

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 works 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.

RESERVE AMOUNT

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

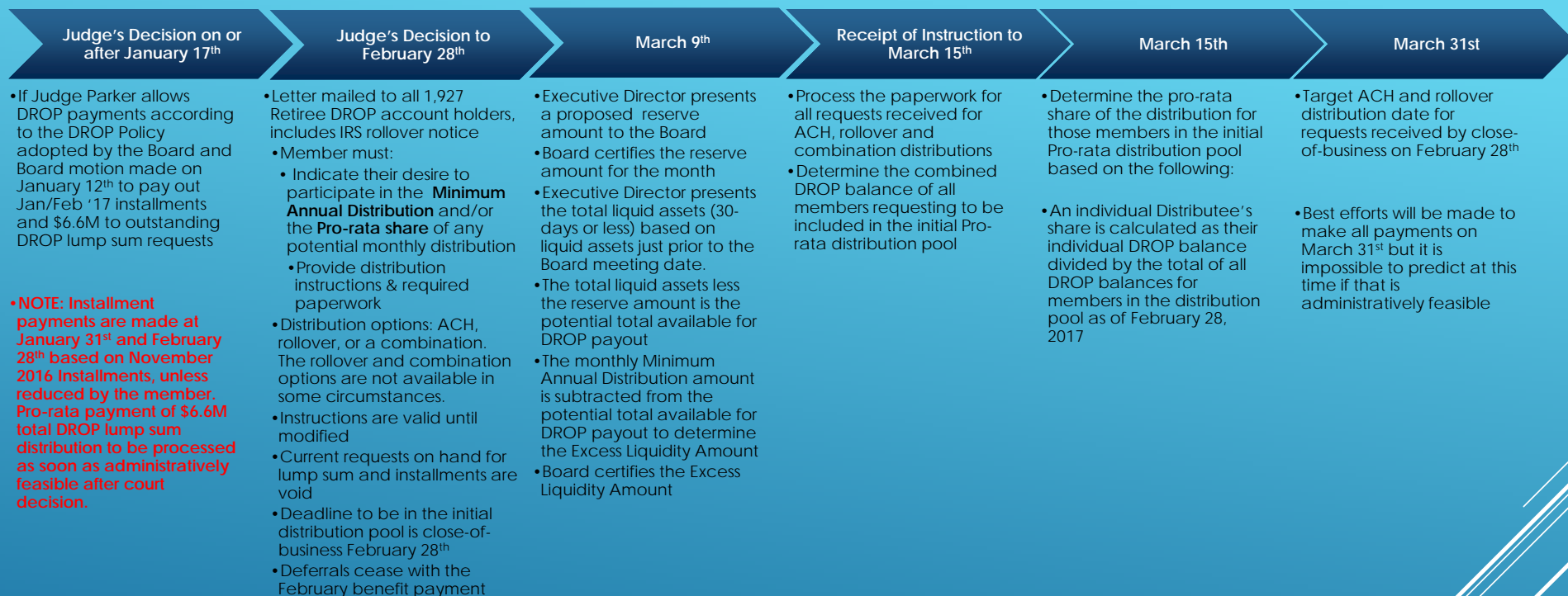
- ▶ Withdrawals from DROP accounts will be permitted only if for a given month (i) the total liquid assets held by DPFP exceed (ii) the Reserve Amount as of the date that the Board certifies the Reserve amount and the amount of minimum annual distributions anticipated to be paid for such month (the “Excess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

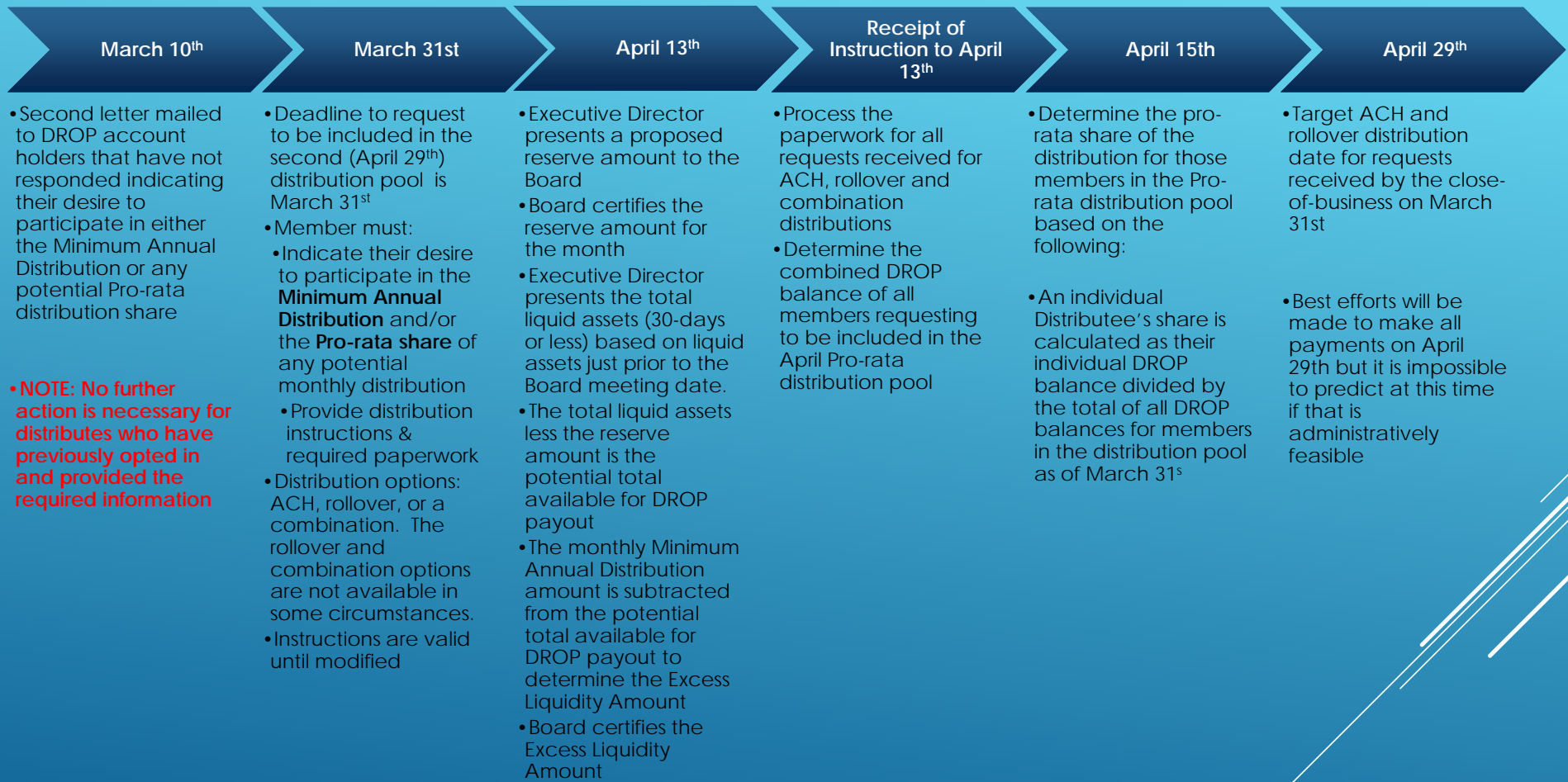
- ▶ Board certifies the Excess Liquidity Amount
- ▶ If the Board determines that a pro-rata monthly distribution will be made for the current month:
 - ▶ The total amount available will be divided on a pro-rata basis between each Distributee with a timely submitted DROP withdrawal request on file with 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 DPF's solvency. Until such time, members will need to carefully pay attention to announcements from DPF as such announcements may well affect your ability to receive funds from your DROP accounts.



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

ADDITIONAL POLICY PARAMETERS

- ▶ 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