Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 47

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Third Quarter 2013

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The Four Year return for the Rhumbline Mid Cap Account has been 20.68% & was valued at $19,447,000.

That return was in the Top 19%tile

PENSION FUND INVESTMENT SUMMARY

On June 30, 2013 our fund had a total market value of $236,252,000.

For the quarter the fund gained $232,000. The total fund return for the quarter was 0.05% (net) and its benchmark return was 0.31%. In the previous quarter the fund return was 5.81%. For the quarter the stock return was 2.25% and the benchmark return was 2.54%. The bond return was -2.47% and the benchmark return was -2.07%.

For the quarter the average allocation of our fund was 55.9% invested in stocks, including real estate, 40.8% in bonds and 3.3% in cash equivalents (i.e., short term liquid interest bearing investments including money market funds and Israeli bonds). Our ongoing target for investment in stocks is 50% of the total fund.

Fiscal Year to Date (1/1/2013 – 6/30/2013) For the fiscal year to date the total fund return was 5.76% (net) and its benchmark return was 6.40%. The stock return was 13.18% and the benchmark return was 14.76%. The bond return was -1.66% and the benchmark return was -1.68%.

For the fiscal year to date the Inverness large cap stock return was 14.11%, the Garcia Hamilton & Associates growth stock return was 5.48%, the Buckhead value stock return was 12.56%, the Eagle small cap stock return was 15.22% and the Rhumbline mid-cap stock index return was 18.54%. The S&P 500 index return is 13.39%.

For the last year the best performing sector among S&P 500 stocks was Health Care which increased 19.1% and the worst sector was Materials which increased 1.7%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 1.8% before seasonal adjustment for the twelve months ended in June.

The Producer Price Index (PPI) for finished goods advanced 2.5% before seasonal adjustment for the twelve months ended in June.

The seasonally adjusted unemployment rate was 7.6% in June unchanged from 7.6% in March. Real Gross Domestic Product (GDP) increased at an annual rate of 1.8% for the first quarter of 2013, compared with an increase of 0.4% in the fourth quarter of 2012.

During the second quarter of 2013 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Remember: A complete investment report is available on-line.

Required Minimum Distributions

DROP distributions cannot be deferred indefinitely. A DROP Member owner must begin required minimum distributions (RMDs) the year he or she reaches age 70.5, at which time the DROP Member may distribute the full balance of the DROP or distribute a minimum amount each year.

The first RMD must be distributed by Apr 1 of the year after the year in which the DROP Member reaches age 70.5. For example, a DROP Member who reaches age 70.5 in June of 2013 must take his or her first RMD by April 1, 2014. DROP Members who elect to have a minimum amount distributed each year must, for subsequent years, distribute RMDs by December 31 of each year. This means that if the IRA holder defers the first RMD until April 1 of the year after he or she turns 70.5, the DROP Member will be required to take a second RMD amount in that same year, which counts as the second year for RMDs.

Example: Taking RMDs

Jill turns 70.5 in June of 2012, and she decides to defer her first RMD until April 1, 2013. Jill is required to take a second RMD (for 2013) by December 31, 2013. For subsequent years, Jill must distribute her RMD amounts by December 31 of each year.

Our Actuary reviews and will calculate the RMD amount on an annual basis and we send the notification to the DROP Member as warranted. RMD will follow such notice.

RMD amounts not distributed from the DROP by the due date are subject to a 50% excess-accumulation penalty.

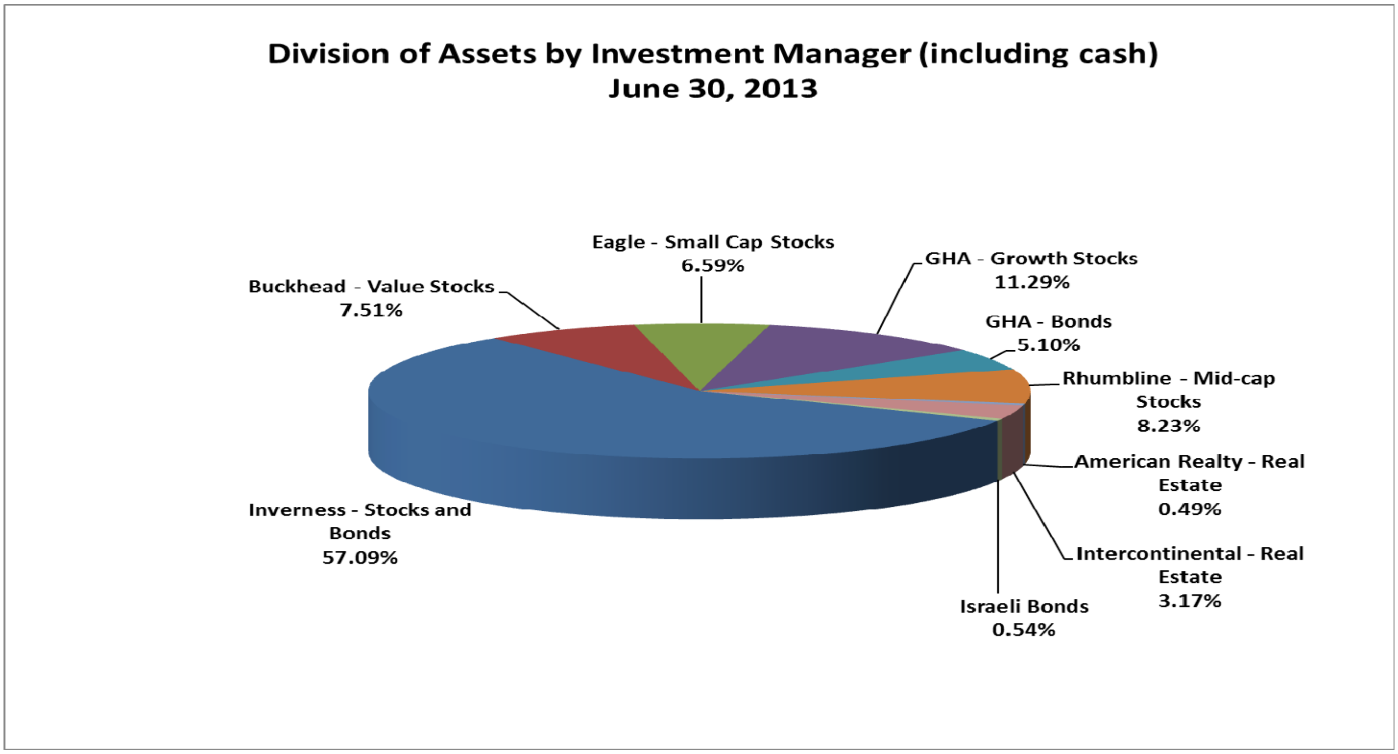
Example: Excess Accumulation Penalty

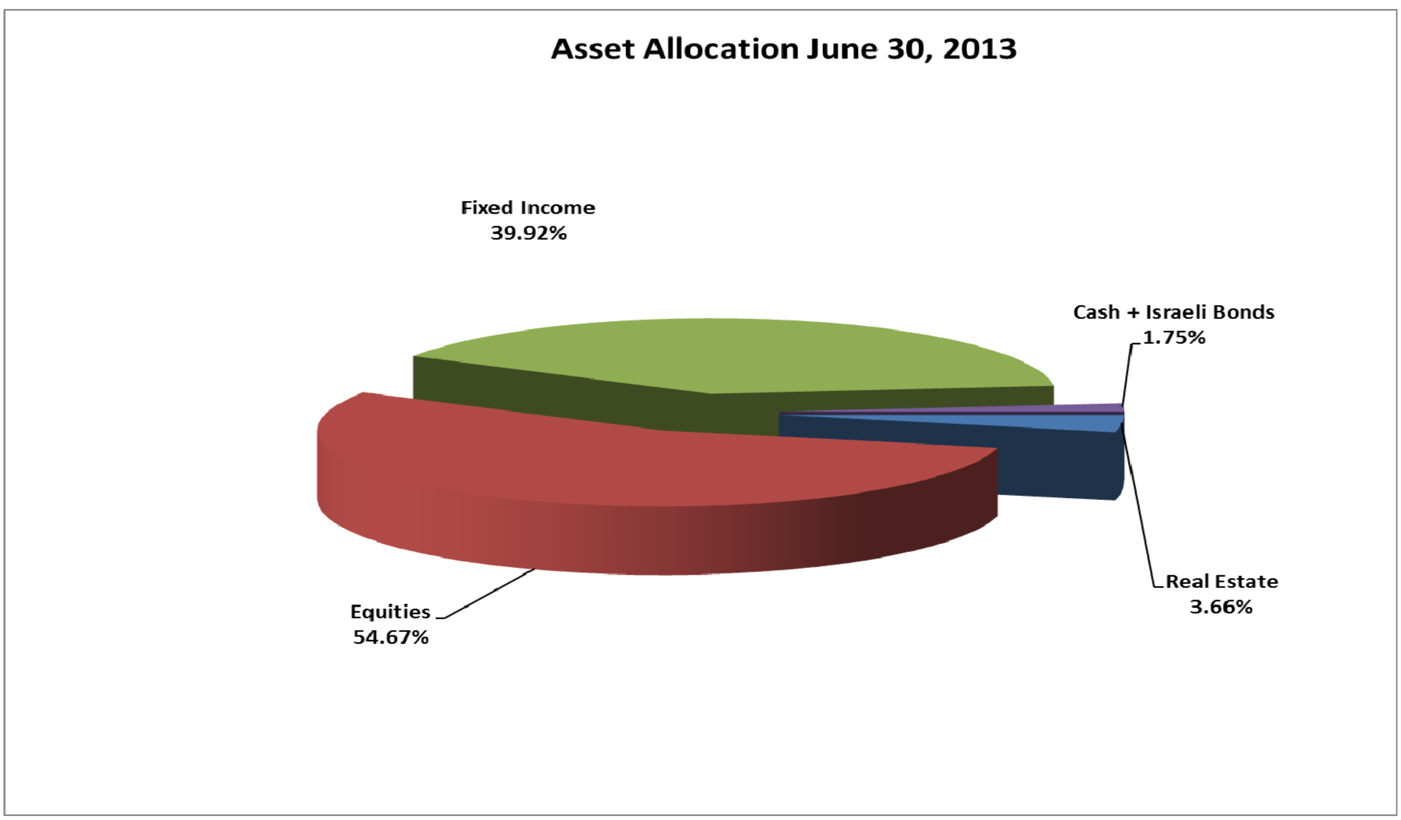
John is 75 years old, and his RMD for 2013 is $5,000. By December 31, 2013, John has distributed only $4,000 from his IRA. Because John\'s RMD was short by $1,000, he must pay the IRS a 50% excess-accumulation penalty ($1,000 x 50% = $500).

The excess-accumulation penalty must be paid when the individual files his or her federal tax return. If the individual feels that the failure was due to reasonable circumstance, he or she may write to the IRS and request that the penalty be waived. If a waiver is requested, the penalty should be paid only if the IRS denies the request.

The Board of Trustees or the Plan Administrator cannot provide tax advice. You are encouraged to discuss this matter with your tax advisor and plan for this event on an annual basis.

Track The Fund!





ORDINANCE CHANGE REVIEW

The following is a summary of the Ordinance approved by the City Commission on second reading on July 17, 2013. Our intent is to provide a basic outline about the changes, and how it may affect you.

Retired Members (or their beneficiaries) including members currently in the DROP:

The changes set forth in this Ordinance have no impact on you.

Active (not in DROP) Members:

For active members the main plan changes include: An increase in the benefit multiplier, or accrual rate. A new Planned Retirement Benefit (PRB) option. A reduction in the members' pension contribution to 8% of pay.

Members eligible for normal retirement as of September 30, 2011:

If you were eligible to enter the DROP or retire (that is, age 50, or any age with 22 or more years of service) as of September 30, 2011, you retain the right to the benefits effective on September 30, 2011, such as, the 80% of average monthly earnings pension benefit at 22 years of service and ability to enter the DROP. In addition, you will be eligible for the Planned Retirement Benefit and your pension contribution will decrease to 8% of pay.

INCREASE IN THE BENEFIT MULTIPLIER (ACCRUAL RATE)

Service up to September 30, 2011

If you were not eligible to retire on September 30, 2011, your frozen accrued benefit as of that date is a percentage of your best three year average monthly earnings on that date. The percentage of your average monthly earnings will depend on whether you were vested or not on September 30, 2011, as follows.

Vested members as of September 30, 2011

If you had 10 or more years of credited service as of September 30, 2011 your accrual rate will be 3.3% for all years and completed months of service up to September 30, 2011, including service in excess of 20 years. Your frozen accrued benefit as of September 30, 2011 will equal your best three year average monthly earnings as of that date times 3.3% times your years of service up to September 30, 2011.

Non-vested members as of September 30, 2011

If you had less than 10 years of credited your frozen accrued benefit as of September 30, 2011 is equal to your best three year average monthly earnings as of that date times the sum of 3% times your years of service.

Service on and after October 1, 2011

3% of your best consecutive (*of last ten years*) five year average monthly earnings times your years of service on and after October 01, 2011.

3% times a member's service on and after October 1, 2011 cannot be greater than 80% minus the total benefit percentage the member earned for service up to September 30, 2011.

Here is an example of how the maximum benefit is calculated:

John is age 49 with 21 years of service on September 30, 2011. After that date, John works as a police officer for 9 years and retires at age 58 with 30 years of service.

STEP 1:

3% x 9 years of service after September 30, 2011 = 27% - benefit percentage accumulated under the 3% accrual rate

STEP 2:

3.3% x 21 years of service = 69.3% - benefit percentage accumulated as of September 30, 2011

STEP 3:

80% - 69.3% = 10.7% - maximum benefit percentage for service after September 30, 2011

STEP 4:

Lesser of result under STEP 1 and STEP 3 = 10.7% - benefit percentage for service after September 30, 2011

Below is an example of how a retirement benefit will be calculated taking into account the frozen benefit as of September 30, 2011 and the benefit earned for service after that date.

Beth is age 48 with 20 years of service on September 30, 2011. After that date, Beth works as a police officer for 4 years and retires at age 52 with 24 years of service. Beth's best three year average monthly earnings as of September 30, 2011 was $5,000. At the time of her retirement at age 52, her best five year average monthly earnings is $4,500. Below is how Beth's benefit is calculated.

STEP 1

3.3% of $5,000 [best three year average monthly earnings as of September 30, 2011] x 20 years [service on September 30, 2011] = $3,300 per month

STEP 2

3% of $4,500 [best five year average monthly earnings at time of retirement] x 4 years [service after September 30, 2011] = $540 per month

STEP 3

$3,300 + $540 = $3,840 monthly pension benefit paid to Beth beginning at age 52

Upon the completion of three years after retirement, Beth will begin receiving a 2% COLA compounded annually on her frozen monthly accrued benefit as of September 30, 2011 of $3,300 (calculated in STEP 1).

THE NEW PLANNED RETIREMENT BENEFIT OPTION

The Planned Retirement Benefit (PRB) is an optional form of benefit payment you may elect when you reach your normal retirement date. When you end your employment with the City you may receive your pension benefit under the PRB option or under another form of benefit payment. In general, the PRB option replaces the DROP program in place before October 1, 2011. However, as explained below, the DROP program will still be available to members who meet certain requirements. The PRB is retroactive to October 1, 2011, but any member who has retired or entered the DROP prior to July 17, 2013 will not be eligible for this benefit.

As with the DROP, the PRB will allow you to receive a lump sum payment in addition to a monthly pension when you retire and stop working with the City. The main difference is that with the PRB you make the election to receive the lump sum payment and the monthly benefit at the time your employment with the City ends. With the DROP you had to make the election up to eight years before your employment ended.

Electing the Planned Retirement Benefit Option

To participate in the PRB you must make a written election no later than 60 days after reaching your normal retirement date (*by years of service or by age whichever comes first*). If you reached normal retirement date on or before July 17, 2013 and wished to participate in the PRB you must have elected to do so by September 15, 2013. You are eligible for normal retirement beginning the first of the month after:

If you had 10 or more years of service on September 30, 2011 (vested), the earlier of

Reaching 22 years of credited service, and/or

Reaching age 50.

If you had less than 10 years of service on September 30, 2011 (non-vested), the earlier of

Reaching age 52 with 25 years of credited service, and/or

Reaching age 55 with 10 years of credited service

Your written election to participate in the PRB will indicate the maximum number of years you may participate in the PRB and your latest employment termination date.

If you elect to participate in the PRB your service with the City cannot exceed 30 years, except as discussed below. However, if you elect to participate in the PRB you may terminate employment any time prior to reaching the earlier of 30 years of service or the maximum period of PRB participation. Also, it is important to keep in mind that even if you elect to participate in the PRB while working, at termination of service (retirement) you can choose to receive your pension benefit in another form, as discussed below.

The maximum PRB period is eight years if you had 10 or more years of credited service on September 30, 2011.

If you had less than 10 years of credited service on September 30, 2011 the maximum PRB period is five years.

As mentioned above, if you elect to participate in the PRB your service with the City will be limited to 30 years. However, there are two exceptions for members who had less than 10 years of service on September 30, 2011:

If you reach your normal retirement date after completing 25 years of service but less than 30 years of service, you may elect to receive a PRB benefit for a maximum period of five years, even if you work past 30 years of service. For example, if you reach normal retirement at age 52 with 27 years of service, you may elect to participate in the PRB and receive a five year PRB upon termination from service at age 57 with 32 years of service. Or, you may terminate at age 52 and elect to receive a two year PRB calculated at your age 50 and 25 years of service.

If you were hired at age 22 or earlier and reach normal retirement at age 52 with 30 or more years of service you could terminate from service at age 52 and elect a PRB benefit for up to five years before age 52. For example, if you were hired at age 20 you will be allowed to elect the PRB for five years when you reach your normal retirement and terminate from the City at age 52 with 32 years of service. In this case, you will be allowed to receive a PRB calculated at your age 47.

How Is Your Planned Retirement Benefit Calculated?

If you elect the Planned Retirement Benefit option your pension benefit generally will be calculated as if you had stopped working and retired on your election date, but not before your normal retirement date. However, as noted above, if you reach normal retirement at age 52 with more than 25 years of service, your PRB can be calculated at an age before 52, but not before you had completed 25 years of service. The date as of which your pension benefit is calculated is called the PRB date. You can pick any PRB date after your PRB election date and before you terminate from service.

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The monthly PRB is calculated based on your accrued benefit on your PRB date. The monthly benefit will begin on your actual retirement date (when you stop working with the City). The monthly PRB is payable on any of the Retirement System's optional forms of benefit.

In addition, you will receive a lump sum equal to the total of monthly pension benefits you would have received from you PRB date up to your actual retirement date, plus investment earnings. The investment earnings will be based on the net investment rate earned by the Retirement System's assets for each month you worked after the PRB date. The investment earnings credited to your PRB lump sum will be determined as follows.

0% for any month in which plan investment earnings are less than 0%

100% of monthly plan investment earnings up to .327% (4% per year)

0% of annualized plan investment earnings from 4% to 6%

50% of plan investment earnings in excess of 6% annualized

If the System's funded status exceeds 90%, then 100% of plan investment earnings in excess of 6% annualized will be credited to the PRB lump sum. As of October 1, 2012, the plan's funded status is 54.7%.

At the time you terminate and make your final PRB election you need to choose the form of payment - how your benefit will be paid.

You cannot leave the PRB lump sum in the System after you retire/separate from employment.

Remember you do not have to elect the PRB option when you terminate from service even if you had elected to participate in the PRB at your normal retirement date. If you do not elect the PRB option when you terminate from service (i.e., retire), your monthly pension benefits will be calculated using your service, average final compensation and pension benefit formula as of the date you actually retire, not as of an earlier PRB participation date. By not electing the PRB at retirement you will receive credit for additional service and pay increases up to your actual retirement date.

What is the Planned Retirement Benefit date?

The PRB date is the date used to calculate your pension benefit if you elect the PRB option. As discussed above, to participate in the PRB you must make a written election no later than 60 days after reaching your normal retirement date. However, you choose the PRB date at the time you elect the PRB option and are ending your employment with the City.

The PRB date is generally any date between the date you elected to participate in the PRB and the date you stop working, but not before your normal retirement date. If you reach age 52 with more than 25 years of service your PRB date can be before your normal retirement date at age 52 but not before the later of age 47 or the age you reached 25 years of service.

The maximum PRB period is eight years if you were vested on September 30, 2011 and five years if you were not vested on that date. Your pension benefit will be calculated based on your accrued benefit on your PRB date.

Some PRB date examples:

On July 1, 2016, Jennifer reaches her normal retirement date at age 48 with 22 years of service and elects to participate in the PRB. Jennifer continues working with the City past her normal retirement date.

Jennifer stops working for the City on October 1, 2023 and she can elect any PRB date between July 1, 2016 and September 1, 2023. If Jennifer elects a 5 year PRB to October 1, 2018 (her PRB date) her pension benefit payable beginning on October 1, 2023 will be based on her frozen accrued benefit as of September 30, 2011 and her benefit earned for service from October 1, 2011 to September 30, 2018 and her final average earnings on September 30, 2018, not her service and pay on her retirement date of October 1, 2023.

John reaches his normal retirement date at age 52 with 28 years of service on October 1, 2031 and elects to participate in the PRB and retire at that time. John can elect a PRB date between October 1, 2028 (when he reached 25 years of service) and August 31, 2031.

Here Are a Couple of Examples of How Your PRB Benefit Is Calculated

In general, your pension benefit is calculated using the following formula.

Your frozen accrued benefit as of September 30, 2011 equal to your best three year average monthly earnings as of that date times 3.3% times your service on September 30, 2011 if you were vested on that date, or if you were not vested on September 30, 2011 times the sum of 3% times your years of service as of September 30, 2011.

PLUS – for service on and after October 01, 2011 – 3% of your best consecutive five year average (*of the last ten*) monthly earnings times your years of service on and after October 01, 2011.

The total benefit percentage calculated using the formula above cannot be greater than the 80% maximum discussed earlier.

Example to consider

Let's say Robert retires on October 1, 2020 at age 58 with 30 years of creditable service. Robert's normal retirement date was October 1, 2012 when he was age 50 with 22 years of service. Robert elects to participate in the PRB on September 1, 2013. (Because Robert reached his normal retirement date before July 17, 2013 he must elect to participate in the PRB by September 15, 2013.) Robert elects the PRB option for 5 years from October 1, 2020 when he stops working with the City to October 1, 2015 (his PRB date). Here is how Robert's PRB benefit is calculated using the formula shown above and the 80% maximum limit. Robert's best three year average monthly earnings as of September 30, 2011 was $6,500. Robert's average monthly earnings on his PRB date of October 1, 2015 is $6,700.

STEP 1

Frozen monthly accrued benefit on September 30, 2011: 3.3% of $6,500 X 21 years [service on 9/30/11] = $4,504.50

STEP 2

3% x 4 years of service after September 30, 2011 = 12% - benefit percentage accumulated under the 3% accrual rate

STEP 3:

3.3% x 21 years of service = 69.3% - benefit percentage accumulated as of September 30, 2011

STEP 4:

80% - 69.3% (STEP 3) = 10.7% - maximum benefit percentage for service after September 30, 2011

STEP 5:

Lesser of result under STEP 2 and STEP 4 = 10.7% - benefit percentage for service after September 30, 2011

STEP 6

Monthly benefit for service from September 30, 2011 to PRB date of October 1, 2015: 10.7% (benefit percentage for service after September 30, 2011 - STEP 5) of $6,700 = $716.90

STEP 7

$4,504.50 + $716.90 = **$5,221.40 total monthly pension benefit payable beginning October 1, 2020**

PRB lump sum payable October 1, 2020 for the accumulated payments of $5,221.40 Robert would have received for the 60 months from his PRB date of October 1, 2015 up to his actual retirement date of October 1, 2020, plus investment earnings based on the System's earnings and the rules outlined above. For illustration purposes we have calculated Robert would receive a lump sum of $342,581.37 based on the following hypothetical System investment earnings.

Hypothetical Investment Earnings for Robert's Illustration

Period	Fund Earnings - Annual	PRB Lump Sum Earnings Credit - Annual	PRB Lump Sum Earnings Credit - Monthly
10/1/2015 – 9/30/2016	8%	5%	0.407%
10/1/2016 – 9/30/2017	3%	3%	0.247%
10/1/2017 – 9/30/2018	-2%	0%	0.000%
10/1/2018 – 9/30/2019	10%	6%	0.487%
10/1/2019 – 9/30/2020	5%	4%	0.327%

Investment earnings will be calculated monthly for actual PRB lump sum calculations. To simplify for this example we have assumed annual returns.

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Let's say Stephanie retires on October 1, 2036 at age 58 with 30 years of creditable service. Stephanie's normal retirement date was October 1, 2031 when she was age 53 with 25 years of service. Stephanie elects to participate in the PRB on October 1, 2031. Stephanie elects the PRB option for 5 years from October 1, 2036 when she stops working with the City to October 1, 2031 (her PRB date). Here is how Stephanie's PRB benefit is calculated using the formula shown above and the 80% maximum limit. Stephanie's best three year average monthly earnings as of September 30, 2011 was $3,000. Stephanie's average monthly earnings on her PRB date of October 1, 2031 is $5,400.

STEP 1

Frozen monthly accrued benefit on September 30, 2011: 3% of $3,000 X 5 years [service on 9/30/11] = $450.00

STEP 2

3% x 20 years of service after September 30, 2011 = 60% - benefit percentage accumulated under the 3% accrual rate

STEP 3:

3% x 5 years of service = 15% - benefit percentage accumulated as of September 30, 2011

STEP 4:

80% - 15% (STEP 3) = 65% - maximum benefit percentage for service after September 30, 2011

STEP 5:

Lesser of result under STEP 2 and STEP 4 = 60% - benefit percentage for service after September 30, 2011

STEP 6

Monthly benefit for service from September 30, 2011 to PRB date of October 1, 2031: 60% (benefit percentage for service after September 30, 2011 - STEP 5) of $5,400 = $3,240.00

STEP 7

$450.00 + $3,240.00 = **$3,690.00 total monthly pension benefit payable beginning October 1, 2036**

PRB lump sum payable October 1, 2036 for the accumulated payments of $3,690 Stephanie would have received for the 60 months from her PRB date of October 1, 2031 up to her actual retirement date of October 1, 2036, plus investment earnings based on the System's earnings and the rules outlined above. For illustration purposes we have calculated Stephanie would receive a lump sum of $242,104.68 based on the following hypothetical System investment earnings.

Hypothetical Investment Earnings for Stephanie's Illustration

Period	Fund Earnings - Annual	PRB Lump Sum Earnings Credit - Annual	PRB Lump Sum Earnings Credit - Monthly
10/1/2031 – 9/30/2032	8%	5%	0.407%
10/1/2032 – 9/30/2033	3%	3%	0.247%
10/1/2033 – 9/30/2034	-2%	0%	0.000%
10/1/2034 – 9/30/2035	10%	6%	0.487%
10/1/2035 – 9/30/2036	5%	4%	0.327%

Investment earnings will be calculated monthly for actual PRB lump sum calculations. To simplify for this example we have assumed annual returns.

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How does the PRB benefit compare to my benefit if I don't elect the PRB option?

It is your decision whether or not to elect the PRB option. Deciding whether to elect the PRB option depends on your personal circumstances and preferences. There are no set rules for making the decision. Keep in mind that although you have to elect to participate in the PRB when you reach normal retirement date, you do not have to decide whether to actually receive your benefit under the PRB option until you stop working with the City and retire. At that point, we will prepare benefit estimates for you with and without the PRB option to assist you in your evaluation.

Generally, your PRB monthly benefit will be lower than your monthly benefit if you do not elect the PRB option. That's because your monthly PRB benefit is calculated using your pay and service on your PRB date which is earlier than your actual retirement date. Therefore, your service and pay increases since your PRB date will not be included in your monthly PRB benefit. If you do not elect the PRB option, your monthly benefit will reflect your pay and service at your actual retirement date.

On the other hand, the PRB option allows you to receive a lump sum payment in addition to your monthly benefit. You cannot receive any portion of your pension benefit in a lump sum if you do not elect the PRB option.

What will be best for you -

To elect the PRB option and receive a lower monthly lifetime pension benefit plus a lump sum payment at retirement, or

To not elect the PRB option and receive a higher lifetime monthly pension benefit but no lump sum payment at retirement?

Using the previous example for Stephanie, below we compare the benefits payable with and without the PRB option.

If Stephanie elects the PRB option she would receive a lump sum payment of $242,104.68 on October 1, 2036 and a monthly benefit of $3,690 beginning on October 1, 2036 and payable for the rest of her life. These benefits are based on the frozen accrued benefit on September 30, 2011 and on 20 years of service after that date and average final monthly compensation of $5,400 on Stephanie's PRB date of October 1, 2031.

If Stephanie does not elect the PRB option her lifetime monthly benefit will be calculated as follows. On her actual retirement date of October 1, 2036 Stephanie has an average final monthly compensation of $6,400 and 25 years of service after September 30, 2011.

STEP 1

Frozen monthly accrued benefit on September 30, 2011:

3% of $3,000 X 5 years [service on 9/30/11] = $450.00

STEP 2

3% x 25 years of service after September 30, 2011 = 75% - benefit percentage accumulated under the 3% accrual rate

STEP 3:

3% x 5 years of service = 15% - benefit percentage accumulated as of September 30, 2011

STEP 4:

80% - 15% (STEP 3) = 65% - maximum benefit percentage for service after September 30, 2011

STEP 5:

Lesser of result under STEP 2 and STEP 4 = 65% - benefit percentage for service after September 30, 2011

STEP 6

Monthly benefit for service from September 30, 2011 to retirement date of October 1, 2036: 65% (benefit percentage for service after September 30, 2011 - STEP 5) of $6,400 = $4,160.00

STEP 7

$450 + $4,160 = **$4,610 total monthly pension benefit payable beginning October 1, 2036**

In this example, Stephanie will receive a monthly benefit for life of $4,610 without the PRB option compared to a monthly benefit of $3,690 if she elects the PRB option. However, by not electing the PRB, Stephanie gives up the lump sum payment of $242,104.68.

As you can see, in this example, Stephanie's benefit without the PRB option will be $920 per month higher for the rest of her life than if she elects the PRB option. The increase in her monthly benefit is because her service after September 30, 2011 has increased from 20 years to 25 years and her average final monthly compensation has increased from $5,400 to $6,400 from her PRB date of October 1, 2031 to her actual retirement date of October 1, 2036. However, the 80% maximum total benefit percent limits her benefit without the PRB option.

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Actual pay increases and the 80% maximum impact will be different for each person. And, the investment earnings on the PRB lump sum will vary depending on the actual System earnings during the PRB period. Stephanie does not have to decide until her actual retirement date of October 1, 2036 whether to elect the PRB option.

At that time, she will know what her actual pay increases and the actual System investment earnings have been and she can compare the benefit estimates with and without the PRB to help her decide which works best in her situation.

The PRB option will impact each individual differently based on everyone's unique circumstance. Please consult a financial or tax advisor to help determine the right benefit election for you.

Can I still enter the DROP after July 17, 2013?

If you were eligible for the DROP as of July 17, 2013, you remain eligible to enter the DROP. You were eligible to DROP on July 17, 2013 if on September 30, 2011 you were eligible to retire. That is, as of September 30, 2011 you were at least age 50, or were any age with 22 or more years of service.

If you remain eligible for the DROP you can choose the PRB option instead. However, you must make your election to participate in the PRB by September 15, 2013.

If you were not eligible for the DROP on July 17, 2013 you cannot enter the DROP in the future but can elect the PRB option. Also, all employees hired on or after July 17, 2013 will be eligible for the PRB option but will not be eligible for the DROP.

What are the differences between the DROP and the PRB option?

You elect to enter DROP after you become eligible to retire but while you are still working with the City. You cannot change your mind after you enter the DROP. Once you participate in the DROP for a maximum of eight years, your employment with the City must end. For example, if you are age 52 with 22 years of service, you can enter DROP for 8 years until you are age 60. At age 60 your service with the City must end.

With the PRB you do not have to make an election to receive your benefit under the PRB option before you stop working with the City. Instead you elect to receive your benefit under the PRB option once you are ready to stop working and retire. Using the same example as above, if you are age 52 with 22 years of service, you can elect to participate in the PRB and continue working without making an election to receive your benefit under the PRB option. At age 60 you can choose to retire, end your employment with the City and elect to receive your pension under the PRB option at age 52. However, if at age 60 you prefer to receive your full benefit earned up to age 60 without the PRB option, you can also do that.

If you are in the DROP you can leave your DROP account balance in the System after you retire and separate from service. You are also eligible to take loans from your DROP account and receive future supplemental pension distributions (13^{th} check) if you enter the DROP. With the PRB, you cannot leave the PRB lump sum in the System after you retire/separate from employment, you cannot take loans from the PRB and you will not be eligible for the 13^{th} check.

What are the forms of benefit payment for my PRB annuity?

The forms of benefit payment have not changed. The standard form of payment is a guaranteed payment that you, your beneficiary or your estate will receive at least 120 monthly payments. If you are not married at the time of retirement and you die after receiving 120 payments, all benefits stop. If you are married at the time of retirement and you die after receiving 120 payments, and your spouse is alive and unmarried, your spouse will receive 50% of your benefit until the earlier of his or her death or remarriage. You select the form of benefit payment for your PRB annuity when you retire/separate from service but as if you had retired on your PRB date. For example, assume you separate from service on October 1, 2020 and elect a five year PRB with a PRB date of October 1, 2015. If you elect a form of payment with 120 guaranteed monthly payments, your PRB lump sum will be based on the accumulation with investment earnings of your benefit calculated as of October 1, 2015 under the 120 guaranteed payments form of benefit. The 120 guaranteed payments period will begin on October 1, 2015 and end on October 1, 2025.

What are the payment options for my PRB lump sum?

All or a portion of the PRB lump sum can be paid out in a cash lump sum to you, converted to an annuity under the System optional forms of payment (such as, an annuity payable for as long as you live or a joint and survivor annuity with a portion going to your surviving beneficiary after you die) or rolled over to another tax-qualified plan, such as an IRA, in accordance with federal law.

Please continue to next page................

Is my PRB lump sum payment subject to income taxes?

Yes. The distribution of your PRB lump sum is subject to the Federal income and excise taxes in effect at the time you receive it, which may include a 10% tax penalty. You may defer income taxes by rolling over your distribution into a tax-qualified plan or to an IRA. Please consult a legal, financial or CPA tax advisor before making any PRB lump sum decision.

What happens to my benefits if I become disabled or die while still working and after I elected to participate in the PRB?

The formulas used to calculate the disability benefits and pre-retirement death benefits (service and non-service incurred) have not changed. However, if you become disabled after electing to participate in the PRB you can elect to receive your benefit under the PRB option instead of the disability benefits provided by the System. In case you die while still working and after electing to participate in the PRB, then your designated beneficiary or your estate will elect the PRB option with respect to the PRB benefits you have earned at the time of your death, or elected duty death benefits.

How is the cost of living adjustment (COLA) affected by the PRB?

You will receive the current 2% COLA only on your frozen accrued benefit as of September 30, 2011. You will not receive a COLA on the part of your retirement benefit for service earned by you after September 30, 2011. Your COLA will begin three years after you retire and separate from employment. You will not receive a COLA on your PRB benefit from your PRB date until you terminate from service.

Will I be eligible for a Supplemental Pension Distribution (13th Check) if I elect the PRB option?

No member is eligible for a 13th check unless they are retired or were eligible to retire on September 30, 2011. Therefore, if you elect the PRB option you will be eligible for the 13th check only if you were eligible to retire on September 30, 2011.

Can the provisions of the PRB be changed in the future?

Yes. However, if the PRB option is eliminated, all members who are eligible to participate at the time will maintain the right to participate in the PRB by submitting the written election form.

Do members contribute after making an election to participate in the PRB?

Yes, you will continue making employee contributions to the System after you elect to participate in the PRB until your termination of employment.

How much do members contribute?

Beginning the first full pay period on or after May 1, 2013 you will contribute 8% of your earnings in order to receive benefits under the System.

The Board of Trustees understand that these changes are complex in nature. We hope that this summary begins the educational process.

A summary plan description that reviews the entire ordinance will be forthcoming and distributed all members upon completion.

Employee Contributions

Your pension contributions were reduced from 9.25% to 8.0% as of the first payroll after May 1, 2013. The adjustment was made in August by the City of Hollywood.

The Plan Administrator has been actively pursuing the city to determine how they intend to refund the difference to each active member.

Once we learn further, you will be advised.

Don't Forget To Visit Us !!!

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QUOTABLE QUOTE

"Life moves pretty fast. If you don't stop and look around once in a while, you could miss it." Ferris Bueller

Disclaimer

In Closing....

Reporting a Death

Seems like we can read about incidents similar to this much too often in the newspaper.

In another recently published report, a retiree died and the family members did not advise that plan about the death. Payments continued until the Plan learned of the death through other means. The funds were recovered, but this should have never happened.

Please make certain that instructions are provided to contact the Office of Retirement upon your passing.

No Board wants to take action (civil or otherwise) against a family member, but will do so to protect the Plan.

WHY NOT TO TAKE SOCIAL SECURITY BEFORE NORMAL RETIREMENT AGE

Many working adults dream of retiring early, collecting Social Security retirement payments and relaxing on a beach somewhere. However, collecting Social Security benefits before the normal retirement age might not be the best choice for most people who retire early, according to Hutchinson Financial, Inc.

Social Security rules allow retirees to begin receiving payments as early as 62 years of age, even though the normal retirement age for most Americans is now between 66 and 67. But Hutchinson warns those who choose to retire early of possible limitations and penalties imposed on those who receive Social Security benefits early. For instance, collecting Social Security early results in significantly reduced benefits for the balance of a retiree's lifetime. The reduced payment might not matter if you have plenty of other retirement savings to make up the difference and are still able to live your life as you choose. However, for those adults over the age of 60 who do not have significant retirement earnings, collecting Social Security payments early could make the difference between a comfortable lifestyle and a constant struggle. In addition, until one reaches normal retirement age (as defined by Social Security), he is limited as to what he can earn without affecting his retirement age.

The point is if you plan to retire early and take Social Security early, it is pretty important that you have enough income overall to support your lifestyle without working to produce earned income. If you are thinking about retiring early, consider trying to make it without taking Social Security early. In this way, you will keep your options open and maintain maximum flexibility.

Change of Address

Keep us in the loop if you move!