

## How Do I Know How Much Is In My Notional DROP Account?

- Periodic estimated benefit statement
- Final statement upon termination

## DROP Account Balance Distribution

You may make an irrevocable election to receive payment of a DROP benefit in a:

- Lump Sum
- Periodic Payments
- Rollover to a qualified plan or IRA
- Combination of the above
- Partial Payments (Effective July 2005)

Also, you may defer making a distribution election until a future date; however distribution must commence no later than the first day of April following the calendar year in which you have attained age 70½, or earlier as determined by the Board.

All payment options and amounts are subject to approval by the Board.

## How Is The DROP Interest Rate Determined?

The DROP interest rate is established by taking half the return on HMEPS' investment performance for the prior year. Under the Meet and Confer Agreement, the maximum DROP rate is 7.5 percent and the minimum rate is 2.5 percent.

This overview of DROP can be very helpful, but it is not a complete statement of what you need to do to prepare for DROP. If you have questions that are not addressed in the HMEPS Benefits Handbook or on our website, please contact HMEPS directly. *Nothing contained herein may be construed to convey any right or privilege not otherwise provided by the pension law. In the event of any conflict, the pension law takes precedence.*



### HMEPS Contact Information

#### **Address:**

Houston Municipal Employees  
Pension System  
1111 Bagby Street, Suite 2450  
Houston, Texas 77002-2555

#### **Phone Numbers:**

Phone: 713-595-0100  
Toll Free: 800-858-1450  
Fax: 713-650-1961

#### **Website:**

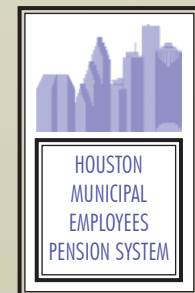
[www.hmeps.org](http://www.hmeps.org)

## A Brief Overview of the

# D<sub>eferred</sub> R<sub>etirement</sub> O<sub>ption</sub> P<sub>lan</sub>

Answers to  
Commonly Asked  
Questions:

- Are You Eligible?
- What Documents Are Required?
- How Is Your Balance Distributed?



## What Is the DROP?

The Deferred Retirement Option Plan (DROP) is an optional retirement method for HMEPS members who have reached their normal retirement eligibility (age and years of credited service) but do not want to retire. It is an alternative method of accumulating and receiving a pension benefit from HMEPS. The decision to participate in the DROP is a personal one that each member should make only after careful consideration of his or her individual financial needs and goals.

### Eligibility

You must meet or have met one of the following age and credited service requirements on the DROP entry date:

- At least age 62 with at least five years of credited service, or
- At least age 50 with at least five years of credited service provided the sum of your age and years of credited service, including parts of years, equals 75 or more; or
- Any age with at least five years of credited service provided the sum of your age and years of credited service, including parts of years, equals 70 or more (Rule of 70), but only if, prior to January 1, 2005, you had at least five years of credited service and your age and years of credited service, including parts of years, were equal to 68 or more.

### When Should I Start Considering DROP Options?

If you are eligible and would like to participate in the Deferred Retirement Option Plan (DROP), you must submit a request for an application to participate in the DROP. (You should notify

HMEPS that you intend to make a DROP Election no earlier than sixty (60) calendar days prior to the date you are eligible to participate in DROP). The request must be submitted on a DROP Request Form (Form DR34). A request may be faxed, mailed or delivered to the HMEPS office. The request is not a commitment to participate in the DROP, and therefore is not binding on you or HMEPS.

If you have elected DROP, consult with a tax specialist about the tax consequences of various DROP distribution options.

### Important DROP Definitions

- **DROP election date:** The date HMEPS receives in the HMEPS Office a member's duly completed and executed "DROP Election." The DROP Election can only be obtained from an authorized HMEPS representative upon the member's timely submission to HMEPS of a completed application and required documents and information.
- **DROP entry date:** The date a member ceases to earn service credit and begins earning credit for the member's DROP account. Eligibility requirements to participate in DROP are the same as the statutory normal retirement eligibility requirements in effect on the DROP entry date. A member cannot have a DROP entry date that precedes his or her date of eligibility for membership in HMEPS.

### Group Change and Service Purchase Obligations

After you execute a DROP Election, you **cannot** enter into an obligation with HMEPS to:

- purchase previous service credit,
- purchase pension credit for military service, or
- change pension group participation

### Documents Required Prior to DROP Entry

You will need the following documents:

- Birth Certificate
- Social Security card
- Photo I.D.

If you are married:

- Marriage license or Declaration of Informal Marriage

### Retirement Pension of a DROP Participant

Upon termination of employment, you will receive a retirement pension calculated as provided under the Statute for a normal retirement pension, with the following exceptions:

- the number of years of credited service will be the credited service you accrued up to the time of your DROP entry date;
- the benefit accrual rate(s) will be the benefit accrual rate(s) that applied at the earlier of your last day of credited service or DROP election date; and
- your average monthly salary will be the average monthly salary as of the later of 1) your DROP entry date, or 2) January 1, 2005 (Back-DROP).

Your retirement pension will be increased by any COLAs applied during your participation in DROP.

### What If I Change My Mind About Participating in DROP?

- A written withdrawal of DROP Election must be submitted to HMEPS prior to Board consideration.
- Revocation is available only under certain very limited conditions.