



## RETIREMENT BOARD POLICY AND REFERENCE MANUAL

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| <b>SUBJECT:</b><br><b>DEFERRED RETIREMENT<br/>OPTION PROGRAM (DROP)<br/>COORDINATION ISSUES<br/>BETWEEN RETIREMENT<br/>SYSTEMS</b> | <b>Section:</b> 2-34<br><b>Date Adopted/Revised:</b> 11/16/2009  |
| <b>SYSTEM(S):</b> JOINT  | <b>Approved:</b><br><br>Retirement Administrator |

### PURPOSE

The purpose of this policy statement is to clarify the Boards' intent and set forth reasonable rules and regulations concerning any employee (1) who participates in the Deferred Retirement Option Program (DROP) in one system and who then transfers to a permanent position in the other City of Fresno Retirement System or (2) who participates in DROP in one system and who has prior service in the other system.

### POLICY

It is the policy of the Retirement Boards to treat any employee who participates in DROP in one retirement system and who then transfers to a permanent position in the other retirement system as if the employee's DROP account in the prior system had been frozen, consistent with the intent of Municipal Code Sections 3-329 and 3-536 of not enhancing the retirement benefit in the prior system.

Fresno Municipal Code Sections 3-329 and 3-536 provide for a limited, narrow membership in the prior system and an active membership in the new system. The heading of both sections refers to "deferred benefits upon entering excluded classification". Under these provisions a member ceases to make contributions and ceases to accrue service credits in the prior system.

It is the further policy of the Retirement Boards to not allow a current member of one system who has prior service in the other system to enter DROP in the other system.

## RULES AND REGULATIONS

To implement this Policy, the Boards adopt the following rules and regulations effective the date of the transfer to the other retirement system:

### 1. Participation in the Prior System

- a. The employee's DROP account in the prior system will be frozen;
- b. Monthly DROP amounts shall cease to be deposited in the employee's DROP account;
- c. Interest shall cease to be credited to the employee's DROP account;
- d. Cost-of-Living Adjustments ("COLA") shall cease to be made to the employee's DROP account;
- e. The employee's ten-year period of DROP participation shall be suspended.

### 2. Participation in the New Retirement System

- a. The employee shall commence paying employee pension contributions and shall accrue service credits;
- b. If the employee becomes disabled while in the new retirement system, the amount of the employee's disability benefit shall be the greater of either the monthly amount previously deposited in the employee's DROP account or the benefit from the new retirement system;
- c. If the employee dies while in the new retirement system, the death shall be treated as a post-retirement death.

### 3. Entry into DROP in the Prior System

- a. Effective November 11, 2009, and subject to the following subsection, an employee currently active in one system who has prior service in the other system shall not be permitted to enter DROP in the other system.
- b. For those employees who as of November 10, 2009, are currently active in one system and possessed prior service in the other system shall be permitted to enter DROP in the other system, with the rationale for this limited grandfather provision being that the Boards had not previously adopted a clear rule with respect to this issue.