

Dallas Police and Fire Pension System

HOUSE BILL 3158 - FREQUENTLY ASKED QUESTIONS

Retirees and Beneficiaries Participating in DROP

1. 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 monthly benefit.

2. Will my base monthly benefit be impacted?

No. There are no changes to the base monthly benefit.

3. 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.

4. Can I defer my monthly benefit?

No. No deferrals into DROP are allowed during retirement.

5. How will the amount of my DROP annuity payment be determined?

DROP balances at September 1, 2017 will be annuitized over the member's remaining life expectancy. The new Board will adopt the life expectancy tables and interest rates.

6. When will the DROP annuity payments start?

The annuity payment will not begin until the Board has adopted the rules regarding life expectancy tables and interest rates and it is administratively feasible to begin the payments.

7. How often will I receive the DROP annuity payment?

Once the new Board has adopted the rules regarding annuity payments, you will receive a communication explaining the election for either monthly or annual payments. This will be a one-time, irrevocable election. All annuity payments, whether monthly or annual will have the same tax withholding treatment as your monthly benefit payment and neither monthly, nor annual are eligible for rollover per IRS regulations.

8. Will I receive the DROP annuity payment with my monthly benefit?

The DROP annuity payment will be added to your monthly benefit direct deposit.

9. Can I have my DROP annuity payment deposited into a separate account?

Direct deposits for the annuity payment will be deposited into the primary bank account which your monthly benefit payment is deposited into unless a Direct Deposit Authorization form is completed for a secondary account.

10. Can I still receive the \$3,000 per month under the current DROP Policy?

The DROP Policy Addendum adopted by the Board on January 1, 2017 will remain in place until the implementation of the DROP annuity payments.

Requests for the \$3,000 per month are still being accepted if you have not already submitted a request.

11. What if I elected the semi-annual payment under the January 1, 2017 DROP Policy Addendum?

The first semi-annual payment will be made on June 30 and the second semi-annual payment which was scheduled to be paid in December 2017 will be paid in the month prior to the first month of the DROP annuity payment. The dollar amount will reflect a pro-rated portion based on the number of months, at \$3,000 per month. For example, if the first annuity payment is made in December, the second semi-annual payment will be made in November in the amount of \$15,000 (July-November, 5 months x \$3,000).

Requests for the semi-annual payment are no longer being accepted as the deadline was February 28, 2017.

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

Only balances in DROP as of 9/1/2017 will 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.

13. 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.

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

All annuity payments, whether monthly or annual, will have the same tax withholding treatment as the monthly benefit payment. Once the annuity amount is known, you should consider whether any changes are needed to the Form W-4 you have on file with DFPF considering the increase in your payments.

15. 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.

16. Will there still be a Required Minimum Distribution or Required Annual Distribution?

No. Required Minimum Distribution (RMD) rules no longer apply. Required Annual Distributions (from the 2014 election) no longer apply.

17. 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.

18. 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.

19. 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.

20. If I 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 DPFP effective September 1, 2017?

No. DPFP 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.dfp.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@dfp.org.