

DROP

The acronym DROP equates to Deferred Retirement Option Plan. The first DROP plan was developed in Louisiana in the early 1980's. It was originally developed for public safety officers and other employees who were only allowed to work a certain amount of time. It was a way for their employers to retain their talent for a little while longer. A win/win situation. Because there are many variables, you would be hard pressed to find two plans alike. We are only concerned about our DROP plan, right? Here we go!

Let's say you have spent a lot of time planning your retirement. It will last the rest of your life and depending which benefit you select the rest of a loved one's life. I hope you take the time to really put a lot of thought into this. A lot of people spend more time planning a two week vacation than their retirement.

Let's say after much thought for example you "retire" on Friday. Since you have decided to enter DROP you contacted the pension office a couple of months prior. The good folks at the pension office will provide you with an estimate of your benefit. The first option is the "life annuity." Although it is the highest benefit, it only covers you and ends after you pass away. The next benefit is ten year certain. It ends when you pass away if you live more than ten years. If you don't, it will pay your beneficiary(ies) for the remainder of the ten years. The rest of the choices are called joint survivorship benefits. You select a lower benefit in order to include a beneficiary that should you pass away before them, will receive a benefit for the rest of their life.

You then take this projection home. Show it to your family and have a conversation with them about your retirement. Show it to

your CPA. Show it to your financial advisor. No folks, DROP is not right for everyone and we cannot make this decision for you. You should be aware that if you choose to enter DROP, you waive the right to any disability retirement benefits from the system and waive the right to any pre-retirement death benefits if your death occurs during the DROP period. Sometimes it is better for you not to enter DROP and thus earn a bigger benefit. DROP under the right circumstances could provide you with a bucket of cash to enter your retirement years with. Is it magic? No. How does it work? Your pension benefit which by the way is not eligible for a cost of living adjustment (i.e. COLA) until you have separated service from the City, will be kept for you in the pension fund. Will I earn interest? You bet! You will earn the assumed rate for the plan which is currently 7.9%. This rate is subject to change.

You then contact the pension board and notify them of your intentions to enter DROP with at least 30 days prior notice and set up an appointment to select your benefit.

Your proverbial "Friday" comes along and you retire on paper only. Yes, it is an official retirement, but on Monday you come back to work. What did you say? Come back to work. You keep your same job. You are responsible for your same duties. While in DROP you have all of the rights, privileges, and benefits, and are subject to all terms and conditions of your active employment including, but not limited to, seniority, accrual and use of vacation and sick leave, pay increases, and eligibility for other city benefit programs not related to retirement benefits. What is different? You no longer have to pay into the pension fund your member contributions. In essence you get a little raise. Is this a good thing for you? It could be. Ask your trusted professionals. Is it good for the City? Yes. Although they will

one day miss you, they lower what is known as their long term pension obligation and they are able to replace you with a lower paid employee once you are gone. Once this is decided there is no turning back. You will not be able to make changes regarding your election to participate in or your selection of retirement benefit once you enter DROP. At the end of five years you must leave. You can leave sooner, but not stay longer than the five years. DROP is a big decision. Please do not take it lightly and as Chairman; may all your dreams come true. Have a rewarding retirement.

**George Mitchell, Chairman
July 20, 2018**