

AMENDMENT TO
DROP POLICY ADDENDUM

Effective June 8, 2017

1. Definitions - All definitions in this Amendment will have the same meaning as those used in the DROP Policy Addendum adopted by the Board of Trustees on January 12, 2017.
2. Background
 - a. On January 12, 2017, the Board adopted the DROP Policy Addendum (the “Addendum”).
 - b. HB 3158 was passed by both the Texas House of Representatives and the Senate during the 85th Legislative Session and was signed by the Governor of Texas on May 31, 2017.
 - c. Article 2 of HB 3158 became effective immediately and provides that through September 1, 2017, the Board “may not allow any distribution out of a DROP participant’s DROP account to a DROP participant or a participant’s designated beneficiary,” other than pursuant to Sections 6, 7 and 8(e) of the Addendum or in compliance with a court order.
 - d. Since passage of HB 3158, the Board has not allowed any distributions out of DROP that would violate Article 2, and to disregard Article 2 would be to disregard binding Texas law. The Board has a general duty to comply with the law. In addition, based upon actuarial analysis by the Board’s actuary and the Pension Review Board, the Board has determined that changes to the Plan contemplated by Article 1 of HB 3158 are essential to ensure the future solvency of the Plan and are in the best interests of Plan members and beneficiaries.
 - e. The Board has further concluded that HB 3158 represents the desire and intent of the Texas Legislature and the efforts of legislators, the City of Dallas, various constituency groups of members and retirees, and DPF to reach a solution as to the solvency and funding issues facing the Plan. The Board believes that it is prudent and consistent with its fiduciary duties to recognize the desire and intent of the Texas Legislature and ensure implementation of the changes set out in HB

3158. Under Article 3 of HB 3158, these changes will be null and void if the Board violates the terms in Article 2 of HB 3158.

- f. In sum, the Board has determined that allowing only those DROP distributions permissible under Article 2 of HB 3158 is consistent with Texas law, promotes the efficient administration of the Plan, and serves the best interests of Plan members and beneficiaries.

3. Amendments

- a. Sections 2, 5, 8(b) and 8(f) of the Addendum are deleted in their entirety and shall be reserved to avoid any re-numbering or re-lettering.
- b. Subsections (a), (b), (c) and (d) of Section 3 are deleted in their entirety and replaced with the following:

“Effective as of June 8, 2017, no DROP withdrawals will be available except for the following:

- a) in the event of an unforeseeable emergency, as described in Section 6,
- b) for purposes of making a minimum annual distribution, as described in Section 7,
- c) as permitted by the Board under Section 8(e) in order to avoid the possibility of an early distribution tax penalty under Section 72(t) of the Internal Revenue Code, or
- d) in compliance with a court order.”

- c. Subsections (a), (b), (c), (d) and (e) of Section 4 are deleted in their entirety and replaced with the following:

- d. “Effective as of June 8, 2017, all DROP withdrawal requests that are on file with DPFP, including any DROP withdrawal requests that were submitted pursuant to Sections 4 and 5 of the Addendum as in effect prior to June 8, 2017, shall be null and void except for those requests filed pursuant to Section 6 in connection with an unforeseeable emergency or for purposes of a minimum annual distribution elected under Section 7. All DROP withdrawal elections made under Sections 6 and 7 will remain in place for all subsequent DROP distributions under this Addendum until revoked by the distributee in writing.

- e. The second sentence of Section 6(e) is deleted.
 - f. The first sentence of Section 7(a) is deleted and replaced with the following:

“A distributee may elect to receive a minimum annual distribution from his or her DROP account.”
 - g. The last sentence of Section 7(c) is deleted and replaced with the following:

“With respect to semi-annual installments of distributions that have been elected pursuant to this Section 7, such distributions shall be made as scheduled on June 30, 2017. For semi-annual distributions pursuant to this Section 7 following June 30, 2017, the amount of any such distributions will be prorated based on the number of completed months during the period between the last semi-annual distribution made pursuant to this Section 7 and the date that the amount of a DROP account is determined for purposes of annuitizing the DROP account as provided for in HB 3158.”
4. Termination - The Addendum, as amended, will terminate upon the Board’s implementation of rules and policies relating to the annuitization of DROP accounts as provided for in HB 3158, but no earlier than September 1, 2017.