

Summary Plan Description Deferred Retirement Option Plan (DROP)

Overview

If you are an active member of the CRS who is also a member of the Active Employee Class covered by the Collaborative Settlement Agreement (CSA) and you have a minimum of 30 years service credit, you can enter the Deferred Retirement Option Plan (DROP) by delaying your retirement and continuing to work for the City of Cincinnati. Your participation in DROP is completely voluntary. Upon your DROP Entry Date, the amount of your monthly pension benefit will be calculated as if you retired on your DROP Entry Date. The amount of your monthly pension benefit will **not be recalculated** for any additional service and earnings paid to you on or after your DROP Entry Date.

Entering DROP is not the same as retiring from City employment. You continue to work as a City employee and if eligible, you may continue to be enrolled in a City sponsored employee healthcare plan. While you continue to work as a City employee and draw your salary, the amount you would have received in monthly retirement benefits, as well as a portion of your required CRS employee contributions, and interest earnings on your DROP account balance, accumulate tax-deferred in an account held in trust by the CRS on your behalf. You do not have access to the funds in your DROP account nor are you eligible for Retiree healthcare while you are participating in the DROP.

Participation in DROP is limited to a total of five consecutive years. Your DROP participation ends when you terminate your employment with the City which must occur within five years of your DROP Entry Date. When you retire from City service, your monthly pension benefit that was determined on your DROP Entry Date will be paid directly to you (rather than to your DROP account) beginning one month after your Retirement Effective Date. All pension benefits are paid one month in arrears. The balance of your DROP account is paid out to you in a lump sum or to another tax-qualified account (such as an IRA or 457 Deferred Compensation Plan) selected by you within 120 days of your Retirement Effective Date.

Eligibility

Only active members of the CRS who are also members of the Active Employee Class covered by the Collaborative Settlement Agreement (CSA) and who have at least 30 years of creditable service (as verified by the Cincinnati Retirement System), are eligible to participate in DROP. Eligible active members of the CRS can choose to participate in the DROP at any time after they have 30 years of service credit in CRS.

Service Credit Purchases

Eligible prior service credit (withdrawn prior CRS service, Ohio Reciprocity, Leave of Absence, Federal and Out-of-State) or eligible military service can be purchased to meet the eligibility requirements to enroll in DROP. All such service credit must be purchased and paid for prior to your DROP Entry Date. Once you have entered the DROP, you are no longer eligible to purchase prior service credit or military service.

DROP Application Process

DROP Enrollment Applications are available from your Department Human Resources Liaison.

- If you want to participate in DROP and you believe you meet the eligibility requirements, contact your Department HR Liaison.
- The Department contacts CRS to request verification of your eligibility to participate in DROP.
- The CRS notifies your Department of your eligibility status and provides the first DROP Entry Date available to you.
- For application, Processing Session, and rescission deadlines, refer to the DROP Schedule that is posted on the CRS website, or contact your HR Liaison.
- You then complete and sign the DROP Enrollment Application (obtained from your Department/Division HR Liaison) which will specify your DROP Entry Date.
- Your Department must countersign the application and submit it to the CRS office.

Prior to your DROP Entry Date, you are required to complete a number of forms provided by the CRS. A DROP Processing Session will be held during the month prior to your elected DROP Entry Date to assist you in completing those required forms. A calendar of DROP processing sessions and application deadlines is published annually by the CRS. The CRS office sends a packet of information to you at your home address with the date, time, and location of the information session as well as a list of documents you are required to provide to the CRS. At that session, an estimate of your monthly pension benefit based on your DROP Entry Date is provided to you.

Retroactive DROP Entry Date

Members who were eligible to begin participating in DROP anytime from January 1, 2016 to March 1, 2017 have a one-time window, from December 19, 2016 until February 28, 2017, to select a retroactive DROP Entry Date. After February 28, 2017, any DROP application submitted must be for a future DROP Entry Date, according to the DROP Schedule issued by CRS.

Rescinding Your DROP Application

Once you have submitted a DROP Enrollment Application, you have until 5:00 PM on the last business day of the month preceding your DROP Entry Date to rescind your enrollment in DROP. Requests must be made in writing, signed by you, and received by the CRS office prior to the deadline specified herein.

For a retroactive DROP Entry Date, you have until 5:00 PM on the last business day of the month in which you submitted your application, to rescind your enrollment in DROP. Requests must be made in writing, signed by you, and received by the CRS office prior to this deadline.

DROP Participation

Your participation in DROP is completely voluntary. Your election to participate in DROP is irrevocable on or after the DROP Entry Date that you specify on your DROP Enrollment Application. You can only participate in DROP once and your participation is continuous from your DROP Entry Date until you terminate from employment with the City of Cincinnati.

You may participate in DROP for up to five consecutive years (60 consecutive months) following your DROP Entry Date. Your employment with the City of Cincinnati cannot extend beyond five years from your DROP Entry Date. Any paid or unpaid leaves of absence will not extend the time you can participate in DROP. You can terminate your employment (which terminates your participation in DROP) at any time prior to the five year limit. However, if you participate in DROP for less than two years, all interest earnings credited to your DROP account will be forfeited.

You do not earn any service credit in CRS during your participation in DROP and the benefit calculation determined on your DROP Entry Date will not change.

Because you remain a City employee during your participation in DROP, you are required to maintain your enrollment in the CRS and are required to pay employee contributions (currently 9% as defined in the CSA). A portion of your contributions, 75%, is credited to your DROP account and the remaining 25% is contributed to CRS to offset the costs of the DROP.

All active employee benefits and Personnel Policies and Procedures continue to apply during your employment and participation in DROP. Your participation in DROP does not provide a guarantee of continued employment with the City of Cincinnati.

How Your DROP Benefit is Calculated

The amount of your monthly pension benefit is calculated based on your service credit, your average highest compensation (through the day prior to your DROP Entry Date), and any actuarial adjustments for your selected payment option, if applicable. The amount of your monthly pension benefit will not be recalculated for any service and salary earned on or after your DROP Entry Date.

The gross amount of your monthly pension benefit is contributed to your DROP account in the CRS Pension Trust. The monthly pension benefit is not payable to you until you have terminated your employment and have completed all required documentation to actually retire.

Designating Optionee & Beneficiary

If you are legally married at the time you elect to enter DROP, you must designate your legally married spouse as your Optionee, unless your spouse signs a Benefit Waiver. If your spouse signs a Benefit Waiver, you may select a Single Life option or designate someone other than your spouse as an Optionee. Information on the various payment options is provided separately.

If you are not legally married at the time you elect to enter DROP, you can select a Single Life option (the pension benefit terminates upon your death), or you may choose another payment option and designate an Optionee.

You must choose your pension payment option and designate an Optionee, if applicable, prior to your DROP Entry Date. The designation of an Optionee and payment option is irrevocable on and after your DROP Entry Date. If you die before your Optionee, they will begin receiving your monthly pension benefit (calculated as of your DROP Entry Date) following your death.

You must designate a Beneficiary, who may or may not be the same as your selected Optionee, prior to your DROP Entry Date. If you die during DROP, your Beneficiary will receive any remaining return of contributions (if applicable) and your DROP account balance.

If you die during your participation in DROP, and you previously selected a Single Life option (you did not select an Optionee), then your designated Beneficiary will be paid the balance of your DROP account as well as any remaining CRS contributions.

Sick Pay, Comp Time & Vacation Lump Sum Payouts

Your participation in DROP requires that your accrued sick leave (up to the maximum of 1200 hours), comp time, and vacation time balances (up to the maximum hours per policy or labor contract) as of the last full pay period prior to your DROP Entry Date, is paid out to you or deposited to your Deferred Compensation program account.

If you choose a retroactive DROP Entry date, your lump sum payout is the lesser of your leave accrual balances as of the last pay period prior to your DROP Entry Date or your leave accrual balances as of the last pay period ending in the month that you submit your DROP Enrollment Application.

DROP participants may elect to reserve up to 40 hours of sick, or 40 hours of vacation time, comp time, or any combination not to exceed a total of 40 hours. Any sick leave accrual balances above the payout limits (as of the last completed pay period prior to your DROP Entry Date) will be retained on your personnel record for your use during your DROP participation. Depending on your originally elected multiplier, any hours reserved from the lump sum payout may impact your monthly pension benefit calculation.

While you are participating in DROP, you continue to accrue sick leave and vacation time (and compensatory time if applicable) as specified in the City's Personnel Policies and Procedures (PP&P) manual. If you need to take leave time during your DROP participation, and you do not have any leave balances, you are eligible to receive donated time from other City employees unless any policy to the contrary exists.

When you terminate employment, any sick leave (up to the maximum 1200 hours), comp time, and vacation time balances that you accrued during your DROP participation will be paid out to you through the City's payroll system - but only for those hours that, combined with the hours previously paid out to you upon your entry into DROP, do not exceed the maximum allowable accrual limits that were in effect on the date you entered DROP.

Your DROP Account

Each month your DROP account is credited with the amount of your gross monthly pension benefit that you would have received if you had actually retired on your DROP Entry Date.

Members who participate in DROP continue to contribute 9% percent of their salary to CRS. A portion (75%) of those contributions is credited to your DROP account and the remaining portion (25%) is paid to the CRS Pension Trust to offset the costs of administering DROP.

Interest is paid on DROP account balances quarterly at a rate equal to the 10-year U.S. Treasury Note Business Day Series, as published by the United States Federal Reserve, with a cap of 5%. The variable interest rate is determined quarterly. The rate for the last business day of each calendar quarter is applied to the following quarter. For example, the rate published on the last day of March applies to your DROP account balance for April, May and June of that year. Interest is posted to your DROP account at the end of each quarter and is prorated for balances distributed before the end of a quarter. If you participate in DROP for less than two years, all interest credited to your account will be forfeited. A statement of your DROP account is mailed to you within 90 days after the end of each calendar year and within 30 days after your Retirement Effective Date.

Employer Contributions

The City of Cincinnati continues to pay Employer contributions to the CRS Trust Fund during your participation in DROP. Employer contributions are not credited to your DROP account and do not affect the benefit calculation determined on your DROP Entry Date.

Cost-Of-Living Adjustments (COLAs) During DROP

As active employees, DROP participants are eligible for wage and salary cost-of-living adjustments (COLAs) as provided by the City's Personnel Policies and Procedures, and any applicable labor agreements.

However, in accordance with the Collaborative Settlement Agreement (CSA), DROP participants do not qualify for CRS COLAs during their DROP participation period. In addition, all retired members of the CRS are subject to a three year COLA suspension period. COLAs will be applied to your monthly pension benefit beginning on the fourth anniversary of your Retirement Effective Date. Your participation in DROP does not count toward the three year COLA suspension period.

Death During DROP

If you die during your participation in DROP, your date of death is your termination from employment date and from DROP. If you selected an Optionee prior to your DROP Entry Date, your Retirement Effective Date is the first day of the month following your date of death. Your Optionee begins receiving your monthly pension benefit (calculated as of your DROP Entry Date) after all required documents for Direct Deposit and Retiree healthcare have been completed and submitted to the Cincinnati Retirement System.

If you did not select an Optionee (you selected a Single Life Pension) prior to your DROP Entry Date, your designated Beneficiary is paid the balance of your DROP account as well as any remaining CRS contributions. Your designated beneficiary must complete and submit the required documents to claim these funds.

DROP & Deferred Compensation (457 Plan)

During your participation in DROP, you may continue to participate in the Deferred Compensation (457 Plan) programs sponsored by the City of Cincinnati. You do not have access to your Deferred Compensation (457 Plan) funds while you are an active employee and while you are participating in DROP. Annual contribution (deferral) limits are established by the United States Internal Revenue Service and are published by the Cincinnati Retirement System citywide.

Retirement and Retiree Health Care Benefits

Your Retirement Effective Date is the first day of the month following your termination from employment. You are not eligible for Retiree healthcare benefits until you have left DROP and retired from employment with the City. In order to retire from City service, you must submit a signed Retirement Application (in accordance with existing published CRS procedures) through your Department to the Cincinnati Retirement System. The signed Retirement Application form (in its entirety) must be returned to the Cincinnati Retirement System office on or before the Retirement Notification Deadline date published on the annual Retirement Schedule.

Once the Retirement Application is received, you will be enrolled in a Retirement Processing session prior to your Retirement Effective Date, so that you can complete and sign all required documentation for pension and healthcare benefits. All CRS required documentation must be completed prior to your Retirement Effective Date. CRS pension

benefits are issued one month in arrears (for example, the pension benefit payment earned for May is issued on June 1st).

Retiree healthcare coverage becomes effective on your Retirement Effective Date provided that you have completed all CRS required documentation. Once you have retired, monthly healthcare premiums are deducted from your monthly pension benefit payment.

DROP Distributions

Once your employment has been terminated and you retire from service, (you have terminated your participation in DROP), you will have up to 120 days to take a full distribution of your DROP account balance. Your DROP account balance can be paid out to you as a taxable lump sum, rolled over to a tax-qualified account (such as an IRA or 457 Deferred Compensation Plan), or a combination of these two options. All DROP account balances are fully paid out within the 120 day limit. No interest earnings will be credited to your DROP account beyond 120 days from your DROP termination date. If you do not specify the form of payment (direct or rollover) and you do not provide required documentation to CRS for a DROP rollover or a DROP distribution within that timeframe, then the DROP account balance is paid to you in full by check mailed to your home address on file. A 1099R will be issued to you for all DROP account distributions, regardless of whether you rollover any portion of your DROP account balance or receive it as a direct payment.

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