

MACOMB COUNTY HUMAN RESOURCES POLICY

DEFERRED RETIREMENT OPTION PLAN **(DROP)**

- A. Eligible employees of Macomb County, who are members of the Macomb County Employees' Retirement System, may voluntarily elect to participate in the Deferred Retirement Option Plan (DROP). As a DROP participant, the employee's DROP benefit shall be the dollar amount of the employee's monthly pension benefit computed by using the Retirement Ordinance guidelines and formula that are in effect on the date that the employee first participates in the DROP. During participation in the DROP, the employee will continue full employment status. Any fringe benefits paid to employees shall continue to be received by DROP participants, except for those specifically eliminated or modified by this Plan or Human Resources Policy. Upon election to participate in the DROP, the employee is not considered to be a member in the Macomb County Employees' Retirement System (MCERS).

The employee's DROP benefit will be credited monthly to the employee's individual DROP account, as established within the Macomb County Employees' Retirement System. The employee's DROP account will be maintained and managed by the Macomb County Employees' Retirement System. Upon participation in DROP, the retiree shall begin to receive payments to his/her individual DROP account as described hereinafter. The employee is solely responsible for analyzing the tax consequences of participation in the DROP.

- B. Eligibility: Eligible employees who are members of the Macomb County Employees' Retirement System and who are vested on December 31, 2012, may voluntarily elect to participate in the DROP at any time after attaining the minimum age and service requirements for a normal service retirement.
- C. Participation: The maximum period for participation in the DROP is five (5) years (the "Participation Period"). There is no minimum time period for participation.
- D. DROP Payment: Upon termination of employment, the retiree shall receive the monthly retirement benefits previously credited to his/her DROP account. Failure to terminate employment at the expiration of the DROP Participation Period shall result in suspension of the employee's monthly pension benefit otherwise payable to the DROP account until termination of employment. Interest on the DROP account will continue to accrue during such a forfeiture, except as provided in Subsection J.

- E. Election to Participate: Participation in the DROP is irrevocable once an employee begins participation. An employee who wishes to participate in the DROP shall complete and sign all necessary documents. On the date upon which the member's participation in the DROP is effective, he/she shall be considered to be a DROP participant and shall cease to be an active member of the Macomb County Employees' Retirement System. The amount of credited service, multiplier and Final Average Compensation (FAC) shall be fixed as of the employee's DROP date. When an employee's FAC, used to determine the employee's Retirement Allowance, is calculated, any retroactive wages provided shall be counted as if the retroactive wages were paid to the employee when the wages were earned, not when they were received by the employee. Increases or decreases in compensation during DROP participation will not be factored into retirement benefits of active or former DROP participants. DROP participants accrue no additional service time credit for retirement purposes pursuant to the Macomb County Employees' Retirement System.
- F. DROP Benefit: The employee's DROP benefit shall be the regular monthly pension benefit the employee would have been entitled to if he/she had actually retired on the DROP date, less the annuity withdrawal reduction as set forth in Subsection G, if applicable. The employee's DROP benefit shall be credited monthly to the employee's individual DROP account. At the time an employee elects to participate in the DROP, his/her choice of a straight life retirement allowance or an optional form of retirement allowance as set forth in the Macomb County Employees' Retirement Ordinance shall be irrevocable.
- G. Annuity Withdrawal: An employee who elects to participate in the DROP may elect the Annuity Withdrawal option provided by the Retirement Ordinance at the time of electing DROP participation. Such election shall be made commensurate with the employee's DROP election, but not thereafter. Such annuity withdrawal will be utilized to compute the actuarial reduction of the member's DROP benefit, as well as the member's monthly pension benefit from the Macomb County Employees' Retirement System, after termination of employment.

The annuity withdrawal amount (accumulated contributions) will be disbursed from the Macomb County Employees' Retirement System at the time of DROP election. All withdrawal provisions and options under the Retirement Ordinance, which are available to Retirement System members shall be available to the employee participating in the DROP at such time that he/she elects to participate in the DROP.

- H. DROP Accounts: For each employee participating in the DROP, an individual DROP account will be created to include accumulated DROP benefits, as well as interest on DROP benefits. All individual DROP accounts shall be maintained for the benefit of each employee participating in the DROP and will be managed by the Retirement System in the same manner as the primary retirement fund.

DROP interest for each employee who participates in the DROP shall be at a fixed rate of 3.5% per annum, calculated in the same manner as the interest in the employee savings accounts in the Macomb County Employees' Retirement System.

- I. Contributions: The employee's contributions to the Macomb County Employees' Retirement System shall cease as of the date that the employee begins participation in the DROP.
- J. Distribution of DROP Funds: Within 60 days of termination of employment, the employee participating in the DROP must choose one of the following:
 - 1) A lump sum distribution to the employee; AND/OR
 - 2) A lump sum direct rollover to another qualified plan to the extent allowed by Federal law and in accordance with any established procedures or the Retirement System for such rollovers.

Failure to elect one of the above options and receive such distribution within 60 days of termination of employment shall result in the termination of any interest paid on said account.

All benefit payments under the Plan shall be made as soon as practicable after application, but no later than April 1 following the later of:

- 1) The calendar year in which the primary member attains age 70½ , or
- 2) The calendar year in which the employment is terminated.

If the accumulated balance in an employee's DROP account is more than \$1,000 but less than \$5,000 (or such other amount as provided in the Internal Revenue Code, particularly Section 411(a)(11)(A)), then the Retirement System, in its sole discretion, shall have the option of distributing the former employee's entire account, in the form of a lump sum, to an individual retirement plan.

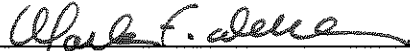
- K. Death During DROP Participation: If an employee participating in the DROP dies, (1) before full retirement, that is before termination of employment with the County, or (2) during full retirement (that is, after termination of employment with the County but before the DROP account balance has been fully paid), the employee's designated beneficiary(ies) shall receive the remaining balance in the employee's DROP account in the manner in which they elect from the previously mentioned distribution methods (Subsection J). If there is no such beneficiary, the account balance shall be paid in a lump sum to the estate of the employee. Benefits payable from the Macomb County Employees' Retirement System shall be determined as though the employee participating in the DROP had separated from service on the day prior to the employee's date of death.

- L. Disability During DROP Participation: In the event an employee participating in the DROP becomes totally and permanently disabled from further service in the employment of Macomb County, the employee's participation in the DROP shall cease, and the employee shall receive such benefits as if the employee had retired and terminated employment during the participation period.
- M. Internal Revenue Code Compliance: The DROP is intended to operate in accordance with Section 415 and other applicable laws and regulations contained within the Internal Revenue Code of the United States. Any provision of the DROP, or portion thereof, that is in conflict with an applicable provision of the Internal Revenue Code of the United States is hereby null and void and of no force and effect.
- N. Other Provisions: The Macomb County Employees Retirement System is a defined benefit plan. Should that plan be modified to include a defined contribution plan, this DROP account established is only part of a defined benefit plan. It is intended that this DROP be a "forward" DROP only and contains no DROP "back" provision, which would allow members to retire retroactively.
- O. Annual Leave/Paid Time Off (PTO), Sick Leave and Other Fringe Benefits: Human Resources Policy may provide for the crediting of both annual leave/PTO and sick leave banks for inclusion in determining an employee's FAC for purposes of computing pension benefits.

At the effective date of an employee's participation in the DROP, an employee's annual leave/PTO, sick leave bank and longevity shall be "credited" and/or paid as provided by Human Resources Policy or the Macomb County Employees' Retirement Ordinance.

After the effective date of an employee's participation in the DROP, the employee's annual leave/PTO, sick leave and longevity shall be determined as set forth by Human Resources Policy.

- P. Voting Rights and Retirement Commission Members: At the time an employee elects to participate in the DROP, he/she shall no longer be eligible to vote in any retirement elections nor shall said person be eligible to hold office pursuant to Section 4(e) of the Macomb County Employees' Retirement Ordinance as an elected employee member.


Office of County Executive

Approved: September 26, 2016