

PENSION UPDATE

Special Edition



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Dallas Police & Fire Pension System



2005 Plan Amendment Election



By Gerald Brown
Chairman of the Board of Trustees
and Fire Trustee

The Board of Trustees has voted to call a Plan amendment election to be held November 7-16, 2005. Members will consider and vote on the following ballot items:

1. Medical Expense Account

The Board has been researching programs that would allow you to save money while working so that you could use the saved funds to help pay medical expenses after retiring. This amendment would permit the Board to create a program when the research is completed. The amendment also would authorize the Board to use System assets to pay the minimal expected start-up expenses of the program when implemented.

2. 100% Joint and Survivor Pension

This amendment would permit any Pensioner who had not previously elected the 100% Joint & Survivor (J&S) service or disability pension to elect the 100% J&S pension. The Pensioner's benefit would be reduced based on the ages of the Pensioner and the Pensioner's Spouse. The Pensioner's surviving Spouse would receive a lifetime monthly benefit after the Pensioner's death equal to the Pensioner's reduced benefit. The surviving Spouse would receive reduced annual adjustments and benefit supplement payments if otherwise eligible. Minimum benefit provisions would not apply. Once the election is made, it cannot be changed. The election of the 100% J&S pension could be made at any time, but would become void if the Pensioner dies within one year after making the election. This amendment does not change current

provisions for electing the 100% J&S on leaving active service and beginning retirement.

3. Beneficiary Designation

This amendment would enable you, to designate a beneficiary to receive any lump sum payment that is payable due to your death. An example of this kind of payment is the partial monthly amount payable for the month in which the benefit recipient dies.

4. Survivor Benefit for Child Acquired after Retirement

This amendment would permit any Pensioner to provide a survivor benefit for a minor Child who is not a Qualified Survivor because the Child was born or adopted after the Pensioner left Active Service. This election is available only if the Child is under age 18 and an unmarried dependent of the Pensioner at the time of the election. The Pensioner making this election would receive a reduced pension based on the ages of the Pensioner and the Child. On the Pensioner's death, the Pensioner's benefit would be split between the Pensioner's qualified surviving Spouse, if one, and any eligible Children, including Children covered under this amendment. The election would become void if the Pensioner dies within one year after making the election. Once the election is made, it cannot be changed. This amendment does not change rights to survivor benefits for children born or adopted before a Member leaves Active Service.

5. More Flexible DROP Policies

The Board wants to provide you with greater flexibility in starting, stopping and restarting DROP deferrals and how withdrawals are taken. This amendment would accomplish the goal by two means. First, the amendment would remove most restrictions on DROP deferrals and

withdrawals. Restrictions administratively necessary for the operation of DROP would be retained. Second, the amendment would authorize the Board to adopt new DROP policies specifically designed to enhance Pensioner and beneficiary flexibility in deferring and receiving payments. Internal Revenue Code provisions regarding possible early or late withdrawal penalties would still apply.

6. Elimination of Annual Adjustment for Members Hired after December 31, 2007

This amendment would eliminate the automatic 4% annual adjustment to Member base pension and survivor benefits for persons who first become Members after December 31, 2006, or who return to Active Service after that date and retire with no pre-2007 Pension Service. The Board would have authority to grant up to a 4% increase to affected Members in any year when in the opinion of the Board and the System's Qualified Actuary the increase would not adversely affect the System's ability to meet accrued pension obligations.

This amendment would not affect annual adjustments for any current Member who continues pension service until retirement. If a current Member leaves active service and takes a refund of Member pension contributions and then later returns to Active Service after December 31, 2006, the Member will no longer be eligible for the annual adjustment. But the Member can reinstate the right to the annual adjustment by repaying the refunded contributions and applicable interest.

The amendment is necessary to allow the Board to comply with new funding standards issued by the Government Accounting Standards Board and the State Pension Board.

7. State Law on Certain Heart/Lung Presumption

The Texas Legislature passed a law that requires the System to presume and thus treat certain heart/lung related diseases incurred by firefighters as being on-duty. A disability resulting from such illness would be treated as an on-duty disability, unless there is reason to believe it is not. This amendment would extend to Police Officer Members the same presumptions regarding disabilities caused by certain heart and lung diseases as mandated by state law for firefighters.

Look for Your Election Packet in the Mail

Your Election Packet with your Personal Identification Number (PIN) and voter instructions will be mailed to your home address to arrive November 7, 2005. Your packet will also contain a letter from the Board of Trustees, an election schedule, an amendment explanation, and a draft copy of the Sections of the Plan that will be affected by the amendment changes if passed. This information will also be posted on our website at www.dpfp.org.

You will be able to vote either over the internet or by phone. Voting by telephone has proved to be very convenient for Members. It allows you to vote from your home, work station or another location, any time of day or night. Internet voting provides similar flexibility and may be better for those who don't like automated phone answering. Both processes have worked well in Trustee Elections.

The "straight ticket" option provided makes voting even easier if you intend to vote either for all of the amendments or against all of the amendments.

The computerized vote tabulation is certified to be accurate and is much faster than manual methods. This process also enhances the security of the ballots and the entire election process.

If you do not receive your election packet by November 8, 2005, please call the Pension System Office at 214.638.3863.

Amendment Election Video

A short video explaining the proposed amendments and the voting process will be available for viewing at your work locations in late October and early November. Ask your department supervisor to arrange a viewing of it before the election starts on November 7th.

Questions and Answers on Proposed Plan Amendments

1. *Why are there no benefit increases in the proposed amendments?*

Tighter funding standards for public pension plans imposed by the Government Accounting Standards Board and increased oversight by the State Pension Review Board have restricted the System Board's ability to increase benefits. In order to stay in compliance with these standards, the Board has determined that any increase in benefits is not appropriate at this time.

3. *How will the Medical Expense Account created through Amendment #1 help me?*

As we all know, the cost of medical care continues to increase while the City's share in paying the expenses, particularly for dependents, is declining. The Board has been searching for a way to help you meet your rising medical costs when you retire.

This amendment will allow the Board to take the appropriate action once its research is complete.

4. *Why would I need to designate a beneficiary as provided in Amendment #3?*

Your prior designation of who should receive payments after your death will expedite payment and save your survivor time and expense. Your benefit options cover this for regular survivor benefits for your Spouse and Children. But, when an active Member or Pensioner dies, there typically is some kind of lump sum amount payable after the death. An example is the partial monthly benefit due the Pensioner for the month of death. We need certain legal documentation to support the payment before it can be made. Currently, a survivor often has to go through considerable delay and expense in obtaining the needed documentation.

5. *Would the new DROP policy permitted in Amendment #5 allow me to take money out of DROP while I am still working?*

No. Current law does not allow withdrawals before a Member leaves Active Service. However, the Board wants to make DROP deferrals and withdrawals after retiring as flexible as administratively feasible.

6. *Why does Amendment #6 eliminate the annual*

adjustment for new Members?

Although the System's funding status is sound and the System's investment record is the envy of other pension plans, the realities of today's economic picture is that we walk a narrow line. Our actuary has determined that we have a 50% chance of meeting our goal of being fully funded over the next 29 years. That means we have a 50% chance of not reaching full funding.

The actuary recommended the elimination of the annual adjustment for new Members only, as a way to maximize our chances of reaching full funding. New Members that would be affected by this change will not be retiring for another 20 years or so.

Remember, you will not be affected by this change as long as you continue to work and remain a Member of the System until you retire.

7. *What is covered in Amendment #7?*

We cannot fully explore the details of the new law here, but the important thing is that the law provided new rights to firefighters and emergency medical technicians who seek benefits or compensation for certain diseases, including heart disease, tuberculosis, respiratory illness, and cancer. Under the new law, unless there is evidence to the contrary, a disability resulting from such disease or illness will be assumed to be an on-duty disability. To provide equal treatment, the Board wants to extend these provisions to police officers.





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FIRST CLASS MAIL

Serving Those Who Protect the Dallas Community

Special Edition Of Pension Update -- Plan Amendment Election

November 2005 **Plan Amendment Election** **Schedule**

October 13 – Board calls for the election at special Board meeting. Departments notified of the call for the election.

October 21 – Posting notices distributed to all work locations.

October 17-21 – Newsletter sent to Members

November 4 – Election packets mailed to members' home addresses.

November 7 – Voting begins at 8 a.m. on Monday, November 7.

November 16 – Voting ends at noon (12 p.m.) on Wednesday, November 16

November 18 – Election results certified by Board.

November 21 – Election results posted in each Department



Gerald Brown, Chairman
Steven G. Shaw, Vice-Chairman
Gary W. Edge, Deputy Vice-Chairman

Donald W. Hill
John M. Mays
Rector C. McCollum
Maxine Thornton-Reese
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