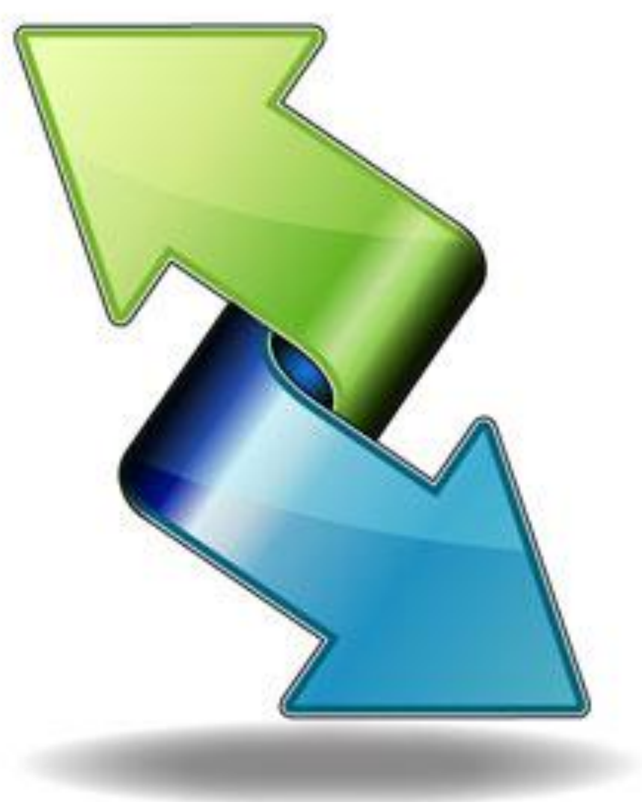
Columbus Consolidated Government Pension Plan

Deferred Retirement Option Plan (DROP)



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Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) is an optional benefit of the CCG Pension Plan that allows eligible employees to accumulate a lump-sum of money for retirement. The Columbus Consolidated Government is proud to offer this valuable benefit to its membership which was one of the significant outcomes of Pension Reform. The DROP has been put into place without additional cost to employees or to the CCG Pension Plan.

Enrolling in the DROP is a voluntary decision that members should make after careful consideration of their own individual situation. Once you enter the DROP your decision is irrevocable. The CCG strongly encourages all members to seek financial, legal and tax advice from professional counselors before entering the DROP.

Deferred Retirement Option Plan Summary

The DROP, implemented July 1, 2012, is a voluntary program that allows you to retire, for pension purposes, without terminating your employment for up to 3 years while your retirement benefits accumulate in a tax deferred account of the Pension Fund. While participating in the DROP, members will not contribute to the pension plan. Otherwise, participation in DROP does not itself change the conditions of your active employment; however, be aware that the DROP itself does not address or guarantee any particular wage calculation on the active salary DROP members are receiving, such as the availability of COLA's, as those issues remain open for resolution by Council on an annual basis. When your DROP period ends, you must terminate employment. At that time you will receive your accumulated DROP benefits and begin receiving your monthly retirement benefit (as calculated when you retired and entered the DROP). When you terminate employment, the proceeds of your DROP account will be distributed to you in one of three ways:

- By a lump-sum payment
- By a direct rollover to an eligible retirement plan; or
- By a combined partial lump sum payment and rollover

DROP Eligibility

The DROP is a retirement option for long term employees. You must be an active employee on your DROP entry date. You are eligible to enter the DROP if you meet the following age and years of credible service requirements:

Age	Years of Service
58	30
55	35

How to Enter:
Schedule an appointment with the Human Resources Retirement Analyst 30 days prior to your intended effective date of participation in DROP. You must complete a DROP application to elect to participate in the DROP.

Drop Participation Period:
You may participate in DROP for a maximum of 3 years or 36 months. The participation period you select cannot be extended, and you must terminate your active employment at the end of your selected DROP period.

Status While in DROP

While you are in DROP, you are considered "retired" for pension purposes. Therefore, you will no longer earn years of service credit. You will no longer make pension contributions once you enter the DROP. Your life and health insurance benefits will remain the same as they were before you entered DROP. You will be subject to all other terms and conditions of active employment in your respective department/agency.

Death Benefits

If you should die while in the DROP, your designated beneficiary will be eligible to receive your accumulated DROP benefits. Depending on the pension benefit option you selected, your beneficiary may also be eligible to receive a continuing monthly benefit.

Disability Benefits

If you become disabled while in the DROP, you will receive the greater of:

- Your benefits in the DROP and the retirement plan determined as if you terminated your employment with the government as an eligible employee on the date you first became eligible for a disability benefit under the retirement plan; or
- Your disability benefit under the City's Major Disability Income Plan determined as if you had not elected to participate in the DROP.

The DROP may not be beneficial to all members. For example, you may want to consider the age at which you plan to exit the DROP and take distribution of your DROP account and the tax consequences. Keep in mind, your decision to participate in DROP is irrevocable.

DROP Account/Benefit Calculation and Accumulation

As a DROP participant, you will have a DROP account to which your monthly service pension will be credited each month. Your monthly service pension is calculated and frozen on the day you enter DROP. This means you stop accruing years of service credit, and any increases or decreases in salary will not affect your pension. Every month that you are in DROP, your entire monthly service pension amount will be deposited into your DROP account. In addition, your DROP account may earn interest at a rate which is 2% less than the rate of return on all pension funds for the previous year. Based on current actuarial assumptions, the maximum annual interest rate on DROP accounts is capped by the Plan at 5%. Interest earned will be credited to your account at the end of each month as of the last day of the immediately preceding month. In the event of a negative rate of return for the Pension Fund in the previous year, participants will be charged an administrative fee of 2% out of the current years' distribution.

Termination of Participation

Termination of your DROP participation is mandated at the end of your selected participation period, which cannot exceed 3 years or 36 months, but it can occur by an earlier termination of employment. Upon termination, you will begin receiving your monthly service pension based on your service and pay at the time you entered the DROP as adjusted by any COLAs added to your pension benefit during the DROP period. You will also receive the accumulation of monthly service pension deposits and interest applied to your DROP account as a lump-sum cash payment, a rollover to a tax-qualified plan or a combination lump-sum payment and rollover.

If the participant member has reached age 62, a change of job status to part-time will qualify as termination and the member shall be considered to have reached actual retirement under his applicable retirement plan.

Viewing your DROP Account

As a DROP participant, quarterly DROP account statements will be mailed to you at the home address we have on file in Human Resources. Pension members may also view their benefit information in Member Direct, the online pension software system.

Distribution

When you terminate employment, the proceeds of your DROP account will be distributed to you in one of three ways:

- By a lump-sum payment
- By a direct rollover to an eligible retirement plan; or
- By a combined partial lump sum payment and rollover

Should you take a full or partial lump-sum distribution, the CCG must withhold 20% for federal income taxes and 6% for state taxes. Keep in mind that your tax liability for the year could be more, so we urge you to consult your tax advisor. To avoid the mandatory 20% federal and 6% state tax withholding, you must elect to rollover the full amount of your DROP account to a tax-qualified plan.

Forfeitures

At the end of the period you are eligible to participate in the DROP, you must terminate your employment with the CCG as an eligible employee, otherwise your DROP account shall be forfeited and you will only receive your benefit under the Retirement Plan going forward as calculated at the time you entered the DROP.

Exiting DROP

Before You Exit… Plan Ahead!
You are encouraged to plan ahead before your exit the DROP. There are some important decisions to make, people to contact and important paperwork to have on hand. You should give considerable thought to how you want your DROP account distributed and any applicable tax consequences and fees.

Steps to Exit:
Schedule your appointment with the Human Resources Retirement Analyst at least 90 days prior to your desired DROP exit date.

- Be prepared to decide how you wish to receive your DROP account balance. We encourage you to consult with your tax and/or financial advisor, so you are aware of any tax or financial consequences that could affect your distribution decision.
- Prepare to receive your pension plan payments by completing the Income Tax Withholding form and Direct Deposit Authorization Form
- Be prepared to submit your proof of the termination of any prior marriages or State-Registered domestic partnerships, if not submitted when your entered the DROP
- In addition, the Retirement Analyst will discuss with you continuation of your medical, dental and vision insurance.
- Your DROP distribution will be mailed to you or directly deposited to your bank account and/or rolled over to an IRA or tax-qualified plan of your choice on the last business day of the month that your DROP exit date is effective.

Note: Late submission and/or changes to your DROP exit date or distribution election may delay distribution of your DROP account for an additional month. DROP balances do not accrue interest once you have exited the DROP.

DROP and Your Health Insurance benefits:
While in DROP, your health/dental/vision and other insurance benefits, are administered the same as they were before you entered DROP. When you terminate your DROP participation you will have the same health insurance options available to you as all other CCG retirees based upon your hire date.

Designation of Beneficiary:
We encourage you to name a beneficiary for your DROP account in the event of your death during your DROP period.   If you do not designate a beneficiary and you are married, your spouse will automatically be the beneficiary unless your spouse waived their rights to benefits in your pension at the time you entered the DROP. If you are not married and do not designate a beneficiary, your DROP account shall be distributed as a lump-sum to your estate. Proof of

death and evidence of right of any beneficiary to receive the value of a deceased participant's DROP account is required.

DROP Administration

The Pension Board is responsible for the general administration of the DROP under the provisions of the Retirement Plan.

General Provisions

The City Council may, from time to time, make changes or otherwise amend the DROP; however, any amendments to the DROP will not affect your DROP account balance. All benefits from the DROP shall be paid only from the assets of the DROP.

Dissolution of Marriage and DROP:

Some or all of your DROP account and/or subsequent monthly pension benefit may be subject to division of community property pursuant to your dissolution judgment or order. This means your former spouse may have a claim to a portion of your DROP account and may be entitled to a share at the time the proceeds from your DROP account are distributed. You may wish to seek legal advice regarding this issue. You will be required to submit a copy of any court order to us at the time of your enrollment in the DROP.

Applicable Provisions of the Internal Revenue Code:

DROP must comply with the requirements of the Internal Revenue Code (Code) with respect to balance rollovers and applicable tax deferrals.

DROP Benefits FAQs

What is a DROP?

DROP (Deferred Retirement Option Plan) is a form of retirement benefit that allows an eligible employee to retire for pension purposes, but then to continue working and earning a salary while accumulating a “nest-egg” , of up to three years of pension benefits that is payable in a lump sum, direct rollover, or a combined partial lump sum payment and rollover. If you meet the requirements for eligibility, the DROP gives you another benefit option that you may choose upon retirement. You must decide whether the DROP election is in your best interest.

How is the DROP different from a normal retirement?

When you are certain you want to retire in the next three years, you may enter the DROP, have your lifetime benefit calculated, continue in active employment, your pension payments will commence and be deposited into a DROP account which will create a nest egg, and will be distributed to you when you exit the DROP. The benefit will be calculated without any unused vacation or holiday pay.

In a normal retirement, your benefit will be calculated. You will terminate your employment and you will begin regularly receiving your benefit on a monthly basis. Any unused vacation or holiday pay will be included in the calculation of your average salary to determine your pension benefit.

What do I have to lose by enrolling in the DROP?

- General Government employees: If after entering the DROP and at the time of three years or 36 months, you have not attained the age of 65 (Normal Retirement age), your retirement benefit will be reduced. When you enter the DROP and you have not attained age 65, your pension benefit will be reduced.

- Public Safety employees: Although the Normal Retirement age for Public Safety employees is 65, Public Safety employees may retire at age 55 with 30 years of service and receive an unreduced benefit; therefore, there will not be a loss of benefits for Public Safety employees who enter the DROP.

Do I have to participate in the DROP?

No. Your decision to participate in the DROP is optional and should be based on your eligibility and individual circumstances. Each employee’s circumstances are different. If you elect to participate in the DROP benefit, there are tax consequences that you should consider. You should consult with financial or tax advisors whom you trust in order to determine whether taking a DROP benefit makes sense for you and your family.

Is there a time limit to enter into and participate in the DROP?

A participating pension plan member can enter the DROP on the first day of any month after you meet the eligibility requirements. You must give 30 days’ advance notice to Human Resources in order to complete all contractual requirements for entering the DROP.

May I make more than one DROP election?
No, you may only make one DROP election in your lifetime. There is no provision to amend an existing DROP election.

Is the DROP a separate retirement plan?
No. The DROP is just a new benefit option within the existing retirement Fund.

Does DROP offer advantages to the CCG?
Yes, employers like the CCG gain the advantage of having more predictability as to retirements. Many employers have a high percentage of law enforcement and general government employees who are eligible to retire at any time. This creates uncertainty for future staffing and budgeting. As members elect into the DROP and declare retirement dates, the CCG can begin planning and budgeting to fill upcoming vacancies.

Who is eligible to participate in the DROP?
To participate in the DROP, you must be an active full time employee and meet the age and years of credible service eligible requirements.

How long can I participate in the DROP?
A member who participates in the DROP may participate for up to three years or 36 months before you are required to terminate your employment and participation in the DROP.

How do I begin participating in the DROP?
Schedule an appointment with the Human Resources Retirement Analyst at least 30 days prior to your intended effective date of participation in the DROP. You will also be required to execute a binding DROP contract.

What information must I supply on the DROP application form?
You must state the date on which you will enter the DROP (your "DROP entry date") and the date on which you will exit the DROP (your "DROP exit date"). Your DROP exit date must not be more than 36 months after you enter the DROP.

What happens if I die while I am in the DROP?
The DROP will not affect the benefits that are payable to your survivors. The survivor will receive the payment election you selected on your DROP entry date.

Can I change my mind while in the DROP and decide to retire earlier than the exit date I elected at the time I entered the DROP?
You may retire earlier than the DROP exit date you elected at the time you entered the DROP but no later than your contract date.

Can I retire later than the exit date I elected at the time I entered the DROP?
No.

Am I required to make contributions to the pension fund while I am in the DROP?
No. You are not required to make the employee pension contributions to the pension fund while you are in the DROP.

If I enter the DROP, am I guaranteed continued employment?
No. Your employment rights and status are not changed by participation in the DROP. You may quit your job or the CCG may terminate your employment in the same manner as before your participation in the DROP.

If I retire on my chosen DROP retirement date, what retirement benefit options do I have?
When you terminate employment, the proceeds of your DROP account will be distributed to you in either a lump-sum payment, a direct rollover to an eligible retirement plan, or a combined partial lump-sum payment and rollover. You will also begin receiving your monthly service retirement pension in the form you selected when you entered the DROP.

If I participate in the DROP, may I still choose from the payment options available to all other retirees?
Yes, and you are bound by the benefit selection you made when you entered the DROP.

When I retire, how will the lump-sum DROP benefits be taxed?
If you elect to receive the lump-sum payment paid directly to you, the payment will be taxed as ordinary income in the year you receive them. Additionally, if you take a lump-sum payment directly, we are required to withhold 20% of this amount for federal taxes and 6% for state taxes when payment is made to you. You should carefully consider what taxes you will owe on the DROP benefits and consult your own tax and financial advisor.

If you elect to have your lump sum DROP benefits rolled over to an eligible retirement plan or IRA (a direct rollover), we will withhold no taxes on your DROP benefits.

If I have any additional questions, who should I contact?
If you are a pension plan member you should call 706-653-4059 and request to speak to the Retirement Analyst. You may also visit the Human Resources website at http://www.columbusga.org/hr/Ebenefits.htm

DROP Participant
"Example"

Employee Age	Years in DROP	Annual Salary Active Pay	DROP Participant Pension Pay	DROP Benefit
Employee age 62 w/30 years of service		$60,000 Annual Pay*	$3,000.00 Monthly Benefit	$3,000.00
63	Year 1	$60,000 Annual Pay*	$3,007.50 Monthly Benefit $90 Annual**	$36,090.00
64	Year 2	$60,000 Annual Pay*	$3,015.00 Monthly Benefit $90.24 Annual**	$72,270.00
65	Year 3	$60,000 Annual Pay*	$3,023.00 Monthly Benefit $90.72 Annual**	$108,546.00
*Annual salary may increase pending City Council approval for DROP participants. Pay increases for DROP participants increase their life insurance including vacation and holidays that are paid out when employee exits DROP, but has no effect on employee's pension. Please note that for General Government members your pension is still reduced by 6% per year from age 60 to 65 and 3% per year from age 55 to 60.			$270.96 Annual**Assumes a .25 annual pay increase to retiree 's pension. Increases pension for the life of the employee.	The above DROP benefit does not include interest that may be earned.