



Appendices

Appendix A: Survey of DROP designs

Below is a survey of basic design features in 24 different cities, counties or states. All are public-sector plans in the United States and most have more detailed information on Web sites. Web sites are shown below the name of the plan sponsor on the summaries. In addition, we found a Web site (www.prb.state.tx.us/txdropsl.html) that summarized 38 plans in the state of Texas alone. The following is a summary of some of the information from these surveys.

In many of the plan summaries we found there was nothing specific about disability benefits. This is likely because participants are treated as “retirees” during the DROP participation period.

Our summaries have not been verified by the plan sponsor and several of the DROPs have changed their provisions since inception. The following summaries are included for survey purposes only and should not be used by participants in these plans.

Figure A.1

	U.S. Survey	Texas Survey
<i>Number of Plans</i>	24	38
Number of forward DROPs	22	16
Number of back DROPs	3 (1 can be both Forward and Back)	27 (5 can be both Forward and Back)
Number of fire plans	11	32
Number of police plans	11	4
Number of general employees/teachers	10	4
Number with 24-month max DROP period	0	22
Number with 36-month max DROP period	6	8
Number with 48-month max DROP period	3	1
Number with 60-month max DROP period	9	4
Do member contributions continue during DROP?	7 yes (1 is voluntary)	36
Are member contributions added to DROP account?	6	36

Figure A.2

<i>City/State</i>	Alabama www.rsa.state.al.us	Anne Arundel County (Md.)	Arizona www.psprs.com
Type of DROP	Forward	Forward	Forward
Groups covered	Teachers and general employees	Police and fire	Public safety personnel
Eligibility	25 Years of service and age 55	20 years of service	20 years of service
DROP period	Min of 3 years, max of 5 years	36 to 60 months	Max of 60 months
Interest credit rate	Same as active accounts (currently 4%)	8%	9.0% currently – Rate of return determined by fund manager
COLAs	No	Yes	No
Mandatory retirement	No	Yes	No, but penalized by loss of all interest credited to DROP account
Employee contributions	Yes	No	No
Treatment of EE contribs.	Deposited into the DROP account	N/A	N/A
Disability benefits	No, the employee would just be considered retired on the date of disability (LS of DROP account)	Yes	Yes
Death benefits	DROP account goes to beneficiary, any contributions, and depending on benefit election	DROP benefit	Yes, but based on amount calculated at beginning of DROP plus DROP account
Annuity and pay-out options	Lump sum	Lump sum only	Lump sum of account balance and monthly annuity of retirement benefit
Phase-in of coverage	No	Limit on new members per month	No
Sunset provisions/ future cost analysis	No	No	Yes. 06/30/2006
Effective date of DROP	06/01/2002	01/01/2001	07/01/2001
Notes	If termination occurs within the first three years of DROP, the retirement allowance payments will be forfeited and they will only receive employee contributions and interest. Additional benefits can be earned after DROP participation period.	Must be in DROP a minimum of 36 months	Must take money at the end of DROP (within 30 days)

Figure A.2 (continued)

<i>City/State</i>	Austin	City of Baton Rouge	Dallas	Denver <i>www.derp.org</i>
Type of DROP	Forward and back	Forward	Forward	Forward
Groups covered	Fire	Police, fire and general employees	Police and firefighters	General employees
Eligibility	45 years of age and 10 years of service or 20 years of Service	Actively contributing and eligible for service retirement	Age 50 and eligible for retirement	Normal retirement (age 65) or rule-of-75 (and age 55)
DROP period	Max of 7 years	Maximum of 60 months	No limit	Max of 48 months
Interest credit rate	5%	5-year average of investment returns	At actuarial rate – 8.75%	7.75% currently (plan's assumption for investment return)
COLAs	Yes	No	Yes	N/A
Mandatory retirement	Yes	No	N/A	No
Employee contributions	Yes	Not during DROP	No	N/A
Treatment of EE contribs.	Credited to the DROP account	Offset against pension amount over member's life expectancy	N/A	N/A
Disability benefits	No	Not after DROP entry	No	No
Death benefits	Yes	Yes	DROP Benefit	Yes, same as actives plus DROP account
Annuity and pay-out options	Lump sum of account balance (or periodic payment) and monthly annuity of retirement benefit	Mandatory minimum withdrawals if under age55 at retirement	Lump sum of account balance (or periodic payments)	Lump sum of account balance (or periodic payment) and monthly annuity of retirement benefit
Phase-in of coverage	No	No		No
Sunset provisions/future cost analysis	01/01/2002	None		Yes. 12/31/2004
Effective date of DROP	1995	01/01/1981	01/01/1993	01/01/2001
Notes		Member cannot earn additional service credits following DROP participation		Social Security make-up benefit added to DROP if born 1938 or later. Extra accruals if continue to work after 48 months.

Figure A.2 (continued)

City/State	Florida <i>www.frs.state.fl.us</i>	Hollywood (FL) <i>www.hollywoodpolicepensionfund.com</i>	Houston <i>www.hfrrf.org</i>
Type of DROP	Forward	Forward	Forward
Groups covered	Teachers and general employees	Police	Firefighters
Eligibility	Normal retirement (vested and age 62) or 30 years of service	Eligible to receive a service retirement and at least age 50 and 25 years of service (but less than 28)	Retirement eligible
DROP period	Max of 60 months	30 years less pre-DROP service (max of 60 months)	1 month to 10 years
Interest credit rate	6.50%	Investment return on assets in which such amounts are invested by the board	5-year average of pension fund
COLAs	Yes, 3%	Yes	Yes (if you are eligible)
Mandatory retirement	Yes	No	No
Employee contributions	No	Yes	Yes, 7.7% of pay
Treatment of EE contribs.	N/A	Employee contributions are credited to DROP account	Employee contributions are credited to DROP account each month plus interest
Disability benefits	No	No	Occupational disability – only general
Death benefits	Yes, DROP benefits and continuing monthly benefit	Yes	On-duty death
Annuity and pay-out options	Lump sum of account balance (or partial) and monthly annuity of retirement benefit	Lump sum of account balance (or periodic payment) and monthly annuity of retirement benefit	Lump sum of account balance (or periodic payment) and monthly annuity of retirement benefit
Phase-in of coverage	No	No	No
Sunset provisions/future cost analysis	No	No	No
Effective date of DROP	07/01/1998	01/01/1991	09/01/1995
Notes		Voluntary after-tax contribution allowed	Can continue to work after 10 years with frozen account

Figure A.2 (continued)

<i>City/State</i>	Louisiana <i>www.trsl.state.la.us</i>	Louisiana <i>www.lasers.state.la.us</i>	Louisiana <i>www.lsprs.state.la.us</i>
Type of DROP	Forward	Forward	Forward
Groups covered	Teachers	General employees	Police
Eligibility	Earliest of: 30 years of service, 55 and 25 or 60 and 10 (depends on the plan) and member must be employed for entire DROP period (service does not include unused sick or annual leave)	Eligible for regular retirement only: 30 years of service, 25 years of service and age 55 or 10 years of service and age 60	Eligible for regular retirement only: 25 years of service or 20 years of service and age 50
DROP period	1 month to 36 months	Max of 36 months	Max of 36 months
Interest credit rate	None – only after DROP period ends	None – only after DROP period ends	None – only after DROP period ends
COLAs	No – only after termination	No	No
Mandatory retirement	No	No	No
Employee contributions	No	No	No
Treatment of EE contribs.	N/A	N/A	N/A
Disability benefits		No	No, the employee would just be considered retired on the date of disability
Death benefits	Yes	No	No, DROP account goes to beneficiary
Annuity and pay-out options	Lump sum of account balance (or periodic payment – total, annual or monthly)	Lump sum of account balance (or periodic payment)	Lump sum of account balance (or periodic payment)
Phase-in of coverage	No	No	No
Sunset provisions/future cost analysis	No	No	No
Effective date of DROP	01/01/1992	07/01/1992	07/01/1992
Notes	Has alternative partial lump sum option called ILSB	Window of eligibility is only 3 years and 60 days from earliest eligible date DROP period is reduced by waiting time after eligibility begins – once you enter DROP you are considered a retiree	Once you enter DROP you are considered a retiree

Figure A.2 (continued)

<i>City/State</i>	Maryland	Memphis <i>www.memphisfirefighters.org</i>	Miami
Type of DROP	Forward	Forward	Forward self-directed
Groups Covered	Police	Fire fighters	General employees
Eligibility	At least 22 years of credited service but less than 28	NRA and 25 years of service	Age 55 with 10 years or age + service at least 70
DROP Period	Max of 48 months	Max of 36 months	Max of 36 months
Interest Credit Rate	6.00%	25% of 90-day Treasury Bill yield paid quarterly	Investment options - employee chooses
COLAs	Yes		Yes
Mandatory Retirement	Yes	Yes	Yes
Employee Contributions	No	No	No
Treatment of EE Contribs.	N/A	N/A	N/A
Disability Benefits	Yes, DROP is then revoked.	Yes, DROP is then revoked	No
Death Benefits	Yes	Yes, DROP is then revoked	No special line-of-duty benefit
Annuity and Pay-out Options	Lump sum only	Lump sum of account balance	Lump sum, annuity, periodic payments, rollover
Phase-in of Coverage	No	No	None
Sunset Provisions/Future Cost Analysis	No		None
Effective Date of DROP	2000		2002
Notes		Quarterly entry dates	Also offers a back DROP with maximum 36 months, interest based on "assumed investment return" but benefit to be actuarially equivalent to benefit earned at date of retirement. They also have a police and fire plan.

Figure A.2 (continued)

<i>City/State</i>	Milwaukee County	Missouri	Ohio <i>www.op-f.org</i>
Type of DROP	Back (retroactive)	Forward	Forward – Not available until 2003
Groups Covered	General employees	Police	Police and fire fighters
Eligibility	Election can be made back to the earliest date eligible to retire.	20 years of service or age55	25 years of service and age 48
DROP Period	No limit	Max of 60 months	Min of 3 years, max of 8 years
Interest Credit Rate	Based on annual rate of return 8.5% 2001; 9.0% 2002	Based on annual rate of return	5.00%
COLAs	Yes, 2%	No	Yes
Mandatory Retirement	N/A	No	No, but DROP benefits will be forfeited
Employee Contributions	N/A	Yes, voluntary, 7% of pay	Yes, 10% of pay
Treatment of EE Contribs.	N/A	Employee contributions are credited to DROP account	Employee contributions credited to DROP: Year 1: 50%, Year 2: 50%, Year 3: 75%, Year 4: 100%
Disability Benefits	N/A	Yes, but DROP is forfeited	Yes, DROP is either revoked and disability retirement accepted or stay in DROP and decline disability retirement
Death Benefits	N/A	Yes	Yes
Annuity and Pay-out Options	Lump sum of account balance and monthly annuity of retirement benefit	Lump sum of account balance or monthly installments over 10 years and monthly annuity of retirement benefit	Lump sum of account balance (or periodic payments)
Phase-in of Coverage	No	No	No
Sunset Provisions/Future Cost Analysis	No		The board will review the DROP program each quintennial
Effective Date of DROP	2001	08/28/1997	01/01/2003
Notes	Under investigation		Employer makes no additional contributions for DROP employees – net zero cost – member receives 50% J&S coverage at no charge

Figure A.2 (continued)

<i>City/State</i>	Oklahoma	Philadelphia <i>www.fop5.org</i>	San Antonio
Type of DROP	Forward	Forward	Back
Groups Covered	Firefighters	Police and fire	Police and fire
Eligibility	20 years of service	NRA and 10 years of service	20 years of service
DROP Period	60 months	48 Months	Maximum of 36 months
Interest Credit Rate	Maximum of actuarial assumption and 2% below actual return	Yes	N/A
COLAs	Yes	No	No
Mandatory Retirement	Yes	Yes	No
Employee Contributions	No	No	N/A
Treatment of EE Contribs.	N/A	N/A	N/A
Disability Benefits		Yes	N/A
Death Benefits	DROP benefit	Yes, death benefit and DROP account	N/A
Annuity and Pay-out Options	Lump sum only	Lump sum of account balance and monthly annuity of retirement benefit	Lump sum and monthly annuity of retirement benefit
Phase-in of Coverage		No	No
Sunset Provisions/Future Cost Analysis		Test period is 4 years	01/01/1999
Effective Date of DROP		06/28/1999	10/01/1995
Notes			

Figure A.2 (continued)

<i>City/State</i>	San Diego	Texas <i>www.trs.state.tx.us</i>
Type of DROP	Forward	Forward
Groups Covered	General Employees	Teachers
Eligibility	Eligible for service retirement	Actively contributing, eligible for service retirement annuity unreduced and have 25 years of service
DROP Period	Max of 60 months	1 to 5 years (in yearly increments)
Interest Credit Rate	Decided by the board	5.00%
COLAs	Yes	No
Mandatory Retirement	Yes	No
Employee Contributions	No	Yes, 6.65% of pay
Treatment of EE Contribs.	Looks like employer contributions are put into DROP account	Not deposited into the member's contribution account or the DROP account
Disability Benefits	Yes, using factors the day before the effective date of DROP and DROP account is distributed	
Death Benefits	Yes	Yes
Annuity and Pay-out Options	Lump sum of account balance (or periodic payment)	Lump sum of account balance (or periodic payment) and monthly annuity of retirement benefit
Phase-in of Coverage	No	No
Sunset Provisions/Future Cost Analysis	03/31/2000	Previously changed rules for those entering in the future
Effective Date of DROP	04/01/1997	Rules changed 09/01/1999
Notes		Can continue after DROP and earn additional benefits – 60%-79% of standard annuity deposited to account