



D A L L A S
POLICE & FIRE
PENSION SYSTEM



DPFP

MEMBER HANDBOOK

for those who became Members after Feb. 28, 2011

Updated June 2015





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POLICE & FIRE
PENSION SYSTEM



Member Handbook

For Those Who Became Members
After February 28, 2011

(Updated 06/2015)

Important Notice

This Handbook describes current benefits and entitlement to benefits under the current provisions of the Combined Pension Plan for Group B Members who became Members of the Plan after February 28, 2011. This Handbook does not attempt to describe eligibility for membership, benefits, or entitlement to benefits under earlier versions of the Plan or any of its predecessors.

Additionally, the Combined Pension Plan may be amended in the future as described later in this Handbook and such amendments may affect Member's benefits.

This Handbook is merely a summary of the terms of the Combined Pension Plan. All of the Member's benefits and rights to benefits are governed by the express terms of the Combined Pension Plan and the policies adopted by the Board and not by the descriptions contained in this Handbook. Board policies may be amended at any time by the Board of Trustees, consistent with the terms of the Plan.

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(As of June, 2015)



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A Message From Your Executive Director

The Board and staff of the Dallas Police and Fire Pension System are pleased to present the Member Handbook. The Handbook is designed to provide general and specific information about your Pension System and your benefits. This Handbook includes general System information, and a summary description of the Plan's Group B benefits.



As of January 1, 2015, the Dallas Police and Fire Pension System provides benefits to more than 4,000 Pensioners and their Spouses and dependents and covers almost 5,500 Active Members. This Member Handbook summarizes the valuable benefits you earn as a Member of the System.

The summary in this Handbook in no way creates any contractual rights between the System and its Members, Pensioners, or their Survivors. Your rights are determined by the provisions of the Plan and the Pension System's policies and procedures adopted by the Board and System, available at our web site at www.dpfp.org.

The Board of Trustees (the Board) and DPFP staff prepared this Handbook to help you better understand the valuable benefits provided under the Plan. You should keep this Handbook for future reference. We also publish and distribute bi-monthly newsletters to help keep you updated concerning legislative or rule changes, new programs, and other matters. In addition, the System offers pre-retirement education and financial planning classes to help you prepare for retirement and has Benefits Counselors on hand to assist you.

The Pension System office is available to answer additional questions you may have. The telephone numbers of the Pension System office are 214.638.3863 or toll-free 1.800.638.3861. Our e-mail address is info@dpfp.org. You also can access information about the Pension System at our Internet Web page at www.dpfp.org.

The Pension System office is located at 4100 Harry Hines Blvd., Suite 100, Dallas, Texas 75219. Our office hours are Monday through Friday, 8 a.m. to 5 p.m. If you would like to speak with a Benefits Counselor, please arrange for an appointment at the numbers listed above to be sure that a Benefits Counselor is available to assist you.

Kelly Gottschalk
Executive Director

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Member Handbook
(For Those Who Became Members After 2-28-11)



Introduction

As a Police Officer or Firefighter for the City of Dallas, you are a Member of the Dallas Police and Fire Pension System (DPFP). Your contributions to DPFP may be one of the biggest investments you will ever make. Please carefully review the benefits described in this Handbook, and discuss them with your family or the person you believe will settle your estate. You should keep this Handbook and your annual benefit statements provided to you each year in a safe place.

A separate Handbook is provided to describe benefits for those who became Members before March 1, 2011.

Authority

Numerous federal and state laws, and internal policies and procedures govern the administration of DPFP's benefits. By its very nature, a retirement system is complex, and some parts may be difficult to understand. We have attempted to write this handbook in commonly used language to help you better understand your benefits.

The law governing DPFP is found in Article 6243a-1 of the Revised Civil Statutes of the State of Texas. The Plan Document, which is based on Article 6243a-1, is provided on DPFP's website at www.dpfp.org under the "Publications" tab.

The rules and provisions of DPFP are contained in the Plan Document. This Handbook provides general information about your benefits, but does not replace or supersede the Plan Document or the federal and state laws that govern your Pension System.

This Handbook cannot answer all questions about DPFP or cover all situations. If you need additional information or clarification, please contact a Benefits Counselor.

How the Plan May Be Amended

The material in this Handbook is current through April 16, 2015. The Plan may be amended in the future by the Texas legislature or through a vote of the Members. Such amendments may affect the benefits described in this handbook. Your benefits have certain legal protections afforded by Article 16, Section 66 of the Texas constitution.

The Board may also change the Plan to comply with Internal Revenue Service (IRS) rules. The Board may also make changes in internal policies and procedures administering the provisions of the Plan. Any changes to Board policies or procedures will be included on the Board agenda and any changes regarding benefits will be reported to the Members via the Member newsletter. The newsletter is mailed to your home address or sent by e-mail if you are enrolled in *eCorrespondence*, DPFP's paperless means of communicating with our Members. Newsletters and Board meeting agendas also can be found on DPFP's website at *www.dppf.org*.

The Pension System (DPFP)

DPFP is a qualified defined benefit pension plan under Section 401(a) of the Internal Revenue Code of the United States. DPFP operates and maintains records on a calendar year basis for investment and budgeting purposes.

DPFP is a public governmental pension fund. It was first created in 1916 by the City of Dallas, and in 1933 was established by statute enacted by the State of Texas. DPFP's assets are maintained for the exclusive benefit of the Members and their qualified beneficiaries in accordance with federal law. DPFP's funding comes from three sources: member contributions, city contributions, and investment income. It provides benefits for retired City of Dallas Police Officers and Firefighters, and upon the Member's death, for their Qualified Survivors.

Administration

DPPFP is administered by a 12-member Board of Trustees. The Board consists of three active Police Officers, three active Firefighters, one Police Officer Pensioner, one Firefighter Pensioner, and four City Council members. The eight Active and Pensioner Trustees are elected by their constituents for four year terms. The City Council members are appointed by the Dallas City Council.

Board meetings are held at least monthly. The agenda, including the time and place of the meetings, is posted on our website (www.dppfp.org).

The Board appoints an Executive Director to carry out the business of the Pension System and the Board. Subject to Board approval, the Executive Director hires staff to perform the day-to-day functions of the System.

For a current list of Trustees, please refer to your latest issue of DPPFP's newsletter, call the Pension System office at 214.638.3863, or visit our website at www.dppfp.org.

Focus of this Handbook

The Combined Pension Plan Document – available at www.dppfp.org under the “Publications” tab – is the latest restatement of benefits for Members of DPPFP. It combines the various benefit plans created over DPPFP's history. This Handbook describes many of the benefits for Group B Members who became Members after February 28, 2011, but to avoid confusion, does not describe benefits for those who are Group A Members, Members of the other earlier benefit Programs or Plan B Members who became members before March 1, 2011. If you contributed to the Old Plan or Plan A, you may have other rights to benefits. Please contact a Benefits Counselor at the Pension System office or refer to the Combined Pension Plan Document.

If you first became a Member before March 1, 2011, see “*Member Handbook for Those who Became Members before March 1, 2011*” for a description of benefits for that group (the document is on our website under the “Publications” tab).

Member Responsibilities

Reviewing Your Annual Statement

You should review carefully your Annual Benefit or DROP (Deferred Retirement Option Plan) statement, which is distributed in the first quarter of each year.

Reviewing Your Pay Stub

You should review your pay stub from the City to ensure that your contributions to DFPF are being withheld properly. (See “Member Contributions” for a description of required contributions.)

Advising Your Payroll Department of Personal Changes

While in Active Service, you should notify your Department of any change in your name, address, or marital status. Pension System records are updated through Department payroll reporting from the City. You also must notify the DFPF in order to name or change a designee who will receive your DROP account or any lump sum payment that may become payable upon your death.

Planning Your Retirement

This Handbook will help you understand your benefits and your role in planning your retirement. The Board and Staff recommend that you attend a Pre-Retirement Education Program (PREP) and other education programs offered by DFPF after you have five years of Pension Service and again within three to five years before you plan to enter DROP or leave Active Service. We also recommend that you attend these programs the year you leave Active Service.

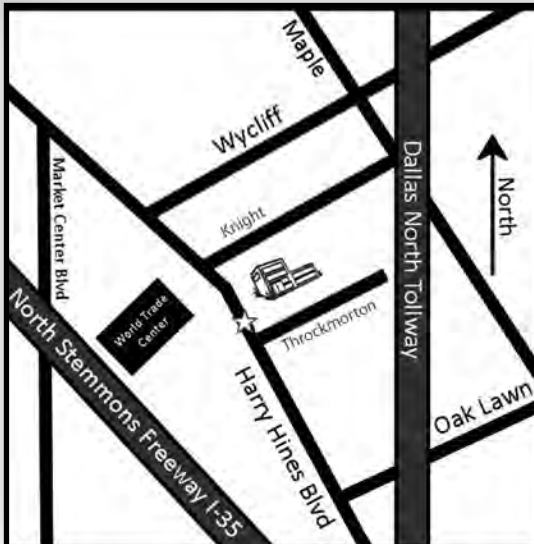
Reviewing Survivor Benefits

You should review the survivor benefits described in this Handbook and discuss them with your Spouse and other dependents. Advise your dependents where your important papers are kept, including your annual benefit statements and other information about your pension benefits.

General System Information

Office Location

The Pension System office is located at 4100 Harry Hines Blvd., Suite 100, Dallas, Texas 75219. Our building is between Throckmorton and Knight streets. See the map below or refer to DFPF's website at www.dpfp.org for directions to the office.



Contact Information:

- **Phone**
214.638.3863 and
1.800.638.3861
- **Fax**
214.638.6403
- **E-mail**
info@dpfp.org
- **website**
www.dpfp.org

(See instructions for Web Member Services on next page)

Web Member Services

To establish an account with Web Member Services:

1. On your internet browser, go to **www.dpfp.org**.
2. On the left side of the home page, you will see "Web Member Services." Below that, are the words: "Log In or Sign up for Web Member Services Here." Click on this link.
3. When Web Member Services opens, look for the words: "Need an Account?" and click on the link.
4. This will open a screen where you will choose your user name and password, and answer a series of questions.
5. After answering these questions, an account will be set up for you and you can sign in using your chosen user name and password.

There is an online help function with easy-to-understand menus which give outlined steps for accomplishing each task.

Security of your personal information is of prime importance to us. Our use of state-of-the-art encryption technology ensures your privacy as you access and navigate this site.

We hope you will use and enjoy this service. As always, we welcome your suggestions for improvement; you may share them with our staff at info@dpfp.org.

Membership

All references to “Member” in this Handbook are intended to refer only to Group B Members who first became a Member after February 28, 2011.

A separate Handbook describes benefits for Members who first became a Member before March 1, 2011, and Members who had previous service under the plan and returned to Active Service after February 28, 2011.

The scope of this Handbook is not intended to cover benefit provisions of the Old Plan, Plan A, or Group A.

Member Status

You become a Member of DPFPP when the City classifies you as a Police Officer or Firefighter. Police Officers and Firefighters who were employed before March 1, 1973, and who voluntarily joined Group B also are Members. As long as the City employs you as a Police Officer or Firefighter, you are considered to be on Active Service. You are a Member of the Plan until you leave Active Service (voluntarily or involuntarily).

Inactive Status

Your membership will be declared inactive by notice from the Board if you leave Active Service and by age 55 you:

- Have not withdrawn all of your contributions to DPFPP;
- Have not applied for a retirement pension; or
- Have not responded within three years after notice from the Board of entitlement to benefits or refund of contributions from the Fund.

If your membership is declared inactive due to your failure to respond to the Board’s notice, your contributions will be forfeited. You will have the opportunity to make a written request to the Board for reinstatement.

Beneficiary Designation

You may name a designee to receive any miscellaneous payments payable due to your death, such as a refund of contributions. When you leave Active Service and begin to receive pension payments, you may name a designee to receive the benefit you will earn in the month of your death. The beneficiary election form is available on our website, www.dpfp.org, under the "Just for Members" tab in the "forms" section or by calling the Pension Office.

Termination of Membership

When you leave Active Service, you will have the following options:

1. Upon leaving Active Service, if you have met the retirement eligibility requirements (age 55 and at least 10 years of pension service), you may retire and begin to receive your pension or defer your benefits into DROP.
2. If you have 10 or more years of Pension Service, you may leave your contributions with DPFP until you:
 - a. Take a refund of the Member contributions you paid to DPFP;
 - b. Return to active service with the City as a Police Officer of Firefighter; or
 - c. Become eligible to receive retirement benefits at age 55.
3. If you have fewer than 10 years of Pension Service, you must take a refund of the Member contributions that you have paid to DPFP.

Contributions

City Contributions

The City makes contributions to DPFP in an amount equal to 27.5% of the total payroll of those persons who are classified by the City as Police Officers and Firefighters.

Member Contributions

As a Group B Member, you are required to contribute 8.5% of your Computation Pay to the System. Your Member contributions are made on a pre-tax basis. This means that your contributions are not included in your taxable income and you pay less in federal income taxes while you are an Active Member. However, your pension benefits derived from the tax-deferred contributions become taxable when you begin receiving benefit payments.

All DROP participants who are in Active Service with the City are required to make pension contributions at a rate of 4% of Computation Pay.

The requirement to pay pension contributions ends when you leave Active Service and retire.

Computation Pay

Computation Pay is determined on the basis of the biweekly sum of your:

- Civil Service Pay
- State Longevity Pay
- Education Pay

The following are not included in Computation Pay:

- Assignment and any other temporary or special pay
- Overtime pay
- Lump sum payments for unused sick or vacation time after you leave Active Service
- Vacation buybacks

Example 1: Biweekly Contribution Calculation for Group B Members

Officer Williams has nine years of Pension Service and monthly pay of:

Civil Service Pay = \$4,431.60

State Longevity Pay (\$4 / year of employment) = \$36.00

Education Pay = \$100.00

Total = \$4,567.60 (4,431.60+36.00+100.00)

His biweekly pay is calculated:

$\$4,567.60 \times 12 = \$54,811.20$ annually

$\$54,811.20 \div 26 = \$2,108.12$ biweekly

His biweekly contribution is:

$8.5\% \times \$2,108.12 = \179.19

Member Contribution Information

The amount you contribute to the System is printed on your City pay stub available through the City's HR system.

Pension Contributions

- For Active Members not in DROP, Member Contributions are 8.5 % of Computation Pay
- For Active Members in DROP, Member Contributions are 4.0 % of Computation Pay
- City Contributions are 27.5 % of total payroll for Active Police Officers and Firefighters
- Your requirement to pay contributions ends when you leave active service and retire

No Borrowing From or Use of Member Contributions as Collateral

The Plan is designed solely to provide for retirement, disability, and survivor benefits for those persons eligible for such benefits and does not permit Members to borrow from their contributions. The Plan does not permit the assignment of any of your contributions as security for a loan for any purpose or for your contributions to be attached to satisfy the claims of creditors other than DFPF itself. However, this rule does not prevent the division of your pension under a divorce settlement (Qualified Domestic Relations Order [QDRO]) – described on page 73 in this Handbook – or protect your pension payments from a levy for back taxes by the IRS.

Withdrawing Group B Member Contributions (Refund)

Upon leaving Active Service, you can get a refund of 100% of your Group B Member contributions you paid to DFPF. When the System refunds your contributions, you forfeit your right to a pension benefit based on the service forfeited with the refund.

Requesting a Refund

You must complete a Contribution Refund Request form to obtain a refund of your contributions from DFPF. The form includes a waiver of your pension rights.

The Plan does not permit a refund to be issued to a withdrawing Member within 30 days after the Member's termination of employment. In addition, Federal law requires a 30 day waiting period after DFPF's receipt of a Member's refund request before the refund may be issued. The federal requirement may be waived if the refund is requested 30 or more days after the Member left Active service.

The refund request form must be filed with the Pension System office within three years of notice from the Board of entitlement to a refund.

City Contributions Not Refunded

The City's contributions, as well as any contribution made in lieu of City contributions by a Member on an authorized leave of absence, are **not refunded** when a Member withdraws his/her contributions. Neither the Member, a Qualified Survivor, an alternate payee, nor the City is entitled to receive any portion of the City's contributions to DFPF.

Taxes on Withdrawn Member Contributions

A refund of contributions will be included in your income for federal income tax purposes. However, if you roll over or transfer the tax-deferred contributions into another eligible retirement plan or an Individual Retirement Account (IRA), the tax consequences will be delayed. If these contributions are not transferred directly to another retirement plan or IRA, DFPF is

required by federal law to withhold 20% of the taxable amount withdrawn for federal withholding tax. The distribution also may be subject to a 10% federal early distribution penalty.

You should consult with a tax advisor prior to requesting a withdrawal of your contributions.

Survivors' Right to Member Contributions

If the DFPF office receives information that you have died, we will attempt to notify your survivors or heirs that they may have rights under the Plan.

If there are no survivors eligible to receive monthly benefits under the terms of the Plan, then your designated beneficiary may be entitled to receive a return of your contributions after completing the necessary forms. (See "Death Benefits for Members With No Dependents" on page 41 for more information.)

401(k) and 457 Contributions

Under the Plan and IRS rules and regulations as of the publication date of this Handbook, your contributions to DFPF are not affected by your contributions to the City's 401(k) or 457 savings plans.

Member Handbook
(For Those Who Became Members After 2-28-11)



Pension Service and Pension Service Purchase

The pension benefit you will receive is based on your years of Pension Service and your Computation Pay. You need at least ten (10) years of Pension Service credit and must have attained the age of 55 to be eligible for a service pension benefit.

Generally, you will earn Pension Service for each day you are in Active Service as a Police Officer or Firefighter for the City of Dallas until you become a DROP participant. Also, no Pension Service will accrue, and your service date will be adjusted, for any period under suspension or other absence without pay, except as noted below.

Pension Service Purchase

You may purchase additional Pension Service under the following restricted circumstances:

- **Uniformed Service Leave Payback**—A period of uniformed military service leave as defined under the federal Uniformed Services Employment and Reemployment Rights Act (USERRA)
- **Other Periods of Authorized Absence**—A period of absence, such as family medical leave pursuant to the federal Family Medical Leave Act (FMLA) or any official leave authorized by your Department Chief and certified by the Chief as being for the benefit of the Department
- **Purchase of a Period of Service Prior to Current Membership**—A period in Active Service as a City of Dallas Police Officer or Firefighter that occurred before your current Group B membership and that was not included in membership of the Old Plan or Plan A
- **Repayment of Withdrawn Member Contributions**—Repayment of previously withdrawn contributions from DFPF.

Contact DFPF before taking certain types of Leave

Special provisions apply to purchase of pension service for other types of authorized absence pursuant to the federal Family Medical Leave Act (FMLA) or any official leave authorized by your Department Chief. Approval and arrangement for purchase must be made before the leave begins. Contact a Benefits Counselor **before** beginning such leave.

A Member also may repay the Member contributions withdrawn by the Member's former spouse in a lump sum distribution as the result of a divorce settlement under a Qualified Domestic Relations Order (QDRO). See "*Divorces and Child Support*" on page 73 for more information.

If you are interested in any of these purchase opportunities, contact a Benefit's Counselor to discuss your options.

Payment for Pension Service Purchase

If you purchase Pension Service under one of the provisions above, you may pay by one or a combination of the following means:

- Direct, after-tax, payment by check
- Tax-deferred rollover or transfer to DFPF of funds from another qualified plan or IRA as permitted by Internal Revenue Code
- Transfer of funds from the City's 457 deferred compensation plan as authorized by that plan.

Member Handbook

(For Those Who Became Members After 2-28-11)

You may choose to purchase all or a portion of the Pension Service available for purchase. If you choose to purchase only a part of the available Pension Service, you may do so in whole year increments only, except for any remaining balance of less than a year. The System will determine the cost of a partial purchase based on the most recent years available to you for purchase.

You should contact a Benefits Counselor for more information if you are interested in any of the Pension service purchase opportunities described above.

Member Handbook
(For Those Who Became Members After 2-28-11)



Service Retirement

Benefit Eligibility

You become eligible to receive pension benefits when you attain age 55 and have accrued at ten (10) or more years of pension service.

You cannot receive a pension benefit from DPFP while you are on Active Service.

Benefit Calculation

Your retirement pension benefits are based on an average of your Computation Pay and years of pension service, defined as follows:

- **Average Computation Pay**—The average of your highest 60 consecutive months of Computation Pay (see “Computation Pay” on page 19 for an explanation).
- **Pension Service**—The number of whole and partial years you have contributed to DPFP.

Your monthly pension will be calculated by multiplying your Average Computation Pay by a multiplier percentage. The multiplier is determined by multiplying your number of years of Pension Service by a percentage according to the following scale:

- Up to 20 years of pension service – 2%
- Years of pension service over 20 through 25 years – 2.5%
- Years of pension service over 25 years – 3%.

The maximum benefit that you may accrue is 90% of your average Computation Pay.

Benefit Calculation Formula

Average Computation Pay x
1st 20 Years of Pension Service x 2%
+ Next 5 Years of Pension Service x 2.5%
+ Additional Years of Pension Service x 3%
(up to 37.5 Total Years of Service)

Minimum Pension Benefits

You may be eligible to receive a minimum pension benefit if you begin receiving your pension or join DROP at age 55 or later. The minimum monthly retirement pension is equal to \$110 times the number of years of Pension Service at retirement, but no greater than \$2,200.

Post-Retirement Increases

Annual Adjustments for Retirement and Disability Pensions

The Board, with the concurrence of the System's actuary, will determine each year whether and in what percentage to grant an "ad hoc" annual adjustment increase to your pension benefit. Any increase granted will become effective October 1 of the year granted and cannot exceed 4% of your base benefit.

Example 2: Annual Adjustment

Pensioner Gonzales is receiving a monthly pension base benefit equal to \$3,000. On September 1, 20XX, the Board grants an annual adjustment equal to 4% of each eligible Member's base benefit. Her monthly annual adjustment will be:

$$\$3,000 \times 4\% = \$120$$

Effective October 1, her adjusted monthly base benefit becomes:

$$\$3,000 + 120 = \$3,120$$

The benefit may be increased in each later year as authorized by the Board.

Benefit Supplement

You may be eligible to receive another benefit increase – the benefit supplement – when you reach age 55. You must have at least 20 years of Pension Service or be receiving a service-connected disability pension. The supplement amount is 3% of your total monthly pension – your base benefit plus your accumulated annual adjustments with a minimum of \$75 per month.

Example 3: Benefit Supplement

Pensioner Brown left Active Service at age 55 with 26 years of Pension Service and a base monthly pension of \$3,000.00.

The monthly benefit supplement added to his monthly pension will be: $\$3,000 \times 3\% = \90.00

(The first supplement to the Pensioner's monthly retirement pension will be prorated for a partial month according to his birthday.)

Returning to City Employment

If you are re-employed by the City in a job other than a Police Officer or Firefighter, you may continue to receive your pension benefit to the extent permissible under IRS guidelines. However, you will not accrue any additional Pension Service in the Dallas Police and Fire Pension System for such time worked.

If you return to Active Service as a Police Officer or Firefighter, DFPF will suspend payment of your pension benefit until you leave Active Service again and apply for your retirement pension. You will earn additional credit for Pension Service during this period of Active Service. If you were in DROP at the time you

left Active Service, DFPF will again defer your monthly pension to your DROP account and you will earn no additional service during this period of Active Service. You will be required to pay Member pension contributions according to the rules detailed under “Contributions” beginning on page 19 in this Handbook.

Responsibilities When Receiving a Retirement Pension Benefit

Reviewing Your Check Stub or Deposit Notification

You should review your pension benefit check stub or deposit notification from DFPF to ensure that it is correct. If you have been overpaid or underpaid, it is your obligation to notify DFPF.

Advising DFPF of Personal Changes

It is crucial that you keep DFPF informed of any changes to your designee (the person you designate to receive any lump sum amounts that may be payable on your death), DROP beneficiary, address or deductions to be taken from your pension benefit.

Informing Your Survivors About Survivor Benefits

You should review your benefits with your Spouse or other survivors. Make them aware that they must notify the Pension System immediately in the event of your death. This will enable us to process any survivor benefits due as quickly as possible.



Survivor Benefits

When you die, either as an Active Member or after you retire, your Qualified Survivors may be entitled to receive benefits based on your pension service.

Qualified Survivors

In general, only Qualified Survivors may be eligible to receive monthly survivor benefits after the death of a Member or Pensioner. Qualified Survivors may include your:

- Spouse
- Children
- Handicapped Children
- Dependent Parents

Spouse

If you die while in Active Service, your Spouse at the time of your death is your Qualified Survivor. If you die after you leave Active Service, your Spouse is your Qualified Survivor if that spouse is the person to whom you were legally and continuously married from the time you left Active Service through the date of your death.

A person you marry after you leave Active Service is not a qualified survivor and is not entitled to survivor benefits unless you elect the ***Spouse Wed After Retirement (SWAR)*** option explained on page 37 in this section.

Generally, your Spouse who is your Qualified Survivor will receive a monthly survivor benefit equal to 50% of your accrued pension benefit at the time of your death.

Your Qualified Survivors may be eligible for a greater benefit under the "*Special Survivor Benefit*" provision or you may choose the "*100% Joint and Survivor Annuity Option*" to provide a greater benefit for your Spouse. These options are explained later in this section.

Children

To be eligible to receive survivor benefits after your death, your surviving Children must have been conceived or adopted before you left Active Service and be unmarried and under the age of 19. Your eligible surviving Children will share in a monthly benefit that is 50% of your accrued pension benefit at the time of your death. Generally, benefits to a Child are stopped when the Child attains age 19. See page 38 for provisions for children born or adopted after you leave Active Service.

Handicapped Child

If you have a physically or mentally handicapped Child, your Child may be eligible to receive your survivor benefits beyond his or her 19th birthday. For the Child to be eligible to receive survivor benefits beyond his or her 19th birthday, the Child must:

- Be unmarried
- Be unable to support himself or herself or hold gainful employment
- Have become handicapped before the Child reached age 23.

If the handicap was self-inflicted, resulted from substance abuse, or occurred as a result of such Child's participation in the commission of a felony, the handicapped Child will not be entitled to survivor benefits. In addition, if the handicap occurred during your Child's employment, the benefit will be offset by any benefits received by the Child from the Child's employer, former employer, workers' compensation, or benefits that are provided or paid for by the employer instead of workers' compensation. See also *Child Acquired after Retirement* beginning on page 38.

Dependent Parents

If you are not survived by either a qualified Spouse or eligible Children, your surviving natural parents or the parents who adopted you may be eligible to receive survivor benefits. Your parent(s) must have received more than half of their financial support from you immediately preceding your death. Each eli-

gible Dependent Parent may receive a monthly survivor benefit equal to 50% of your monthly pension. If there is only one eligible surviving Dependent Parent, the parent will receive a monthly amount equal to 50% of your monthly pension.

Other Survivor Situations

Spouse Wed After Retirement (SWAR)

If you marry after you leave Active Service, your Spouse will not automatically be eligible to receive a survivor benefit when you die. For your Spouse to be eligible to receive survivor benefits in this situation, you must make an irrevocable election to accept an actuarially reduced pension that will provide a death benefit to your surviving Spouse.

The SWAR election must be made within one year after the date of the marriage. In addition, the election becomes void if you die within one year after making the election.

In this event, your spouse would not be eligible to receive a survivor benefit. DFPF will pay to your designated beneficiary the amount your pension benefit had been reduced during the period of the reduction.

After electing the SWAR option, the reduction to your pension is based on your age and your Spouse's age at the time of the election and the System's actuarial assumptions in effect at that time. If you are otherwise entitled to annual adjustments, you will continue to receive annual adjustments, but the adjustments will be based on the reduced base pension. Similarly, if you make a SWAR election, you will receive the benefit supplement to which you are otherwise entitled based on the reduced base and annual adjustments.

If you make a SWAR election, then upon your death your surviving Spouse will receive a monthly annuity that is 50% of the monthly base pension you were receiving immediately before your death. Your surviving Spouse will receive annual adjustments and the benefit supplement if you were entitled to such annual adjustments.

A Pensioner who elects the SWAR benefit also may elect to increase the Spouse's survivor benefit by electing the 100% Joint and Survivor Option with an additional actuarial reduction. See page 46 for more on the 100% J & S Option.

No minimum benefits will be paid to the surviving Spouse of a Pensioner who has made a SWAR election. If you are receiving a minimum benefit at the time the election is made, your minimum benefit will be adjusted in the same way described above, and the surviving Spouse will receive 50% of that adjusted benefit.

If otherwise eligible, your SWAR Spouse will be entitled to the annual adjustment and benefit supplement based on the adjusted benefit.

Child Acquired after Retirement

A Child born to you or adopted by you after you leave Active Service also does not automatically qualify to receive survivor benefits when you die. For your Child born or adopted after you retire to be eligible to receive survivor benefits, you must make an irrevocable election to accept an actuarially reduced pension. The Child must be your dependent within the meaning of Section 152(a)(1) of the Internal Revenue Code, and have not attained age 18 at the time of the election.

The election becomes void if you die within one year after making the election, and your Child would not be eligible to receive a survivor benefit. The amount by which your pension benefit had been reduced during the period of the reduction would be paid to your designated beneficiary. Any survivor benefits payable would be based on your benefit without the reduction.

Your reduced pension after the election is based on your age and the age of the Child at the time of the election and DPFPP's actuarial assumptions in effect at that time. If you are otherwise entitled to annual adjustments, you will continue to receive annual adjustments, but the adjustments will be based on the reduced pension. Similarly, you will receive the benefit supple-

ment to which you are otherwise entitled, but on the reduced pension.

If you live for at least one year after choosing the *Child Acquired after Retirement* election, then upon your death, your surviving Spouse, if you have one, will receive a monthly annuity that is 50% of the monthly reduced pension you were receiving immediately before your death. The surviving Child, if eligible, will share 50% of your monthly reduced pension with any other Children who are qualified survivors.

Your survivors eligible to receive benefits may receive annual adjustments and the benefit supplement if you were entitled to these benefits.

The minimum benefit provisions do not apply to the surviving Spouse or children of a Pensioner who has made a *Child Acquired after Retirement* election. If you are receiving a minimum benefit at the time the election is made, your benefit will be adjusted in the same way described above. The surviving Spouse will receive 50% of that adjusted benefit and the surviving children will share 50% of the adjusted benefit. If otherwise eligible, your Qualified Survivors will be entitled to the annual adjustment and benefit supplement based on the adjusted benefit.

Before choosing this option, you should speak with a Benefits Counselor to review the rules and determine the impact on your pension.



Calculation of Survivor Benefits

The survivor benefit payable on your death to your surviving Spouse or Dependent Parent who is a Qualified Survivor, or for surviving children who are Qualified Survivors as a group, is as follows:

- If you die while on Active Service, the survivor benefit will be 50% of your base monthly pension you had accrued at the time of your death, but not less than 25% of your Average Monthly Computation Pay.
- If you die after leaving Active Service with 10 or more years of Pension Service, but before receiving a pension, the survivor benefit will be 50% of your base monthly pension you had accrued at the time you left Active Service.
- If you die after leaving Active Service with less than 10 years of Pension Service, no monthly benefit will be payable to your survivors. The System will refund the Member contributions made on application by your designated beneficiary.
- If you die before you have elected to receive a retirement pension, your Qualified Survivors can waive monthly benefits and receive all of your contributions to the System instead.
- If you die while receiving a service or disability pension, the survivor benefit will be 50% of the retirement pension you were receiving at the time of your death.

Qualified Survivors will receive any annual adjustments granted by the Board and the benefit supplement if they otherwise meet eligibility for these benefits.

Termination of Survivor Benefits

Survivor benefits are payable and/or terminate under the following situations:

- An eligible Spouse or Dependent Parent is entitled to receive benefits for life.

- Payments to a handicapped Child cease at the earliest of the time the Child becomes self-supporting by holding gainful employment, marries, or recovers from the handicap.
- Payments to a Child who is not handicapped end at age 19.

Death Benefits for Member With No Dependents

Special provisions for survivor benefits apply if all three of the following are true:

- You die while in Active Service.
- You have not joined DROP.
- You have no eligible surviving Spouse, Child, or Dependent Parent.

In the above situation, DPFPP will pay to your beneficiary a lump sum amount that is the actuarial equivalent of 120 monthly payments at 50% of your calculated pension based on your actual Pension Service or 20 years, whichever is greater.

If some payments are made to a Qualified Survivor after your death and that person becomes no longer eligible to receive survivor benefits, and no other Qualified Survivor remains, DPFPP will pay to your beneficiary a lump sum that is actuarially equivalent to the remainder of the 120 monthly payments. If at least 120 payments have been made to a Qualified Survivor, payments will stop when there is no longer a Qualified Survivor to receive payments.

In the unlikely event that your Member contributions to the Plan are greater than all the payments already received, this difference also will be refunded to the same person entitled to receive the lump sum.

Special Survivor Benefit

If your Spouse is eligible for survivor benefits, a special survivor benefit will be paid in place of the normal 50% survivor benefit, if all of the following conditions are satisfied:

1. Either (a) or (b) is true
 - a. When you left Active Service or joined DROP, whichever occurred earlier, you had at least 20 years of Pension Service and were at least 55 years of age
 - b. When you left Active Service or joined DROP, whichever occurred earlier, your age at that time added to your years of Pension Service was equal to at least 78
2. You have no surviving Children or handicapped Children who are currently eligible for survivor benefits
3. Your surviving Spouse is at least 55 years of age.

If at any time 1, 2, and 3 all are true, your surviving Spouse will receive the special survivor benefit instead of the 50% survivor benefit. Your Spouse will also receive the 4% annual adjustment and benefit supplement, if otherwise eligible (as described earlier in this Handbook on page 32).

The special survivor benefit is calculated through a complicated formula. A simple explanation that generally applies is that under the special survivor benefit your Spouse will be entitled to a base benefit that is a percentage of your monthly base benefit amount at the time of your death. This percentage is equal to the service percentage used to calculate your base benefit.

For example, if you have 30 years of Pension Service when you retire, your service percentage is 67.5% ($20 \times 2\% + 5 \times 2.5\% + 5 \times 3\%$) and, if eligible, your Spouse would receive 67.5% of your benefit amount when you die.

The following examples illustrate further how the special survivor benefit rule works. In determining the special survivor benefit for your Spouse, DFPF will apply the actual formula to calculate the benefit.

Example 4: Special Survivor Benefits

Officer Smith died while on Active Service. At the time of Smith's death, he was 55 years old and had 30 years of Pension Service.

Officer Smith's average monthly Computation Pay at the time of his death was \$5,000.00. His monthly pension would have been \$3,375.00.

Officer Smith's surviving Spouse's age was 55 at the time of Officer Smith's death, and there are no surviving Children.

Mrs. Smith is eligible for the special survivor benefit.

Her monthly survivor base benefit will be calculated as follows:

Service percentage at 30 years = 67.5%

Special Survivor Benefit = \$3,375 (Mr. Smith's benefit)
x .675 = \$2,278.13

Example 5: Special Survivor Benefits

Same facts as Example 4, except Officer Smith dies after being a Pensioner for four years. Mrs. Smith is eligible for the special survivor benefit. Her monthly survivor base benefit will be calculated as follows:

Officer Smith's base monthly pension = \$3,375.00

Benefit Supplement = $\$3,375 \times 3\% = \101.25

Officer Smith's Total Benefit = $\$3,375 + \$101.25 = \$3,476.25$

Service percentage at 30 years = 67.5%

Mrs. Smith's special survivor benefit = $\$3,476.25 \times .675 = \$2,346.47^*$

*Any annual adjustments payable would be added to her benefit.

Example 6: Special Survivor Benefits

Same facts as Example 5, except Mrs. Smith is age 50 at the time of Officer Smith's death.

Mrs. Smith will receive a monthly survivor benefit equal to $\frac{1}{2}$ of Officer Smith's total pension (base pension calculated at the time he began to receive his pension plus the sum of any annual adjustments) plus any annual adjustments to Mrs. Smith's survivor benefit until she reaches age 55.

She will become eligible for the special survivor benefit at that time and her new benefit will be calculated as above.

(In the previous examples, Mrs. Smith also is eligible for the 3% benefit supplement.)

Example 7: Special Survivor Benefits

Firefighter Jones dies while on Active Service. At the time of her death, she was 52 years old and had 30 years of Pension Service. FF Jones' surviving Spouse was 55 at the time of her death.

Mr. Jones is eligible for the special survivor benefit because FF Jones had more than 78 points (52 years of age + 30 years of service). His monthly survivor base benefit will be:

FF Jones' monthly base benefit = \$3,500

Service percentage at 30 years = 67.5%

His special survivor benefit is $\$3,500 \times .675 = \$2,362.50$



100% Joint and Survivor Annuity Option

The 100% Joint and Survivor Annuity option (100% J&S) is a pension payment method that continues 100% of the monthly benefit being received by a Pensioner to the Pensioner's Spouse after the Pensioner's death. If you elect the 100% J&S option, you agree to a reduction of your pension benefit and in exchange, your spouse will receive a monthly survivor benefit after your death in the same amount you had been receiving before death. Under the regular benefit option, your Spouse would receive only 50% of your unreduced benefit.

You may elect the 100% J&S option when you leave Active Service and apply for pension benefits or at any time after you have begun to receive benefits or to defer to Retiree DROP. The election cannot be made when you go into Active DROP, but you can elect it when you leave Active Service. Once you choose the 100% J&S option, you cannot change your election.

When You Leave Service

If you choose the 100% J&S option when you leave Active Service, you will receive a reduced monthly benefit for your lifetime, even if your spouse predeceases you. Your monthly benefit is actuarially reduced based on your age and your Spouse's age and actuarial assumptions adopted by the Board.

The result of choosing this option is that you would receive less money while alive, but your Spouse would receive a larger benefit after your death than under the standard survivor benefit.

If you have eligible surviving Children, your Spouse would receive 50% of your reduced monthly benefit, and the eligible Children would share in 50% of your reduced monthly benefit. When the Children are no longer eligible, the full 100% J&S benefit becomes payable to your Spouse.

If otherwise eligible, both you and your Spouse will receive the benefit supplement and annual adjustment granted by the Board.

After Leaving Active Service

If you choose the 100% J&S option after you have begun to receive benefit payments, the benefit amount you are receiving at the time you make the election will be reduced for the remainder of your lifetime, even if your spouse predeceases you. Your monthly benefit is actuarially reduced based on your age and your Spouse's age, and actuarial assumptions adopted by the Board.

You may make the election whether you were married to your Spouse at the time you left Active Service or you married your Spouse after you left Active Service and have elected the Spouse Wed after Retirement (SWAR) option.

If you elect the 100% J&S option after leaving Active Service, you must meet a one-year qualifying period. If you die within one-year after making the election, the option becomes void and your Spouse is not eligible for the 100% J&S option. In this event, any survivor benefit payable to your Spouse would revert back to the 50% benefit and the difference between the 100% J&S pension and the regular benefit for the time the 100% J&S was paid would be paid to your designated beneficiary.

Whether the 100% J&S is right for you depends on your own personal circumstances. Contact a Benefits Counselor for more information and to discuss the pros and cons of the 100% Joint and Survivor Annuity option.

The examples on the following pages illustrate how the 100% J&S option works.



Example 8: 100% J&S Annuity Option

Officer King leaves Active Service and applies for a pension.

Avg. Monthly Comp. Pay = \$5,000

Pension Service = 20

King's age = 55 and his Spouse's age = 52

Benefit multiplier at 20 years = 40%

100% J&S factor = 92.0180%

King's regular monthly benefit = $(\$5,000 \times 40\%) = \$2,000$

50% Surviving Spouse benefit = $\$2,000 \times 50\% = \$1,000^*$

100% J&S benefit = $(\$2,000 \times .920180\%) = \$1,840.36^*$

Mrs. King will receive the higher amount if Mr. King chooses the 100% Joint and Survivor Option.

Example 9: 100% Joint and Survivor Annuity Option— Eligible for the Special Survivor Benefit

Firefighter Nelson leaves Active Service and applies for a pension.

Avg. Monthly Comp. Pay = \$5,000

Pension Service = 28

Nelson's age = 55

Spouse's age = 51

Benefit multiplier at 28 years = 61.5%

100% J&S factor = 91.7427%

Nelson's regular pension benefit = \$3,075

Special survivor benefit (when Spouse attains age 55) =
 $(\$3,075 \times 61.5\%) = \$1,891.13^*$

100% J&S Spouse benefit = $(\$3,075 \times .917427) = \$2,821.09^*$

Mrs. Nelson will receive the higher amount if Mr. Nelson chooses the 100% Joint and Survivor Option.

(* - Examples 8 and 9 do not include possible minimum benefit, annual adjustments or benefit supplement payable.)

Minimum Survivor Benefits

Minimum benefits may be available to your survivors who become eligible for benefits upon your death.

Generally, the minimum survivor benefits that are payable to your survivors cannot exceed your calculated pension benefit or what you were actually receiving at the time of your death if you were a Pensioner.

Generally, surviving Spouses and a surviving Child (or surviving Children, as a group) each receive 50% of the minimum benefit. The minimum monthly benefit is \$2,200 for a Pensioner and \$1,100 for a survivor. However, if there are no Qualified Surviving Children eligible to receive benefits, the minimum benefit is \$1,200 for a Spouse who is the Qualified Survivor.

Minimum benefits are not payable in the following situations:

- You choose the 100% Joint and Survivor Annuity option
- You choose benefits under the SWAR or *Child Acquired After Retirement* provision
- Benefits are split due to a Qualified Domestic Relations Order

Survivor Benefits Rules

General rules applicable to survivor benefits are as follows:

- A written application for survivor benefits must be filed with the DFPF office.
- The Board reviews each application, determines entitlement for all survivor benefits, and requires proof of a person's eligibility as a Qualified Survivor, for example, birth certificates, marriage license and death certificates.
- The Spouse who is a Qualified Survivor must make an irrevocable election for survivor benefits for himself or herself, as well as for any Children who are Qualified Survivors.
- If there is no Spouse who is a Qualified Survivor, but there are Children who are Qualified Survivors, the Board will require that the irrevocable election for Children be made by the Children's legal guardian.

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- If there are no Spouse and no Children who are Qualified Survivors, the irrevocable election may be made by one of the Dependent Parents who is a Qualified Survivor, if any.
- Survivor benefits for Children who are Qualified Survivors must be used for their benefit. However, to retain eligibility for certain federal benefits, the survivor benefits payable to certain Handicapped Children who are Qualified Survivors may, under current law, be assigned to a special needs trust for the benefit of the Child. (Changes in federal laws may affect the ability of a handicapped Child to receive benefits from a special needs trust.)

A Qualified Survivor is not eligible for, or entitled to, benefits if the survivor is the principal or an accomplice in willfully bringing about the death of a Member, Pensioner, or another Qualified Survivor, if the death of the other Qualified Survivor would increase survivor benefits of the perpetrator.



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Disability Benefits

The Pension System provides special benefits in the event you cannot perform the duties of your job with your Department because of an injury or illness that results in a disability.

Eligibility

To be eligible for a disability pension, you must be on Active Service and not have entered DROP. Generally, the Board will not approve a disability application under any of the following circumstances:

- You have not been prevented by the disability from performing your duties for at least 90 consecutive days in the six-month period that preceded the Board's action. The Board may waive this requirement on the request of the Member and upon a finding by the Board that the disability is wholly and immediately incapacitating.
- The disability was a result of your commission of a felony.
- Your Department Chief is able to provide you with full-time duties that are within your physical and mental capabilities, even if the duties are different from the duties that you performed before your disability.
- The disability was a result of an intentionally self-inflicted injury or chronic illness resulting from a protracted, non-coerced indulgence in alcohol, narcotics, or other substance abuse.

The Plan provides for both service-connected and non-service connected disability benefits. Eligibility for disability benefits begins with the first date of membership in the Plan.

Service-Connected Disability

A service-connected disability is a disability that results from an injury or illness that occurs while you are considered on duty in the performance of your job. Certain heart or lung related disease or illness is assumed to be service-connected unless there is evidence to the contrary.

If you suffer a service-connected disability, you will be given credit for your actual Pension Service or a minimum of 50% of your Average Computation Pay, whichever is greater. If you have fewer than 60 months of Computation Pay, your average Computation Pay will be based on the average of your Computation Pay during your entire Pension Service. The portion of a service-connected disability pension based on the first 20 years of Pension Service will be paid tax-free. Any remaining pension will be subject to tax.

Non-Service Connected Disability

A non-service connected disability is a disabling injury or illness that is not related to your work or an on-duty disability. If you suffer a non-service connected disability, your benefit will be calculated by the pension benefit formula with the service multiplier based on your years of Pension Service. If you have fewer than 20 years of pension service, a partial year is counted as a full year of Pension Service.

If you have fewer than 60 months of Computation Pay at the time you apply for non-service connected disability benefits, your disability benefit will be based on the average of your Computation Pay during your entire Pension Service.

How to Apply for a Disability Pension

A written application for disability benefits must be made to the DPFP office no later than 180 days after the date you leave Active Service. All applications for disability benefits are subject to a Board-approved policy.

You will be required to submit medical and/or other credible evidence of the disability and its cause, which in most cases includes a statement from your doctor. Generally, you also will be required to be examined by a doctor chosen by DPFP and the City-appointed Medical Officer.

DPFP generally requires agreement as to your condition by at least two physicians, one of whom is selected by DPFP. The process typically takes about three months to gather all the required information, complete the evaluation and obtain the approval of the Board.

Minimum Disability Benefits

A concern of many Members, especially if they have only a few years of Pension Service or low salary, is that their disability benefits will not provide an adequate income. The minimum benefit feature of the disability benefit program helps address this concern.

If the Board approves your **service-connected** disability benefit, your benefit is calculated as though you had 20 years of Pension Service or your actual years of service, whichever is greater. Your benefit will be the greater of your calculated disability benefit, as described above, or a minimum benefit amount based on 20 years of Pension Service. The minimum benefit is \$2,200 per month (\$110 times 20 years of Pension Service, even if you have fewer than 20 years of Pension Service).

If you are approved for a **non-service connected** disability benefit, you will receive the greater of your calculated disability benefit based on your actual years of Pension Service or a prorated minimum benefit.

No Actuarial Reduction for Disability Benefits

If a Member younger than age 50 is granted a disability pension, there is no age-based actuarial reduction to the disability benefits.

Medical Examinations for Disability Recipients

If you are receiving a disability benefit, the Board may require you to undergo periodic medical re-examinations to determine continued eligibility.

Effect of Income From Other Sources While Receiving Disability Benefits

If you first became a Member of the Plan after April 30, 1990, your disability benefit will be reduced one dollar for each dollar that your disability benefit plus any income you earn exceeds your Average Computation Pay, as adjusted. For this purpose, your Average Computation Pay as of the time your disability retirement is granted is increased by 4% on January 1 of each year. Income you earn includes amounts you receive from other jobs, self-employment, unemployment compensation, or other compensation that is paid before any deduction for taxes or insurance. Earned income also includes amounts you may contribute on a pre-tax basis to any retirement plan or any employee health and welfare plan from another job (for example, contributions you may make to the City's 401 (k) plan). However, income you receive from plans of deferred compensation and workers compensation benefits will not be considered earned income and will not reduce your disability benefits.

Benefit Supplement for Disability Benefits

The benefit supplement for disability benefits is calculated in the same manner as for retirement pensions. (See “Benefit Supplement” on page 34.)

Suspension of Disability Pension

For the first twenty-four (24) months of disability, you are considered disabled if you cannot perform the duties required for your Department. If you return to Active Service as a Police Officer or Firefighter, or you are eligible to return by reason of your improved condition and a position as a Police Officer or Firefighter within your former Department is available, the System will discontinue your disability pension until you once again leave Active Service and re-apply for a service pension. You will earn additional credit for Pension Service for any additional period of Active Service.

If the Board determines — after you have received Disability Retirement benefits for 24 months — that you are able to engage in any gainful employment for which you are qualified by reason of training, education or experience, then your disability pension will be discontinued.

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DROP (Deferred Retirement Option Plan)

Active Member DROP

The Deferred Retirement Option Plan (DROP) is a savings plan. DROP allows you, while still in Active Service, to save an amount equal to the pension you could otherwise be eligible to receive credited to a DROP account maintained on your behalf. However, you do not have access to the balance until you leave Active Service, except as noted later in this section in a transfer to the City's 401(k) plan.

The DROP account gives you a way to save a lump sum amount for retirement in addition to the regular pension benefit that you will receive after you leave Active Service. But, by entering DROP, you forego a larger benefit you could have earned through additional service and salary increases if you had not entered DROP.

To qualify for DROP while in Active Service, you must be eligible to retire and to immediately receive a service pension (at least age 55 with 10 or more years of Pension Service). When you enter Active DROP, you do not actually leave Active Service, but DPFP calculates your pension benefit based on your accrued years of Pension Service and average Computation Pay at the time you enroll in DROP. Instead of paying a pension benefit directly to you, DPFP credits an equal amount to a DROP account maintained by DPFP, earning interest. Any benefit supplements and annual adjustments that you would be eligible for if you had actually left Active Service are included in the deposits to your DROP account. You continue to pay Member pension contributions according to rules detailed on page 19 of this Handbook while in DROP in Active Service. The requirement to pay Member contributions ends when you leave Active Service.

When you leave Active Service, you are entitled to your monthly pension benefit and the amount accumulated in your DROP account. You are not required to take funds from your DROP account until age 70½. (See "Mandatory Distribution" on page 65.)

When payments are made from the DROP account, they will be subject to the withholding of income tax and limitations on annual benefits under the Internal Revenue Code and applicable regulations.

DROP for Pensioners

Whether or not you participated in DROP as an active Member, you may enroll in DROP and defer receipt of your pension benefit payments into DROP any time before you reach age 70½. The amount deferred into your DROP account accrues tax-deferred with interest.

You may go into payment status when you choose to. However, you can no longer defer into your DROP account after the year you attain age 70½, and must begin taking funds out of the account according to federal law and the Board DROP Policy. Amounts remaining in your account will continue to accrue interest until fully withdrawn.

In accordance with the Board's policy, Pensioners deferring benefits into DROP may authorize deductions for certain amounts that can be withheld from your pay, such as health insurance premiums and federal income tax.

Pros and Cons of DROP

In making the decision to participate in DROP, you should carefully consider the pros and cons. When you enroll in DROP as an Active Member, you lose any added benefits that would result from any increases in your pay and additional years of Pension Service before you leave Active Service. However, you have the opportunity to accumulate a nest egg for your retirement years. When considering this option, carefully review all DROP rules and restrictions. Contact a Benefits Counselor to learn how DROP can affect your future benefits.

DROP Participation Rules

The following general rules govern DROP participation:

- DROP deferrals are based upon the retirement pension you elect to receive.
- Your base or initial retirement pension will not change after the effective date of your participation in DROP unless you choose an alternate form of benefit payment (e.g., 100% Joint and Survivor Option) when you leave Active Service or after. Any ad-hoc annual adjustments and the benefit supplement at age 55, if eligible, will be added to your DROP deposits.
- Once approved by the Board, your election to participate in DROP is irrevocable.
- If you are still in Active Service, your contributions to DPFPP continue when you become a DROP participant according to the rules detailed on page 19 of this Handbook. The City's contributions continue during the DROP period, as well.
- If you become a DROP participant, leave Active Service, and later return to Active Service, you must once again become a DROP participant.
- Once you become a DROP participant, you will not be eligible to receive a disability benefit. In the event you become unable to perform the duties of your job and must leave Active Service, you will be treated as though you had left Active Service for a service pension benefit. This could have adverse tax consequences since, under present law, a greater portion of service-connected disability benefits are entitled to be excluded from federal taxable income than may be excluded from other types of pension payments.
- Once you become a DROP participant, you can no longer purchase credit for years of Pension Service under any other policy adopted by the Board, with the exception of certain rights to purchase credit for military service under the provisions of the federal Uniformed Services Employment and Reemployment Rights Act.

- Once you become a DROP participant, you can no longer repay employee contributions withdrawn from the Plan by a former Spouse pursuant to a QDRO (described on page 73 in this Handbook).
- You must fully comply with the requirements of the Plan and the Board's policy and procedure on DROP participation.
- The beneficiary of a DROP participant is not eligible for DROP benefits if the person is the principal or an accomplice in willfully bringing about the death of a DROP participant or another beneficiary of the DROP Participant if the death would increase the surviving beneficiary's DROP benefits.

Interest Accrual to DROP Balances

DROP accounts earn interest posted at the end of each month. The interest is compounded daily for an annual yield equal to 8% per year beginning October 1, 2014, 7% per year beginning October 1, 2015, 6% per year beginning October 1, 2016 and 5% per year beginning October 1, 2017.

Beginning on October 1, 2018, the DROP interest rate will be based on DFPF's actuarial funding ratio as reported by DFPF's actuary and the cumulative gain or loss on DROP balances.

When You Leave Active Service

When you leave Active Service, you must decide whether and how you want to receive payment of your regular monthly pension benefit and whether and/or how to take distribution from your DROP account. You must complete a Pension Application form and file a DROP Distribution form with the Pension System office before any benefits will be paid.

Regular Monthly Benefit Payments

At the time you leave Active Service, you have the following options regarding your regular, monthly pension payments:

1. Receive payment in the amount that had been deposited monthly to your DROP account.

2. Continue to defer all or to defer part of your monthly benefit to your DROP account.
3. Receive a reduced monthly payment under the 100% Joint and Survivor Annuity Option.
4. Defer all or part of your reduced monthly payment under the 100% Joint and Survivor annuity option to your DROP account.

Distribution From a DROP Account

Amounts credited to your DROP account become payable when you leave Active Service, or if you die, upon the Board's approval of payment, to your designated beneficiary.

To the extent permissible under federal tax laws, payment from your DROP balance can be made in the following forms:

- A lump sum distribution of all or part of the balance of the amounts credited to your DROP account
- Withdrawal of monies as needed
- A regular monthly amount added to your monthly pension payment
- A rollover of all or part of your DROP account into another eligible retirement plan or IRA in a single distribution
- Substantially equal payments made for a specific period of time
- A Joint and Survivor annuity payable on a monthly basis for your life and the life of your designated beneficiary

IRS rules require that most withdrawals from your DROP account are subject to a mandatory federal income tax withholding of 20%. In addition, if you leave Active Service before the calendar year in which you turn age 50, your distribution also may be subject to a 10% early distribution penalty if the distribution is not rolled over. We strongly advise that you discuss any rollover of your DROP benefits with your financial advisor before making your request.

You also may continue to leave your DROP account on deposit with DFPF instead of taking payments from the account when you leave Active Service, subject to required distribution rules under the Internal Revenue Code and The Board DROP Policy. Interest will continue to accrue to the account while on deposit with the DFPF.

You can change your DROP distribution schedule in accordance with DFPF procedures to:

- Change the form of your distribution
- Receive an additional distribution (or distributions)
- Accelerate or delay any distribution (other than required minimum distributions under federal law, and the Annual required distribution provisions in the Board DROP Policy).

Lump sum distributions will be made as soon as administratively feasible after receipt of a DROP participant's request. A participant's request to defer all or part of the participant's benefit into DROP, stop or change an existing deferral, or make a change to the amount the participant receives as an added amount to the monthly pension amount will be made effective on the next regular monthly pension payroll when feasible. If the request is received too late to be processed with the next payroll, the transaction will become effective with the following month's pension payments.

We strongly recommend that you discuss your distribution options with a financial advisor before deciding on an action.



Mandatory DROP Distribution

Federal Required Minimum Distribution

Federal law requires that you must begin to receive pension payments directly, including distribution from the DROP account, in the year in which you attain age 70½ or leave Active Service, whichever is later. This is called your “Required Minimum Distribution”(RMD).

DPFP DROP Policy - Required Annual Distribution

The Board’s DROP policy requires DROP Pensioners and Spouse Beneficiaries to withdraw all funds from DROP in annual distributions over a prescribed period. The Required Annual Distribution (RAD) generally must begin in the year the DROP Pensioner or Spouse Beneficiary attains age 70½. Non-spouse Beneficiaries are also subject to accelerated distribution.

DROP Pensioners or Spouse Beneficiaries are required to take distributions from their DROP account in substantially equal amounts each year that will result in the total distribution of the DROP account before the tenth anniversary of the date that the distributions began. Specifically in the year the distributions begin, the DROP pensioner or DROP Spouse Beneficiary shall receive at least one-tenth of the Participant’s DROP account balance as of the beginning of that calendar year. The DROP Participant shall take one-ninth of the account balance as of beginning of the second year, one-eighth of the account balance as of the beginning of the third year, one-seventh of the account balance as of the beginning of the fourth year, etc., until the tenth year, when the DROP Pensioner or DROP Spouse Beneficiary shall take a distribution of the remaining amount in the DROP account before the tenth anniversary date of the first distribution received in the initial year of the distribution period.

The required annual distribution in any year may be taken in multiple payments over the year and all distributions in a year count toward the required distribution for the year.

See the following tables regarding the *Required Annual Distribution*. Please contact the Pension System office for further details on these rules.

Table 1
Required Annual Distributions (RAD)
Pensioner and Spouse Beneficiaries

Participant Type	RAD Distributions Must Begin	Required Annual Distribution
Pensioner	By December 31 of the year Pensioner attains age 70 ½	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Pensioner over Age 70 ½ as of May 14, 2015	By December 31, 2015	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Spouse Beneficiary not yet 70 ½	By December 31 of the year the Spouse Beneficiary attains age 70 ½	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Spouse Beneficiary Age 70 ½ or Older as of May 14, 2015	By December 31, 2015	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Spouse Beneficiary of Deceased Pensioner Who Dies after the Start of the Required Annual Distribution Period	By December 31 of the year after the year of the Pensioner's death	Substantially equal amounts* over remainder of distribution period established for the Pensioner

* The required annual distribution in any year may be taken in multiple payments over the year.

Table 2
Required Annual Distributions (RAD)
Non-Spouse Beneficiaries

Participant Type	RAD Distribution Must Begin	Required Annual Distribution
Non-Spouse Beneficiary as of May 14, 2015 (Grandfathered)	By December 31, 2015	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Future Non-Spouse Beneficiary	Within 6 months after Member's, Pensioner's or Current Spouse Beneficiary's death	Distribution of total DROP balance
Alternate Payee (QDRO) as of May 14, 2015 (Grandfathered)	By December 31, 2015	Substantially equal amounts* annually with the final distribution before the tenth anniversary of the first distribution in the initial year
Alternate Payee (QDRO) on or after May 14, 2015	Within 6 months after transfer of DROP account funds to the Alternate Payee	Distribution of total DROP balance

* The required annual distribution in any year may be taken in multiple payments over the year.

Beneficiary

If you are married, by default your Spouse is the beneficiary of your DROP account. You can designate someone other than your Spouse as the beneficiary(ies) of your DROP benefits, but only if your Spouse consents to the designation in a notarized statement (waiver form provided by DFPF).

Please note that your DROP beneficiary and the person eligible to receive your survivor pension benefits do not have to be the same person. DFPF will pay a deceased participant's DROP account to a non-Spouse beneficiary in a full distribution of the DROP account within six months after the deceased DROP participant's death.

Failure to Designate a Beneficiary

If you fail to designate a beneficiary before your death or if your designated beneficiary dies before you, the balance of your DROP account will be distributed to your Spouse, or if no Spouse, the Qualified Survivors, if any. If there are no Qualified survivors, the Member's or Pensioner's DROP account will be distributed to the person(s) named by the Member or Pensioner to receive any lump sum payment due from DFPF upon the death of the Member or Pensioner. If no person was named to receive any lump sum payment, the DROP account will be distributed to the estate of the Member, Pensioner or Qualified Survivor, or, if there is no estate, the heirs.

Important Income Tax Consequences of Deferring a Pension Into DROP

When you are eligible to defer your pension into DROP, you should consider the federal income tax consequences before making such an election. **DFPF cannot provide financial or legal advice to you or tailor this Handbook to your particular situation.** However, this section describes some of the income tax consequences that result from deferral into DROP by Pensioners in various circumstances. You should consult a tax or financial advisor who has expertise in federal income tax treatment of annuities and distributions from qualified pension plans before electing to defer your pension into DROP.

DROP distributions from the Plan, like monthly pension payments, are taxed when you receive them, except for any portion that is treated as a return of your after-tax Member contributions. (You will be advised of this amount when you consult with a Benefits Counselor before you leave Active Service.) Thus, any pension payments that you elect to defer into DROP will not be taxed until they are paid to you from your DROP account. This can be attractive to you if you are working and in a higher tax bracket now, but expect to be in a lower tax bracket when you receive your DROP distribution.

If you elect to defer your pension into DROP and amounts are withheld from your deferral for any reason, such as to pay premiums on your health insurance, those withheld amounts will be subject to tax.

Unfortunately, deferring your pension into DROP may cause you to pay more federal income taxes in certain cases. An additional early distribution tax of 10% of the taxable pension received applies to certain payments received by a Pensioner before age 59 ½. Most Pensioners need not be particularly concerned about this additional tax because they qualify for one or both of two major exceptions to this tax. First, you are not subject to the additional tax if you leave Active Service in or after the year you attain age 50. Second, even if you terminate Active Service before the year you attain age 50, you are not subject to the additional tax if you receive only substantially equal monthly pension payments until after you attained age 59½.

The right to the second exception to the 10% early distribution tax may be adversely affected by an election to defer all or part of your pension into DROP. For example:

- If you leave Active Service **in or after** the year you attained age 50, an election to defer your pension into DROP will not subject your benefits to an early distribution tax. Furthermore, if your pension is not yet in pay status, an election to defer your pension into DROP will not cause you to owe a 10% early distribution penalty on any pension payments held in your DROP account.

Member Handbook

(For Those Who Became Members After 2-28-11)

- You will owe the 10% early distribution penalty plus interest on the taxable pension benefits you have already received since your pension started, if:
 - you left Active Service before the year you attained age 50,
 - have been in pay status for fewer than 5 years, and
 - have not attained age 59½ at the time of the deferral.
- If you revoke your DROP deferral election before you attain age 59½ or before you have been in pay status for 5 years, you may owe a 10% early distribution penalty plus interest on any taxable deductions that have been made during the deferral period and on the taxable pension and DROP payments received in the year of the election, and before you have attained age 59½.

Of course, the tax treatment of your pension is only one of the considerations you should take into account before electing to defer your pension into DROP. However, it is a very important economic consideration, and you may want to time any election you make so as to minimize adverse tax treatment.

Transferring DROP Funds to the City 401(k) Plan Before Retirement

You may elect to transfer all or a part of your DROP account to your City of Dallas 401(k) account. A transfer to the 401(k) plan is not considered a withdrawal under the Internal Revenue Code and is not subject to tax reporting until withdrawn from the 401(k) plan. The transfer will become taxable income when withdrawn from your 401(k) account.

However, any part of the transfer that is considered a return of your after-tax employee contributions will not be taxable income. A transfer from your DROP account to your City 401(k) may be made only once in any 12 month period. Contact your City 401(k) representative to initiate the transfer. DPF also recommends that you consult your financial advisor before deciding to transfer your funds.

Further Information on DROP

Refer to the Board's DROP Policy for more information.

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(For Those Who Became Members After 2-28-11)



Divorces and Child Support

Under most circumstances, Plan benefits are not assignable. However, an exception to this rule exists for a QDRO (Qualified Domestic Relations Order) that assigns all or a portion of a Member's or Pensioner's benefits to the Member's or Pensioner's Spouse, former Spouse, Child, or other dependent. For a domestic relations order or a court order to be a QDRO, the order must satisfy DFPF's QDRO policy and procedure, which follows applicable federal laws.

A domestic relations order, for these purposes, means a judgment, decree, or order (including a property settlement agreement) that provides child support, alimony, or marital property rights to a Spouse, former Spouse, Child, or other dependent of the Member or Pensioner.

For more information about QDROs and a copy of the QDRO policy and procedure with sample forms, contact a Benefits Counselor. See the section "Pension Service" beginning on page 25 in this Handbook, and contact a Benefits Counselor for information to determine if you can buy back the pension benefit lost through a QDRO.

Plan Qualification

The Plan is intended to qualify for tax-exempt status under Section 401(a) of the Internal Revenue Code and its applicable regulations. DFPF is intended to qualify as tax-exempt under Section 501(a) of the Internal Revenue Code and its applicable regulations. To ensure that the Plan will continue to qualify and that DFPF will continue to be tax-exempt, the Plan must contain provisions that limit the benefits that may be paid to certain employees or that require distributions to be made by a particular time.





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