monthly basis, which shall be established in his or her name by the Board of Trustees.
 - (c) A Grandfathered Participant's credited Years of Service will be frozen upon entry into the DROP.
 - (d) A Grandfathered Participant's DROP account shall be adjusted for any cost of living increases during the Grandfathered Participant's participation in the DROP program on October 1 of each year.

- (e) A Grandfathered Participant's DROP account shall earn interest in accordance with the provisions of Chapter 4.19.
 - (f) No Grandfathered Participant ending participation in the DROP program and returning to non-DROP participation status shall make any withdrawal from his or her DROP account until after termination of employment.
 - (1) If a total withdrawal occurs during a Plan fiscal year, interest will be determined pro rata for the final partial fiscal year to date of retirement or death, whichever occurs first, based on the beginning balance for the fiscal year, except that no interest shall be payable if such withdrawal occurs prior to the start of the second fiscal year following participation.
3. When a DROP participant returns to non-DROP participation status:
 - (a) the monthly DROP allowance stops being credited to the DROP account;
 - (b) the Grandfathered Participant shall make contributions at the rate of nine percent (9%) for those attaining twenty years (20) of service after February 1, 2013 or eight percent (8%) for those with twenty (20) or more years of service before February 1, 2013; and
 - (c) he/she resumes earning creditable service.
 4. If a Grandfathered Participant retires after return to non-DROP participation status, the Grandfathered Participant's retirement benefit shall be computed on the combination of the Grandfathered Participant's pre-DROP retirement benefit (based on Average Final Compensation at the beginning of the DROP period and any applicable reduction for commencement before age fifty-five) plus any additional benefit earned by the Grandfathered Participant after returning to non-DROP participation status.
 5. Post-DROP Years of Service shall be the only years used in computing the additional benefit; however, total Years of Service shall be used to determine the appropriate accrual level of additional benefit, two percent or five percent as provided in Section 4.19.060 C for each year of post- DROP service.
 6. Upon retirement the Grandfathered Participant shall receive retirement income benefits plus the amount which has accumulated in his or her DROP account. The amount in the Grandfathered Participant's DROP account shall be payable, at the Grandfathered Participant's option, either as a lump sum payment or as a series of periodic payments of reasonably equal amounts over a period of up to ten years.
 7. If a Grandfathered Participant dies prior to termination of employment while participating in the DROP or prior to receiving payment of all amounts in the DROP account, the funds in his/her DROP account plus any pro-rated interest if applicable as of the date of death shall be payable to the Grandfathered Participant's

designated DROP beneficiary or estate (if the Grandfathered Participant failed to designate a beneficiary or if no beneficiary survives him/her). Applicable interest shall be pro-rated as of the date of death. Payment shall be rendered under either of the following options:

- (a) A lump sum payment equal to the amount in the Grandfathered Participant's DROP account, after taxes are withheld, shall be paid to the Grandfathered Participant's beneficiary or the Grandfathered Participant's estate. The death benefits for the beneficiary under the provisions of Section 4.19.080 shall be based on the Grandfathered Participant's compensation and Years of Service before the Grandfathered Participant's participation in the DROP program.

or

- (b) The beneficiary may waive any claim to the Grandfathered Participant's DROP account, in which case any death benefits payable to the beneficiary under the provisions of Section 4.19.080 shall be calculated as if the Grandfathered Participant had continued as an employee and had not anticipated in the DROP program. Any funds in a DROP account which has been waived as provided in this paragraph shall become funds of FRP.
8. If a Grandfathered Participant who has elected to participate in the DROP program subsequently applies for and receives benefits for a disability benefit under the provisions of Section 4.19.070, the Grandfathered Participant shall forfeit all rights, claims or interest in his or her DROP account and the Grandfathered Participant's benefits shall be calculated as if the Grandfathered Participant had continued in employment and had not elected to participate in the DROP program. Any funds in a DROP account which have been forfeited as provided in this Plan shall become funds of FRP.
 9. A Grandfathered Participant who is participating in the DROP program may make sick leave elections upon termination of employment in accordance with Section 4.19 only if the Participant made a comparable election under the FRS.
 10. All DROP benefits payable from the FRP must be paid in the same conversion options as the benefit under the FRS.
 11. The Board of Trustees has the authority to revise the DROP Policy and Procedure as needed.

D. DISTRIBUTIONS FROM DROP

1. At least thirty (30) days but not more than ninety (90) days prior to distribution of any portion of the DROP benefit, FRP will provide the Grandfathered Participant or the Grandfathered Participant's designated beneficiary with the Special Tax Notice Regarding Plan Payments Under Qualified 401(a) Plans.

2. No DROP benefit will be paid or otherwise distributed to a Grandfathered Participant until after the effective date of his/her retirement as approved by the Board of Trustees.
3. No DROP benefit will be paid to a Grandfathered Participant's designated DROP beneficiary following the Grandfathered Participant's death until such payment is approved by the Board of Trustees. The Board of Trustees will not approve payment until receipt of sufficient documentation of the Grandfathered Participant's death. (For example, a death certificate would be deemed "sufficient documentation" of a Grandfathered Participant's death.)
4. Distributions from DROP accounts will be included in the recipient's taxable income for the year received and will be subject to all applicable tax withholding rules. Please note that certain DROP distributions made prior to age 50 may be subject to an early distribution tax. To the extent permissible under federal tax laws, payment of a DROP account shall be made in the following forms pursuant to the Grandfathered Participant's election:
 - (a) A lump sum distribution of the balance of the DROP account; or
 - (b) A series of monthly payments of reasonably equal amounts over a period of up to ten years using the declining balance method as provided in 26 C.F.R. § 1.402(c)-2(d)(1).
5. Unless otherwise required by law, payment of a Grandfathered Participant's DROP account shall begin within three (3) months following the effective date of his/her retirement.
6. Payment of a Grandfathered Participant's DROP account to his/her designated beneficiary shall be made no sooner than the month following the Participant's death.
7. All distributions from the DROP will be made on the last business day of the month.

Adopted this 26th day of September, 2013.

Board of Trustees of the Firefighters' Retirement Plan
of the City of St. Louis



Secretary