

Note: The following Questions and Answers are general in nature. However, it is possible that collective bargaining agreements may contain provisions which are different than the answers provided here. To the extent of any conflict between any applicable collective bargaining agreement and this report the terms of said collective bargaining agreement control. Accordingly, please consult your collective bargaining agreement for the definitive answer to any question regarding benefits.

Q. When may I retire?

A. You may retire when you have at least 25 (DPOA & Fire Equivalents need at least 20) years of credited service regardless of age. Credited service is the total number of years, months and days of active service a member accumulates for pension purposes toward retirement. When you retire, you will be paid a straight life retirement allowance each month for as long as you live. Or, at the time you retire, you may choose an Option II, Option A or Option III retirement allowance which will provide lifetime benefits to you and upon your death will continue throughout the life of your designated beneficiary.

Effective July 1, 1998, (June 30, 2001, for DPOA members and their Fire equivalents) layoff time can be included to determine your 25th anniversary (DPOA & Fire Equivalents 20th) date for retirement, however, your retirement amount will be based on your actual worked service time.

Q. How is the amount of my straight life retirement allowance computed?

A. Your retirement allowance is based upon your years of credited service and your average final compensation.

Hired prior to 1/1/69 (Old Plan)

Your total retirement allowance (pension plus annuity) is equal to two percent (2.0%) of your average final compensation multiplied by your years of credited service, not to exceed 25 years. The pension portion cannot exceed fifteen twenty-seconds (15/22) of the maximum earnable compensation of a patrolman/firefighter.

Average Final Compensation is the average of the “maximum rate of pay” fixed by the budget, at the time of your termination, of your rank or ranks held during your last five years of service (effective July 1, 2000, last three years for DPCOA and Executive members and their fire equivalents), plus the value of your last full longevity payment. Members also have the option to retire under the “New Plan” provisions which follow.

Hired on or after 1/1/69 (New Plan)

Your total retirement allowance (pension plus annuity) is equal to two and one-half percent (2.50%) of your average final compensation for the first 25 years of credited service and two and one-tenth percent (2.10%) for years beyond 25 to a maximum of 35 years of service. Average final compensation is the same as under the “Old Plan”.

NOTE: When you retire, if you withdraw or have already withdrawn your accumulated Defined Contribution Plan (Annuity Savings Fund) in a lump sum, your total retirement allowance will be reduced.

Q. A straight life retirement allowance provides me with payments for life. Can I financially protect my beneficiary by choosing some other form of payment?

A. Yes, you can provide lifetime financial protection for your beneficiary by choosing Option II, Option A or Option III. This choice must be made when you retire. You cannot change the option of your beneficiary after you cash a retirement check. The amount of an Option II, Option A or Option III retirement allowance is based upon the amount of your straight life retirement allowance and the age of you and your beneficiary. These amounts decrease with increasing age, for the same reasons that insurance premiums increase with increasing age. When you choose Option II, Option A or Option III, in a sense you are paying monthly insurance premiums to provide a survivorship benefit for your beneficiary upon your death. The “premium” is the difference between the straight life amount to which you are entitled and the amount you receive under the optional payment plan. Therefore, the difference between the amount of your straight life retirement allowance and the amount of the Option II, Option A or Option III retirement allowance represents the cost of paying your beneficiary’s allowance. The value of each optional form of payment equals the actuarial value of the straight life retirement allowance; they all have the same cost to the Retirement System at the time you retire. The options are made available to you as a convenience in planning your personal retirement program.

Option II – Joint and Survivor Allowance

Under this plan you would receive the Option II retirement allowance for as long as you live. Upon your death your beneficiary would receive 100 percent of the Option II annual retirement allowance for life.

Example: You are age 55 and are entitled to a straight life allowance of \$12,000 per year. Your named beneficiary is also age 55.

From the table at right, your annual option II retirement allowance would be \$10,416 (12 times \$868). You would receive monthly benefit checks for as long as you live. Upon your death, your beneficiary would receive the same amount monthly for life.

Option A – Modified Joint and Survivor Allowance

You would receive the Option A retirement allowance for as long as you live. Upon your death your beneficiary would receive 75 percent of your Option A retirement allowance for life.

Example: You are age 55 and are entitled to a straight life allowance of \$12,000 per year. Your beneficiary is also age 55.

From the table at right, your annual Option A retirement allowance would be \$10,776 (12 times \$898). You would receive monthly benefit checks for as long as you live. Upon your death, your beneficiary would receive three-quarters (3/4) of your benefit each month for life.

Option III – Modified Joint and Survivor Allowance

You would receive the Option III retirement allowance for as long as you live. Upon your death, your beneficiary would receive 50 percent (one-half) of your Option III retirement allowance for life.

Example: You are age 55 and are entitled to a straight life allowance of \$12,000 per year. Your beneficiary is also age 55.

From the table at right, your annual Option III retirement allowance would be \$11,148 (12 times \$929) You would receive monthly benefits checks for as long as you live. Upon your death, your beneficiary would receive one-half (1/2) of your benefit each month for life.

Q. Can I name someone other than my spouse as my beneficiary?

A. You may name as your beneficiary any person with an insurable interest in your life. Once you have named a beneficiary and cashed a retirement check or 180 days has passed from the issue date of your first pension check, you are not allowed to change your beneficiary selection.

Q. What is the best pension option to choose?

A. At your retirement interview, the Retirement System staff will explain each retirement option available to you. Only you can decide which is the best option for yourself. Changes to your retirement option are not allowed after you cash any pension check or 180 days has passed from the issue date of your first pension check.

OPTION II – 100% SURVIVOR ALLOWANCE
OPTION A – 75% SURVIVOR ALLOWANCE
OPTION III – 50% SURVIVOR ALLOWANCE

BASED ON \$1,000 STRAIGHT LIFE
 MONTHLY RETIREMENT ALLOWANCE

AGE AT RETIREMENT					
MEMBER	BENEFICIARY	OPTION II	OPTION A	OPTION III	
50	55	\$911	\$932	\$953	
50	50	895	919	944	
50	45	880	907	936	
55	60	891	916	942	
55	55	868	898	929	
55	50	848	882	917	
60	65	868	898	929	
60	60	837	873	911	
60	55	809	850	894	

Q. What is the “Pop-Up” Option?

A. The “Pop-Up” Option is a retirement option that you may elect which allows for your retirement to be changed from Option II, Option A or Option III to a Straight Life Option in the event your beneficiary predeceases you. The cost for this option is borne by the retiree or his/her beneficiary.

There are three Pop-Up Options from which a retiree may choose.

Q. Is my pension taxable?

A. Your monthly pension benefit is subject to Federal income taxes and may be subject to State of Michigan income tax.

Q. What is THE NEW DROP PROGRAM?

A. Here is how the new Deferred Retirement Option Plan (DROP) Program works:

1. Eligibility:

You are eligible to irrevocably choose the DROP after you become eligible for a 25 year service retirement allowance or 20 years of service for DPOA and Fire equivalents (or other such DROP eligible service retirement requirement as provided for in the applicable collective bargaining agreement) under the System. At this point, you have essentially three choices:

- (a) Actually retire and begin receiving an immediate full monthly pension which includes defined contribution plan amounts, or take the defined contribution plan amounts in a lump sum and begin receiving a monthly pension from the defined benefit plan.
- (b) Continue working and accruing benefits under the System (based on continued service and compensation).
- (c) Continue working, but irrevocably elect the DROP Program.

2. Choosing the DROP:

You can choose to participate in the DROP anytime after you become eligible. It is a voluntary election. Remember, if you choose the DROP, the decision to participate in the DROP is IRREVOCABLE. You make your election to DROP by completing and signing the appropriate DROP election form (which you can obtain from the System) and delivering your DROP election to the System (you should also make a copy for yourself). Your DROP election date on your DROP election form must be the date you deliver the form to the System, or a future date. Your DROP election date will be the last day you will accrue any service or compensation for computing a System pension benefit. You cannot retroactively elect to DROP. For example, you cannot deliver a DROP election form to the System on August 1, 2009 electing to DROP on July 1, 2009.

3. Operation of the DROP:

If you choose to elect to participate in the DROP, the following will happen:

- (a) Your System benefits will become “frozen” (i.e., no further service credit or compensation will accrue).
- (b) Your contributions to the System will end.
- (c) You must choose, in writing, a form of distribution for your system pension benefit (e.g., straight life monthly benefit or joint & survivor monthly benefit) in accordance with System processes.
- (d) Effective with your DROP election, 75% of the amount of your monthly pension (including applicable escalator increases) that you would have received from the System had you actually retired on your DROP election date is instead paid into your individual DROP account where it will accrue earnings on a tax-deferred basis for as long as you participate in the DROP. NOTE: There will likely be an administrative delay before your first DROP amounts are allocated to your DROP account while the System sets up your DROP account.

- (e) At this time your DROP account will be invested in a stable value, group annuity contract product with ING that provides a credited rate of interest set once each year by ING. You should carefully review ING material detailing how your DROP account is invested. You will be provided notice of any subsequent change in the DROP investment product or provider.
- (f) Your DROP allocations will continue for as long as you continue to be actively employed as a police officer or fire fighter with the City.
- (g) While you are actively employed and participating in the DROP, to the System’s knowledge you are subject to the same employment rules and regulations as before you elected to participate in the DROP. You will continue to be paid your wages as an employee. To the System’s knowledge, your seniority status will not be affected during your DROP participation. However, you will not accrue any additional credit towards retirement as a DROP participant.
Participation in the DROP does not guarantee continued employment.
- (h) When you end your active employment with the City you may take a distribution from your DROP account or you may directly roll over your DROP to an IRA.
- (i) At the end of your DROP Participation, when you retire, you will begin to receive 100% of your “frozen” System pension (including annual escalator amounts) that you would have received had you initially retired at the date you elected to participate in the DROP, plus you will be entitled to the value of your individual DROP account (which, together, are subject to applicable IRS limits on “annualized” benefits. The IRS limit on annual benefits is \$195,000 in 2009. Your DROP benefit is annualized to apply the limit).

Q. What if I become totally and permanently disabled?

A. Duty Related Disability Retirement

If your disability is approved by the board of Trustees as being duty related and you have less than 25 years of service, your disability allowance will consist of two parts:

- 1) A basic benefit of 50% of your final compensation on your effective date.
- 2) A supplemental benefit of 16.67% of your final compensation on your effective date.

If after two years on disability and prior to your 25th anniversary you are deemed able to perform the duties of any occupation for which you are suited, based on education, training and experience the supplemental portion of your benefit will cease.

When you have attained 25 years of credited service the supplemental portion of your benefit will cease.

Conversion

Old Disability Plan - When a Duty Disability Retiree reaches his/her 25th anniversary date, his/her disability pension is changed to a reduced duty disability benefit. This benefit is computed in the same manner that a service retirement is computed, and uses pay rates in affect as of the anniversary date.

New Disability Plan - Upon termination of disability or attainment of age 65 your disability benefit will convert to a service retirement benefit. The amount of your service benefit shall be the same amount which would have been payable if the conversion from duty disability had occurred at the date of attaining 25 years of service or your date of separation, whichever is later, plus applicable retirement allowance increases.

Any worker's compensation payments are offset from your duty disability retirement benefits.

Non-duty Related Disability Retirement

You can receive a retirement allowance for a non-duty related disability if you have five or more years of credited service. Your disability retirement allowance is computed in the same manner as a regular service allowance with a minimum allowance of 20 percent of your average final compensation. If you have less than five years of credited service at the time of your non-duty disability retirement, your Defined Contribution Plan (Annuity Savings Fund) will be returned to you, or at your option, you may select a cash refund annuity which shall be the equivalent of your accumulated contributions, including interest. Any Worker's Compensation payments are offset from your City retirement disability benefits.

Q. If I retire with a duty/non-duty disability retirement, can I withdraw my Defined Contribution Plan (Annuity) monies?

A. If you have less than 25 (DPOA & Fire Equivalents less than 20) years of service and retire with either a Duty Disability or Non-Duty Retirement, your Defined Contribution Plan (Annuity) monies cannot be withdrawn.

Duty: Your contributions continue to accrue interest at the same rate as active uniform employees until your 25th anniversary (DPOA & Fire Equivalents 20th), at which time you can elect to withdraw your monies.

Non-Duty: Your monthly benefit includes a portion of your annuity contributions. If any contributions remain on your 25th anniversary (DPOA & Fire Equivalents 20th), you may elect to withdraw the balance at that time.

Your monthly benefit will be reduced to reflect the withdrawal of your contributions.

Q. Are disability benefits offset by outside earnings?

A. A disability retiree can earn the difference between his/her gross disability benefits and the maximum base pay of his/her rank during a calendar year. Any earnings above this amount are offset dollar for dollar from the disability benefit.

New Disability Plan – A disability retiree can earn the difference between his/her gross disability benefits and the member's base salary at the date of disability, increased by 2.25% times the number of full years from the date of disability to the year in which the earnings offset is applied. Any earnings above this amount are offset dollar for dollar from the disability benefit.

Q. What if I die before retiring?

A. If you die from *duty* related causes, your designated beneficiary will receive your accumulated contributions, including interest, in a lump sum. Your spouse will receive a monthly pension equal to five-elevenths (5/11) of the maximum pay for the rank of patrolman or firefighter. Each unmarried child under 18 receives one-tenth of the maximum pay with a maximum total of seven thirty-thirds (7/33) of the maximum pay. The total of all pensions paid cannot exceed two-thirds (2/3) of the maximum pay. If there is no eligible spouse, unmarried children under 18 receive one-fourth (1/4) of the maximum pay with a maximum total of one-half (1/2) of the maximum pay. If there is no eligible spouse or children, *dependent* parents receive one-sixth (1/6) of the maximum pay. Your spouse may also elect to receive a benefit as computed under survivor's benefit in lieu of a duty death benefit.

If you die from *non-duty* related causes and have less than 25 years of credited service, your spouse will receive a survivors benefit allowance for life, computed as a regular retirement allowance but reduced for an Option II election. The amount of the allowance is based upon your

credited service and average final compensation at the date of your death. The minimum allowance is 20 percent of your average final compensation. Each unmarried child under 18 receives one-seventh (1/7) of the maximum pay for the rank of patrolman or firefighter, as the case may be, to a maximum of two-sevenths (2/7) of the maximum pay. If there is no eligible spouse or children, *dependent* parents receive one-seventh (1/7) of the maximum pay. If there is no eligible spouse, children, or *dependent* parents, the balance of your accumulated contributions, if any, will be paid to your designated beneficiary or to your estate if there is no designated beneficiary. Widows/Widowers of deceased members, whose deaths occur after July 1, 2001, will not lose their retirement benefit if they remarry.

If you die from *non-duty* related causes and have more than 25 years of credited service, benefits for your spouse are computed identical to the above.

Any Worker's Compensation payments are offset from your City duty or non-duty retirement system allowance.

Q. If I resign before my retirement age, will I still receive an allowance?

A. You would be eligible to receive an allowance provided that at the time of your resignation you:

(1) If an LSA member and their fire equivalent, have eight or more years of credited service and are 40 years of age or older,

OR

(2) If all other members terminate employment on or after August 29, 2003 with ten years of credited service regardless of age.

Vested Pension Benefit

A retirement allowance based on your years of credited service and your average final compensation will be effective on the date that you would have been eligible to retire had you continued in the employment of the City (DPOA & Fire Equivalents hired on or after after July 1, 1985, shall not be eligible for pension benefits until they reach their sixty-second (62nd) birthday). If you die before you are eligible for your retirement allowance, your beneficiary is not eligible for an allowance. If you retire with a 40 & 8 vested pension benefit, you can withdraw your Defined Contribution Plan (Annuity) monies immediately.

Reduced Early Pension Benefit

You may elect a reduced early pension benefit in lieu of a deferred benefit. The value of the reduced early pension benefit is the actuarial equivalent

of a vested pension. You have 90 days after your resignation to elect the reduced early pension benefit.

Fringe Benefits (Hospitalization, Dental, Eye Care and Death Benefit) for vested and reduced early retirees begin the first of the month following the date the member would have been eligible to retire had they continued employment with the City of Detroit. For members with vesting eligibility after August 29, 2003 the City's contribution toward its share of the premium cost shall be limited to four percent (4%) for each year of credited service or prorata portion thereof. (DPOA members and parity DFFA members hired on or after July 1, 1985, are not eligible for pension benefits until their 62nd birthday).

If you resign and do not meet the requirements for a vested or early reduced retirement allowance, you will be paid your accumulated contributions, including interest, in a lump sum upon request. Processing your refund takes approximately 6–8 weeks after you are removed from the active payroll.

Q. Can I obtain my Defined Contribution Plan (Annuity) balance over the phone?

A. Your balance may only be obtained in person or by written request to the Retirement Office. An annual statement of your account balance is mailed to you at the end of each fiscal year.

Q. When can I withdraw my Defined Contribution Plan (Annuity) monies?

A. You may withdraw your Defined Contribution Plan (Annuity) monies upon termination of employment or upon completion of 25 years of service (DPOA & Fire Equivalent 20 years), not including layoff time. You may apply up to 60 days prior to eligibility. The refund process takes about 6–8 weeks after the last deduction is taken from your check.

Q. Can I leave my Defined Contribution Plan (Annuity) monies in my Retirement System account after I retire?

A. Yes, you may elect to make a full withdrawal of your Defined Contribution Plan (Annuity) monies at retirement but defer withdrawal until a future date to be determined by you. Your account will be credited with the same rate of interest as an active employee. Your retirement allowance will be reduced as if you had made a lump sum withdrawal on your retirement date. Your lump sum withdrawal must be made prior to April 1st of the year after the year in which you reach age 70½.

Q. How is the interest rate on my Defined Contribution Plan (Annuity) monies determined?

A. After each fiscal year, the total earnings of the Retirement System, less expenses, are divided by the total mean balances of all the Reserve Accounts to calculate the interest rate to be used. Effective July 1, 1998, interest on accumulated balances is compounded weekly rather than yearly.

Q. Will I receive credit for military service?

A. Yes, if you are granted a leave of absence to enter the military while you are employed by the City, you will be given service credit as if your service was uninterrupted. This provision requires that you return to City service after completing military duty within the period prescribed by law. You will not contribute to the retirement fund while you are in military service, but your accumulated contributions will continue to earn interest. A new employee may purchase preemployment military service credit for up to three years of Honorable Military Service. A new employee must apply within 180 days from the date of hire. The cost would be 5% of the employee's annual rate of pay for each full year of service credit.

Preemployment Military Service Credit cannot be used to qualify for earlier retirement. It can only be used to increase the amount of pension benefit you will receive upon retirement.

Q. Who pays for Retirement System benefits?

A. Your retirement allowance is made up of two parts: a Defined Benefit Plan (Pension) and a Defined Contribution Plan (Annuity).

Defined Benefit Plan. The Defined Benefit Plan is a plan funded by Employer Contributions and earnings from the assets of the system. The City contributes actuarially computed amounts required to maintain the System as required by the Constitution of the State of Michigan.

Defined Contribution Plan. This plan is also referred to as the Annuity Savings Plan; which is a program that requires you to contribute toward an annuity. The Defined Contribution Plan is funded by employee contributions and earnings from the assets of the System.

Defined Contribution Plan monies belong *solely* to each employee or upon death, to their named beneficiary.

Q. Who administers the Retirement System?

A. The Policemen and Firemen Retirement System is administered by an 11-member Board of Trustees as follows:

Three Policemen who are members of the System. Two to be elected by and from members holding the rank of Lieutenant and lower. One to be elected by and from members holding ranks above Lieutenant.

Three Firemen who are members of the System. Two to be elected by and from members holding the rank of Lieutenant and lower. One to be elected by and from members holding ranks above Lieutenant.

The Mayor or his designee, the President of the City Council, or a member thereof elected by City Council, the City Treasurer, or the Deputy City Treasurer, the Chief of Police, or his designee and the Fire Commissioner, or his designee are ex-officio members.

Q. Is some provision made for increased living costs as a result of inflation after I am retired?

A. Hired prior to 1-1-69 (Old Plan)

Yes. Your retirement allowance increases proportionately with the increases in active member pays of the rank on which your retirement allowance was computed. This also holds true for retirement allowances paid to beneficiaries.

Hired on or after 1-1-69 (New Plan)

Yes. The pension portion of your retirement allowance increases by two and one-quarter (2.25%) percent of your original pension amount each year effective each July 1st. This also holds true for retirement allowances paid to beneficiaries.

All members retiring July 1, 1998, or later, (July 1, 2001 for DPOA members and their Fire equivalents) shall receive compounded two and one-quarter percent (2.25%) increases each year effective July 1st. Service time earned after April 1, 2011 for members of the LSA and Fire equivalents and after September 1, 2011 for members of the DPOA and Fire equivalents will not receive the cost of living increase (2.25%) on service time earned after such dates.

Q. Is my retirement allowance safe?

A. Yes. Under the provisions of the State of Michigan's Constitution, the City of Detroit has a contractual obligation to fund pensions and retirement allowances for each employee's entire service period. The City Charter and a City Council ordinance mandate proper funding of the Policemen and Firemen Retirement System. The Trustees, as fiduciaries, work to protect and increase the assets of the system. The System currently compares very favorably to other Public Retirement Systems across the country.

Q. How are Retirement System assets invested?

A. The Board of Trustees of the Policemen and Firemen Retirement System establishes the objectives and guidelines which govern investment policy. All investments are made in accordance with the City Charter and State Statutes governing the investment of pension funds.

The System employs the services of nationally known and respected investment consulting and management firms who advise the Board on portfolio selection and asset allocation.

All funds and securities of the Policemen and Firemen Retirement System are kept entirely separate from the funds of the City.

Q. How do I apply for retirement?

A. To apply for retirement, follow these steps:

- 1) Contact your payroll or personnel department and determine your effective date of retirement.
- 2) Request an estimate from the Retirement System of your retirement allowance under the various options available.
- 3) Call the Retirement System to make an appointment for filing your application to retire.
- 4) Bring proof of birth date for yourself, and if Option II, Option A or Option III is chosen, proof of birth date for your beneficiary is also required. Police officers are also required to bring a "Resignation/Retirement Notification" letter obtained from their Personnel Department.

Q. When I begin my service retirement, what happens to the fringe benefits I currently receive under the employee benefit plan?

A. Hospitalization and Medical Insurance

The City will continue to pay the cost of hospitalization insurance, in accordance with Collective Bargaining Agreements and City Council Resolutions in effect at the time of retirement, for yourself and your spouse. After age 65, if you are eligible for Medicare, the City will provide a supplement to your Medicare benefits. The City requires that you enroll in Parts A and B of Medicare if you are eligible by Medicare rules. You must supply the Retirement Office with a letter from the Social Security Administration if you are not eligible for Medicare.

You may continue family coverage for eligible dependents, however, any cost of coverage for dependents other than your spouse will be deducted from your monthly benefit.

You must notify the Benefits Division of the Human Resources Department when you or your spouse reaches 65 years of age.

Death Benefit Plan

If a retiree has 10 years of service or less, at a cost of \$1.08 per year, the retiree may choose to be insured for \$1,860. This benefit is increased by \$93 for each additional year of service.

Life Insurance

Upon retirement, you may arrange to convert your group term policy to a regular individual policy. The current carrier of group coverage for City employees is the Metropolitan Life Insurance Company.

Dental Program

Retiree and spouse are eligible for dental coverage currently administered by U.S. Health. Other dependents are not eligible for this coverage.

Optical Program

Retiree and spouse are eligible for an optical program currently administered by U.S. Health. Other dependents are not eligible for this coverage.

Q. Suppose my spouse and I divorce before or after I retire, are my benefits affected?

A. If your accrued retirement benefits are included as a marital asset in a divorce property settlement, the courts can allocate the marital portion of your pension and/or annuity among the involved parties under an Eligible Domestic Relations Order (EDRO). You should consult with your attorney concerning Public Act 46 of 1991.

TELEPHONE NUMBERS OF THE RETIREMENT SYSTEMS

**PHONE 313/224-3362
TOLL-FREE 800/339-8344**

Accounting Staff	ext. 230
Administration	ext. 202
Death Benefits	ext. 239
Direct Deposit	ext. 221
Estimates	ext. 237, 246
Interviewers	ext. 218, 219
Payroll	ext. 240
Pension Computation	ext. 235
Refunds	ext. 242

*Hospitalization, Dental, Eyecare, Cobra and Family Medical Leave are now
the responsibility of The Human Resources Department Benefits Division.*

They may be reached at:

TOLL-FREE: 888/288-2684

LOCAL: 313/224-4809