

Dallas Police and Fire Pension System

HOUSE BILL 3158 - FREQUENTLY ASKED QUESTIONS

Actives in DROP

1. How is my contribution changing?

Contributions for all active members, including those in DROP, are increasing to 13.5% effective 9/1/2017.

2. Where will my 13.5% contributions go?

All contributions paid go to the general pension fund to fund current and future benefits.

3. Will the COLA (cost of living adjustment) change after 9/1/2017?

The 4% automatic annual COLA will no longer exist as of 9/1/2017. The new Plan allows the Board to grant an ad hoc COLA, not to exceed 4%, depending on the Plan reaching certain financial benchmarks related to funding and investment returns. It is not anticipated that those benchmarks will be met for many years.

The COLAs you have already been granted will remain a component of your DROP balance and therefore will be included in your monthly annuity.

4. What will happen to my DROP balance when I leave active service?

Your DROP balance will be annuitized over your life expectancy and paid out in equal monthly or annual payments (you will elect monthly or annual upon leaving active service) over your expected lifetime at the time you leave active service. This is a one-time, irrevocable election.

5. How will my life expectancy be determined?

Specific tables with estimated life expectancy based on age are to be determined by the future board after 9/1/2017. They will be based on mortality expectations as provided by DPF's actuary and will be updated periodically.

6. What will the interest be on my DROP balance?

Only balances in DROP as of 9/1/2017 will earn interest. No future deferrals into DROP will ever earn interest. The interest rates will be set by the Board and changed periodically. It is expected that the interest rate applicable to your DROP annuity will be set when you leave active service and elect your DROP annuity as a monthly or yearly payment. The interest rate will be based upon a treasury rate corresponding to your life expectancy.

7. Can the DROP annuity payment be rolled over?

No. Annuity payments are not eligible for rollover under the Internal Revenue Code and Treasury Regulations. See Code Sections 401(a)(31)(D) and 402(c)(4) and Treasury Regulation 1.402(c)-2.

8. How will the tax withholding on my annuity payment be determined?

All annuity payments, whether monthly or annual, will have the same tax withholding as the monthly benefit payment.

9. Can I switch between the monthly or annual annuity options once the annuity begins?

No. Once an election has been made, it cannot be changed.

10. What if I have an emergency and need money from my DROP account?

There is an Unforeseeable Emergency Policy which allows for requests of funds from DROP for certain hardships. The policy currently exists, but will be updated by the new Board after 9/1/2017. It is expected that the revised policy will allow for more situations where requests can be made. If money is withdrawn under this policy, the remaining balance will still be subject to an annuity payment over your remaining life expectancy.

11. When can I get estimates for a possible “undo”?

DROP undo calculations are time consuming for our Retirement Counselors. Priority for meetings with Counselors will be given to those members who entered DROP at a reduced multiplier and/or have been in DROP a lesser number of years. We will provide estimates as soon as administratively feasible. The new Board will determine the procedures for the undo so no election is possible until the new Board is fully seated.

12. Since I am already in DROP, how will my benefit be impacted? Will the new multipliers impact me?

There will be no change to the amount of your monthly pension benefit and no impact from the new multipliers.

13. Is there a time limit on how long I can be in DROP?

Yes. You can only participate in DROP for 10 years as an active member, and you can no longer defer benefit payments once retired.

14. Will I have to retire after 10 years in DROP?

No. You can continue to work after 10 years in DROP, however, after 10 years is completed, the monthly pension benefit is no longer allowed to be deferred into your DROP balance. Instead, these monthly benefits would be forfeited for as long as you continue to work.

15. Will I still have to contribute after I reach my 10 years in DROP?

Yes. If you continue to work after 10 years in DROP, you will be required to continue to pay contributions.

16. Can I leave active service at any time?

Yes. You can leave active service and start drawing your pension benefit at any time after entering DROP.

17. What happens to my annuity payments on my DROP balance when I die?

The same annuity payments will continue to be paid to your named beneficiaries. For Example: A member is scheduled to receive an annuity payment of \$2,000/month for 25 years. If the member passes away after 7 years of receiving the annuity then the member's named beneficiary will receive \$2,000/month for the remaining 18 years.

Final rules on payments to beneficiaries will be set by the future board.

18. How will the "clawbacks" work?

Implementation of equitable adjustments "clawbacks" requires the approval of at least 8 of the 11 trustees of the board. They relate to interest and COLA accrued into DROP balances. If the board implements the equity adjustments and a member challenges the action within 90 days, the Texas Supreme Court will have exclusive and original jurisdiction to hear the case. If that occurs, the Board may not administer the equitable adjustments until the case is complete.

19. Is the Benefit Supplement going away?

Members who are not receiving a benefit supplement as of 9/1/2017 will no longer have an opportunity to receive the benefit supplement. Members receiving a benefit supplement will continue to receive it.

20. If I leave and later re-hire with the department, will I have to pay the 13.5% contributions?

Yes, all active members will contribute 13.5%.

21. Will the City control DFPF effective September 1, 2017?

No. DFPF will not be controlled by the City. The structure of the Board will be as follows:

- a. Six trustees selected by the Mayor, in consultation with the City Council.
- b. Three trustees elected by the active members and pensioners from a slate of nominees selected by the nominations committee. The nominations committee is made up of one representative from each of the 11 police and fire associations named in HB 3158.
- c. One police representative (active or retired) to be elected by active members.
- d. One fire representative (active or retired) to be elected by active members.

22. Where can I find more information?

We are in the process of updating the Member Handbook, which will be available on our website once finalized at www.dfpf.org. Also, you may contact our office with questions or to set up an appointment with one of our Retirement Counselors by calling 214-638-3863, or send questions to info@dfpf.org.