DROP POLICY ADDENDUM

SUMMARY

January 12, 2017
POLICY DISTRIBUTION PARAMETERS

- **Benefit Distributions:**
  - Monthly retirement benefit payments will continue to be made at the end of each month according to the Plan.
  - Continue to process refunds according to the Plan.

- **DROP Distributions per 1/12/17 Board action:**
  - 4 Types of DROP account distributions – 1 is mandatory, 1 is a transition payment, 2 require an action by the member to opt into one or both.
  - 100% of the 2017 Required Minimum Distributions (RMD) to be paid as soon as possible.
  - A total of $6.6 million to be distributed to members with DROP lump sum requests on file which have not yet been paid; to be allocated to each requestor on a pro-rata basis, based on their requested amount. This is for requests received as of the time of the Board motion on 1/12.
  - Installment payments are made for January and February 2017, based on the November 30th amounts on file unless the member reduced the amount post-Nov 30th.
  - For Distributees who have timely opted in to the Minimum Annual Distribution and/or Pro-rata distribution pool:
    - Pay Minimum Annual Distribution to members (Slide 3)
    - Monthly, if the Board certifies that excess liquidity exists, a pro-rata distribution will be made to members who have provided timely instructions to opt into the distribution pool (Slides 4-6).
MINIMUM ANNUAL DISTRIBUTION

A Distributee may elect to receive a Minimum Annual Distribution from his or her DROP account. The Minimum Annual Distributions work as follows:

- **2017:** $30,000 is the maximum to be distributed per Distributee as a Minimum Annual Distribution in 2017. The distributee will receive either $3,000 per month (March – December) as an ACH, or if a rollover is selected the money will be distributed semi-annually with $12,000 distributed on June 30th and $18,000 distributed on December 29th. To be eligible for the maximum in 2017, a completed request form must be received by DPFP by close-of-business February 28, 2017.
  
  - Requests received after February 28, 2017 will be eligible to receive $3,000 per month for all months remaining after the month the completed request was received. The rollover/semi-annual option is not available for requests received after February 28, 2017.

- **2018 and subsequent years:** $36,000 is the total to be distributed per Distributee. The Distributee will receive either $3,000 per month (January – December) as an ACH or if a Rollover is selected $18,000 on June 30th and $18,000 on December 31st. To be eligible for the Minimum Annual Distribution in 2018 and subsequent years, a completed request must be received by DPFP by close-of-business November 30 of the prior year.
  
  - Distributees not meeting the November 30th deadline will not be eligible for a Minimum Annual Distribution in the following year. The only exception will be for new retirees who can opt in during the month that they first retire.
The “Reserve Amount” will mean the amount the Board determines is necessary to satisfy the following obligations that are essential to DPFP’s efficient administration:

- No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;
- No less than 12 months of anticipated operating expenses;
- No less than 12 months of minimum annual distributions pursuant to Section 7 of this Addendum;
- All anticipated required minimum distributions for the coming year;
- All outstanding indebtedness; and
- All outstanding capital commitments for existing private market investments as well as other anticipated 12 months of investment-related expenditures.

The Reserve Amount is not a fixed sum and will vary as the needs associated with the obligations comprising the Reserve Amount change over time, including the amounts necessary to ensure that DPFP can satisfy the Cash Requirements for the above items in an efficient and prudent manner.
EXCESS LIQUIDITY AMOUNT

- Withdrawals from DROP accounts will be permitted only if for a given month (i) the total liquid assets held by DPFP exceed (ii) the Reserve Amount as of the date that the Board certifies the Reserve amount and the amount of minimum annual distributions anticipated to be paid for such month (the “Excess Liquidity Amount”).

- The Board will certify the Excess Liquidity Amount, if any, at its regular monthly meeting, beginning March 2017.

- The Board may determine to not distribute Excess Liquidity Amounts if it so chooses in any month.
PRO-RATA DISTRIBUTION

- Board certifies the Excess Liquidity Amount
- If the Board determines that a pro-rata monthly distribution will be made for the current month:
  - The total amount available will be divided on a pro-rata basis between each Distributee with a timely submitted DROP withdrawal request on file with DPFP as of the last day of the prior month
  - Each Distributee’s share will be determined by multiplying the certified Excess Liquidity Amount for such month by a fraction, the numerator of which is the amount of such Distributee’s DROP account, and the denominator of which is the total aggregate amount of all Distributees’ DROP accounts that will participate in the distribution
IMPORTANT NOTE

- All members should understand that we are in extraordinary times. The DROP Policy Addendum represents the Board’s best attempt to follow the terms of the Plan in the discharge of its fiduciary duties with the current information at its disposal. There can be no assurance when distributions will be made and in what amounts. Furthermore, the Board may change the terms of the Policy if it determines after seeing how facts unfold that such changes are necessary to continue to properly fulfill its fiduciary duties. This may include changing the way distributions are made, changing, or dispensing with, the minimum annual distribution, changing the reserve amount or any other changes the Board may deem necessary.

- It is the desire of the Board that the Addendum will eventually be abandoned if a plan can be put into place to assure DPFP's solvency. Until such time, members will need to carefully pay attention to announcements from DPFP as such announcements may well affect your ability to receive funds from your DROP accounts.
If Judge Parker allows DROP payments according to the DROP Policy adopted by the Board and Board motion made on January 12th to pay out Jan/Feb '17 installments and $6.6M to outstanding DROP lump sum requests:

• Judge’s Decision on or after January 17th
  • If Judge Parker allows DROP payments according to the DROP Policy adopted by the Board and Board motion made on January 12th to pay out Jan/Feb '17 installments and $6.6M to outstanding DROP lump sum requests:
    • Letter mailed to all 1,927 Retiree DROP account holders, includes IRS rollover notice
    • Member must:
      • Indicate their desire to participate in the Minimum Annual Distribution and/or the Pro-rata share of any potential monthly distribution
      • Provide distribution instructions & required paperwork
      • Distribution options: ACH, rollover, or a combination. The rollover and combination options are not available in some circumstances.
      • Instructions are valid until modified
    • Current requests on hand for lump sum and installments are void
    • Deadline to be in the initial distribution pool is close-of-business February 28th
    • Deferrals cease with the February benefit payment

• Judge’s Decision to February 28th
  • Letter mailed to all 1,927 Retiree DROP account holders, includes IRS rollover notice
  • Member must:
    • Indicate their desire to participate in the Minimum Annual Distribution and/or the Pro-rata share of any potential monthly distribution
    • Provide distribution instructions & required paperwork
    • Distribution options: ACH, rollover, or a combination. The rollover and combination options are not available in some circumstances.
    • Instructions are valid until modified
    • Current requests on hand for lump sum and installments are void
  • Deadline to be in the initial distribution pool is close-of-business February 28th
  • Deferrals cease with the February benefit payment

• March 9th
  • Executive Director presents a proposed reserve amount to the Board
  • Board certifies the reserve amount for the month
  • Executive Director presents the total liquid assets (30-days or less) based on liquid assets just prior to the Board meeting date.
  • The total liquid assets less the reserve amount is the potential total available for DROP payout
  • The monthly Minimum Annual Distribution amount is subtracted from the potential total available for DROP payout to determine the Excess Liquidity Amount
  • Board certifies the Excess Liquidity Amount

• March 15th
  • Process the paperwork for all requests received for ACH, rollover and combination distributions
  • Determine the combined DROP balance of all members requesting to be included in the initial Pro-rata distribution pool
  • Determine the pro-rata share of the distribution for those members in the initial Pro-rata distribution pool
  • An individual Distributee’s share is calculated as their individual DROP balance divided by the total of all DROP balances for members in the distribution pool as of February 28, 2017

• March 31st
  • Target ACH and rollover distribution date for requests received by close-of-business on February 28th
  • Best efforts will be made to make all payments on March 31st but it is impossible to predict at this time if that is administratively feasible.

DROP DISTRIBUTION TIMELINE FOR THE INITIAL DISTRIBUTION IF ALLOWED BY THE COURT
DROP DISTRIBUTION TIMELINE FOR SECOND POSSIBLE DISTRIBUTION IF ALLOWED BY THE COURT. SUBSEQUENT DISTRIBUTIONS WILL FOLLOW A SIMILAR MONTHLY TIMELINE

March 10th

- Second letter mailed to DROP account holders that have not responded indicating their desire to participate in either the Minimum Annual Distribution or any potential Pro-rata distribution share

NOTE: No further action is necessary for distributes who have previously opted in and provided the required information

March 31st

- Deadline to request to be included in the second (April 29th) distribution pool is March 31st
- Member must:
  - Indicate their desire to participate in the Minimum Annual Distribution and/or the Pro-rata share of any potential monthly distribution
  - Provide distribution instructions & required paperwork
- Distribution options: ACH, rollover, or a combination. The rollover and combination options are not available in some circumstances.
- Instructions are valid until modified

April 13th

- Executive Director presents a proposed reserve amount to the Board
- Board certifies the reserve amount for the month
- Executive Director presents the total liquid assets (30-days or less) based on liquid assets just prior to the Board meeting date.
- The total liquid assets less the reserve amount is the potential total available for DROP payout

Receipt of Instruction to April 13th

- Process the paperwork for all requests received for ACH, rollover and combination distributions
- Determine the combined DROP balance of all members requesting to be included in the April Pro-rata distribution pool
- An individual Distributee’s share is calculated as their individual DROP balance divided by the total of all DROP balances for members in the distribution pool as of March 31st

April 15th

- Executive Director presents a proposed reserve amount to the Board
- Board certifies the reserve amount for the month
- Executive Director presents the total liquid assets (30-days or less) based on liquid assets just prior to the Board meeting date.
- The total liquid assets less the reserve amount is the potential total available for DROP payout
- The monthly Minimum Annual Distribution amount is subtracted from the potential total available for DROP payout to determine the Excess Liquidity Amount
- Board certifies the Excess Liquidity Amount

April 29th

- Determine the pro-rata share of the distribution for those members in the Pro-rata distribution pool based on the following:
- Best efforts will be made to make all payments on April 29th but it is impossible to predict at this time if that is administratively feasible
No deferrals into non-active members’ DROP accounts after January 2017
Installment payments cease after February 2017
Required Annual Distribution eliminated
No limitation on the number of rollovers annually
All distributions through ACH or Rollovers - no check processing/handling
QDROs and Survivor accounts follow the same distribution rules as Retirees
Distribution requests are valid until modified
Balances under $200 will be distributed via ACH and not available for rollover
Distribution applications for new retirees follow the same deadlines as others. For example, a member retiring on the April 13th agenda must have their request in by March 31st to be included in the April distribution pool. This application will become part of the retirement process.
Hardship rules and a process have been incorporated into the policy
All outstanding DROP Lump Sum requests and existing Installment requests are void
The Board reserves the right to amend the policy if it is in the best interest of the Fund to do so