

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

DEFERRED RETIREMENT OPTION PLAN ELECTION AND APPLICATION

As a member of the Austin Fire Fighters Relief and Retirement Fund (the "Fund"), you may elect to participate in the Deferred Retirement Option Plan ("DROP"). The DROP is a form of benefit that a Member may elect once he or she is eligible for retirement. The purpose of the DROP is to provide greater financial planning flexibility to Members upon retirement by providing Members with a reduced monthly annuity benefit and a lump-sum benefit, as opposed to only a standard monthly annuity benefit.

DROP Election and Participation

If you elect to participate in the DROP, you will select an effective date for DROP participation ("DROP Effective Date"). The DROP Effective Date cannot be more than seven (7) years prior to your actual date of termination of service from the Fire Department. You may make a DROP election at the time of your termination of service (often referred to as a "reverse" or "back" DROP) or, if desired, prior to your termination of service (often referred to as a "forward" DROP).

Upon DROP participation, an account will be established and maintained by the Fund in the records of the Fund for your benefit ("DROP Account"). Upon your termination of service with the Fire Department, you will be entitled to access amounts that have been credited to your DROP Account. The amount credited to your DROP Account will be equal to (1) the monthly annuity benefit that you would have received if you had retired on the DROP Effective Date multiplied by the number of months between the DROP Effective Date and your date of termination of service (the "DROP Period"), (2) member contributions that you make or made to the Fund during the DROP Period, and (3) interest credited at a rate of 5% annually.

Note that the amount of your monthly annuity benefit that will be credited to your DROP Account and that you are entitled to receive upon termination of service from the Fire Department will be calculated using your credited service and average monthly compensation as of your DROP Effective Date and not your service and compensation at the time of your termination of service from the Fire Department. Additionally, if you elect an optional form of benefit instead of the Normal Retirement Annuity (such as the Single Life Annuity or "Option 2" under either the Normal Retirement Annuity or a Single Life Annuity), the monthly annuity benefit credited to your DROP Account will be based on your actuarially adjusted monthly annuity amount as determined under those forms of benefit.

DROP Benefits and Distributions

If you elect to participate in DROP, upon termination of service from the Fire Department and commencement of your retirement benefit under the Fund, you will be entitled to the following:

Monthly Annuity Benefit: A monthly annuity benefit is payable to you for your lifetime calculated based on your credited service and average monthly compensation as of your DROP Effective Date and as adjusted for any optional forms of benefit that you elected. If you elected the Normal Retirement Annuity form of benefit, your survivor will be entitled to a survivor benefit at your death.

DROP Account: You are also entitled to the balance of your DROP Account. However, you cannot take a DROP distribution until you reach age fifty-nine and one-half (59½) unless either:

- a. you reached age fifty (50) prior to terminating service with the Fire Department; or
- b. the distribution is made in the form of a rollover to an individual retirement account ("IRA").

Your DROP account will continue to accrue 5% interest annually while it remains in the Fund. You may withdraw your DROP Account balance (1) in a single lump-sum payment or (2) in up to eight (8) equal or unequal installment payments. Your DROP distributions may be paid directly to you if you reached age fifty (50) prior to termination of service, or you may elect that the distribution be “rolled over” into an eligible retirement account (i.e. an IRA, another employer’s tax-qualified plan, etc.). You must withdraw your entire DROP Account no later than April 1 of the year after you reach age 70½.

All distributions from your DROP account (that have not been previously taxed) are subject to a mandatory twenty percent (20%) withholding for federal income tax unless the distribution is transferred directly by the Fund to an Individual Retirement Account, an Individual Retirement Annuity, or a qualified trust.

DROP Beneficiary

You may designate a beneficiary to receive any balance remaining in your DROP Account at your death. Your DROP account is separate from your monthly retirement annuity benefit. Your spouse, dependent children, or the beneficiary you designated on Form 500A, Form 500R, or Form SLA to receive a survivor benefit is not applicable to your DROP Account. To name a beneficiary to receive the balance of your DROP Account, you should complete the Beneficiary Designation on page 6 of this form.

If you are married, you may not designate a beneficiary other than your spouse unless your spouse gives his or her written consent. If you are not married and you do not designate a beneficiary on page 6 of this form, any balance remaining in your DROP Account at your death will be distributed to your estate in a lump-sum payment.

Note that you may change your DROP beneficiary designation at any time without a reduction to your benefits by contacting the Pension Office. However, if you are married, you must obtain your spouse’s consent each time you change your DROP beneficiary to someone other than your spouse.

Important Note Regarding Option 2 Election

If you elect Option 2 under either the Normal Retirement Annuity form of benefit or the Single Life Annuity form of benefit, the 10-year period of guaranteed payments will commence at your DROP Effective Date and not your date of retirement from the Fire Department. Thus, years during the DROP Period count against your 10-year period of guaranteed payments. For example, upon retiring from the Fire Department, if you select a “reverse” or “back” DROP for the maximum of 7 years, you will only have 3 years left in the guaranteed 10-year period after you terminate from active service.

Please contact your Pension Office for more information about the DROP.

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Member Name: _____ **Social Security #:** _____ - _____ - _____

Address: _____
Street, City, State, Zip

Home Phone No: _____ **Cell Phone No:** _____ **E-mail** _____

Date of Birth: _____ **TX FIR#:** _____

I am: _____ **Married** _____ **Single**

If Married, Spouse's Name and SSN: _____

DROP Effective Date: My participation in the DROP will be effective as of: _____.
(This date cannot be more than seven (7) years prior to your date of termination of service from the Fire Department).

As of my DROP Effective Date, my monthly annuity benefit will be based on:

- Years of credited service: _____
- Average monthly compensation: _____
- Percentage used in calculations: _____

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DROP Distribution Election Form

If you are submitting this FORM DROP in connection with your termination of service with the Fire Department, please indicate below your current desire as to any distribution:

_____ **ROLLOVER.** I choose to have my entire DROP account balance rolled over into an eligible qualified plan or IRA. No federal income tax will be withheld. The name and address of the plan/IRA is completed below.

_____ **PARTIAL ROLLOVER.** I choose to have \$_____ of my DROP account balance rolled over into an eligible qualified plan or IRA. No federal income tax will be withheld from this portion. The remaining balance of my DROP account will remain in the pension fund until further instructions are given. The name and address of the plan/IRA is completed below.

_____ **LUMP SUM DIRECT DISTRIBUTION TO PARTICIPANT.** I choose to have my entire DROP account balance made payable to me. Please withhold _____% or 20%, whichever is greater, for federal income tax.

_____ **PARTIAL DISTRIBUTION TO PARTICIPANT.** I choose to have a partial payment of \$_____ of my DROP account balance made payable to me. Please withhold _____% or 20%, whichever is greater, for federal income tax on this partial payment. The remaining balance of my DROP account will remain in the pension fund until further instructions are given.

_____ **LEAVING DROP IN PENSION FUND.** I choose to leave my entire DROP account balance in the pension fund to accrue 5% interest compounded monthly.

Name and Street Address of Qualified Plan or IRA and Account Number

Name: _____

Street Address: _____

Account Number: _____

To request additional distributions from your DROP Account (up to a maximum of 8 total distributions), you must submit a Distribution Election Form to the Pension Office. The remainder of your DROP Account must be withdrawn in its entirety no later than April 1st of the year after the year in which you reach age 70½ if you have not already withdrawn the entire balance.

Signature of Fire Fighter

Print or Type Name of Fire Fighter

Date: ____/____/____

For Fund Administrative Use Only:
Date Received: _____
Received By: _____

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

DEFERRED RETIREMENT OPTION PLAN ELECTION AND APPLICATION

BY SIGNING THIS APPLICATION, I ACKNOWLEDGE THE FOLLOWING:

- I understand that I am eligible to participate in the Deferred Retirement Option Plan (DROP) pursuant to the Fund’s governing statute, Article 6243e.1, Vernon’s Texas Civil Statutes (the “Act”) and the Fund Rules.
- I have had the opportunity to meet with the Fund’s administrative staff and ask them questions regarding the operation of DROP and the effect that my participation in the DROP will have on my benefits and any potential survivor benefit under the Fund.
- I have had the opportunity to seek advice from a professional tax advisor and understand that the administrative staff of the Fund, although providing some general information, cannot and has not rendered legal advice to me regarding the effect that my participation in the DROP will or may have on the taxation of any benefit I may receive, or my survivor or beneficiary may receive, under the Fund.
- I understand that my retirement annuity as calculated under the terms of the Act will be determined as of my DROP Effective Date. I also understand that as a consequence of my election to participate in DROP, I will forgo any otherwise applicable improvements in my retirement pension, including, but not limited to, improvements attributable to age, rank, increase in pay, or years of service with the Fire Department that occurred or accrued after my DROP Effective Date.
- I understand that my election to participate in the DROP is irrevocable.
- I understand that my monthly annuity benefit and my DROP benefits are subject to the provisions of Article 9.03 of the Act governing the Fund (the Internal Revenue Code Section 415 limitations).

THE BELOW MEMBER HEREBY ELECTS TO PARTICIPATE IN THE DROP. I UNDERSTAND THAT MY ELECTION TO PARTICIPATE IN DROP AND MY DISTRIBUTION ELECTIONS ABOVE ARE IRREVOCABLE.

Signature of Fire Fighter

Print or Type Name of Fire Fighter

Date: ____/____/____

<p><u>For Fund Administrative Use Only:</u></p> <p>Date Received: _____</p> <p>Received By: _____</p>
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BENEFICIARY DESIGNATION FOR DROP ACCOUNT

I wish to designate the following person to be my beneficiary for my DROP Account. I acknowledge that if I am married, I must obtain my spouse's consent to name someone other than my spouse below. I acknowledge that if I am married but I do not designate a beneficiary, my spouse will automatically be my beneficiary provided that my spouse survives me. I acknowledge that if I am not married and do not designate a beneficiary below, then my estate will be my beneficiary.

BENEFICIARY INFORMATION

Form with fields for BENEFICIARY'S LAST NAME, FIRST NAME, MIDDLE NAME, BENEFICIARY'S ADDRESS, PHONE NUMBER(S), BENEFICIARY'S SOCIAL SECURITY NUMBER, and BENEFICIARY'S DATE OF BIRTH.

SPOUSAL CONSENT TO DROP BENEFICIARY

NOTE: Your spouse may wish to consult a tax, financial, or legal advisor before signing this consent. This consent is valid only if the spouse's signature is acknowledged before a notary public.

I hereby certify that I, _____(Name of Spouse), am the spouse of _____ (Name of Fire Fighter) and voluntarily consent to my spouse's DROP beneficiary designation under the Austin Fire Fighters Relief and Retirement Fund's (the "Fund") Deferred Retirement Option Plan ("DROP"). I hereby acknowledge that I fully understand the consequences of my consent, which has the effect of forfeiting the rights that I may have to any accumulated balance in my spouse's DROP account that I would have been entitled to receive upon my spouse's death. I understand that my spouse's participation in the DROP is irrevocable, and my consent to my spouse's beneficiary designation above is irrevocable. I understand that I do not have to consent to my spouse's beneficiary designation and acknowledge that I have been provided the opportunity to consult with my legal, tax, or financial advisor concerning this matter.

Spouse's Signature _____ Date _____

STATE OF _____

COUNTY OF _____

I HEREBY CERTIFY that the foregoing instrument was acknowledged before me this ____ day of _____ 20 ____ by _____, who is personally known to me or who produced appropriate identification.

Notary Public, State of _____

At large