

DEFERRED RETIREMENT OPTION PLAN FREQUENTLY ASKED QUESTIONS

1. WHAT IS THE DEFERRED RETIREMENT OPTION PROGRAM (DROP)?

The DROP is a program that allows you to continue working for the City as a firefighter or police officer for a period of up to 3 years and to have your retirement benefits credited to a deferred account at the same time. Participation in the DROP is entirely *voluntary*. If you do not want to commit to a retirement date, you do not have to participate in the DROP and you can continue working until you are ready to retire. However, once you elect to participate in the DROP you must retire within a 3 year period.

2. WHO IS ELIGIBLE FOR THE DROP?

The deferred retirement program is available to participants who have completed 30 or more years of credited service and are not ready to retire.

While the DROP is voluntary, once you elect to participate in the DROP, you must actually retire within 3 years from the date your DROP election becomes effective.

3. CAN I CHANGE MY MIND ABOUT RETIREMENT ONCE I ELECT TO PARTICIPATE IN THE DROP?

Your election can be revoked any time within 7 days. After this 7 day period has expired, your election to participate in the DROP is irrevocable.

4. CAN I CHANGE MY MIND ABOUT THE FORM OF DROP PAYMENT?

You can change the method of payment for your DROP account prior to the end of the month in which you make your election. Once DROP payments have been credited to you, the form of payment cannot be altered.

5. IS DROP COUNSELING AVAILABLE?

Yes. You can make an appointment with the Pension Administration Division in the Finance Department for counseling. Your Pension Administrator can provide you with a benefit estimate and assist you in completing the DROP application form. Working hours are 8 am to 5 pm, Monday through Friday. An appointment should be made if requesting counseling outside of the Division's regular business hours.

6. HOW DO I APPLY FOR THE DROP?

If you are eligible, you can elect to participate in the DROP by filing a DROP election at least 60 days prior to your proposed DROP effective date. You can obtain an application for the DROP from either the Police or Fire Departments' Personnel Office. Once you've completed the form, return it to the Pension Administration Division. Your employment information is reviewed to make sure that you meet the DROP eligibility requirements. After this internal review, CIGNA Retirement Services, the Plan's Trustee, will be notified to send you a distribution package. This

package will detail the amount of your accrued pension benefit and allow you to elect a benefit form that will apply during your DROP period.

7. DO I HAVE TO WORK FOR 3 YEARS IF I ELECT TO PARTICIPATE IN THE DROP?

No. You can elect to retire at any time. However, you must retire no later than 3 years after your DROP effective date. For instance, if your DROP effective date is December 1, 2004 then you must terminate employment on or before December 1, 2007. The DROP entry date is always the first of the month you begin receiving DROP benefits.

8. DOES MY STATUS CHANGE IF I ELECT TO PARTICIPATE IN THE DROP?

If you participate in the DROP your employment status does not change; you are still an active employee of City of Alexandria. As an active employee:

- ❖ Your eligibility for the City's health, life, and other group insurance benefits continues;
- ❖ You continue to earn annual, sick and compensatory leave; and
- ❖ You are treated like any other active firefighter or police officer (and are eligible for pay increases, promotions, etc.) during your DROP period. Payouts for unused leave at retirement do not occur until the end of the drop period when you actually retire.
- ❖ Participation in the DROP is not a guarantee of continued employment. You are subject to discharge, suspension, lay-off, etc. on the same basis as any other active firefighter or police officer.
- ❖ You continue to be eligible to make deferrals to the Deferred Income Plan.

Once you elect to participate in the DROP your Pension Plan status does change. For purposes of the Plan, you are treated as if you actually retired and commenced retirement benefits on the date your DROP election takes effect. Compensation increases after your DROP effective date will not increase or affect your average monthly compensation or the amount of your future retirement benefit. In addition, once you reach your DROP effective date, you would no longer be required to make employee retirement or disability contributions to the Plan and you will not receive credit for service completed during your DROP period.

9. WHAT DO I RECEIVE IF I ELECT TO PARTICIPATE IN THE DROP?

If you elect to participate in the DROP, the amount of retirement benefits you would normally receive are credited to a special "DROP account" in your name. You can choose to have the credit to your DROP account based on any of the optional annuity forms permitted under the Plan (a life annuity; a joint and 50%, 66 2/3% or 100% survivor annuity; or a 60, 120, 180 or 240

month guaranteed period option). However, you will not be eligible to receive the Minimum Benefit option that pays you the value of your December 31, 2003 Retirement Income Balance plus interest.

Interest is credited on your DROP account at the rate of 3% per annum. In addition, your DROP account is credited with any cost of living adjustment that you would have received if you had actually retired.

10. WHEN DO I RECEIVE MY DROP ACCOUNT AND HOW IS IT PAID?

Your DROP account is paid to you when you actually retire. The account can be paid as a lump sum or used to increase your retirement annuity (at your option). It can also be rolled over to an individual retirement account or another eligible retirement plan.

11. WHAT HAPPENS IF I BECOME DISABLED DURING THE DROP PERIOD?

Since you are treated as if you retired on your DROP effective date, you are not eligible for any disability benefits under the Plan. However, if you have not yet reached age 55 (when coverage for a disability normally ends), you would receive disability benefits if you sustain a service connected total or partial disability prior to age 55.

12. WHAT HAPPENS IF I DIE DURING THE DROP PERIOD?

If you die during the DROP period, your beneficiary will receive the balance of your DROP account. However, the determination of whether any other death benefits are payable will be based on the form in which you elected to have your retirement benefit paid to your DROP account. Thus, if you elected to have your benefit credited to your DROP account in the form of a life annuity (with no survivor benefits) and you die during your DROP period, the only benefit payable upon your death would be the amount actually credited to your DROP account before your death. On the other hand, if you elected a joint and 100% survivor annuity, your beneficiary would continue to receive annuity payments following your death.

13. CAN I CHANGE THE WAY IN WHICH MY BENEFIT IS PAID AFTER I ACTUALLY RETIRE (AT THE END OF THE DROP PERIOD)?

Yes. When you actually retire, you can elect to have your retirement benefit paid in any of the annuity or guaranteed period forms permitted under the Plan – regardless of the method you choose to have your benefit paid during the DROP period. Thus, if you had elected to have your benefit paid in the form of a joint and 100% survivor annuity during the DROP period, after you actually retire you can change your mind and elect to have benefits paid after your actual retirement in the form of a life annuity. However, you could not elect the limited lump sum in lieu of your retirement benefits.