

## Back DROP

- must be at least 50 years of age
- must have at least 20 1/2 years of credited service
- must have written spousal consent
- is an irrevocable decision



# Back Deferred Retirement Option Program Back DROP

## Base Plan

July 2009



## Back Deferred Retirement Option Program

The Back Deferred Retirement Option Program, otherwise known as the Back DROP, is an option for members which allows them to select a retirement date in the past and provides them with a one time lump-sum payment amount in addition to the pension amount they are entitled to receive with their service retirement benefit, but which considers the final wages of the Back DROP.

Members of the El Paso Firemen & Policemen's Pension Fund who are at least fifty (50) years of age and have over twenty and one-half (20 1/2) years of credited service may elect to participate in the Back DROP. A member may elect to Back DROP for a minimum period of six (6) months but not for more than thirty-six (36) months.

An election to participate in the Back DROP is irrevocable.



### Eligibility

After deducting the period of the Back DROP selected, the member must still have at least twenty (20) years of credited service remaining in order to be eligible to participate in the Back DROP. Additionally, any member choosing the Back DROP must have written spousal consent to elect this option. Information and a *Spousal Consent & Acknowledgement* form may be obtained through the El Paso Firemen & Policemen's Pension Fund office.

### Sample Calculation

If you choose to retire at age 50 with 25 years of Credited Service, a Back DROP election of 2 years (24 months), and a Back DROP Final Wage of \$3,000, this is how your Back DROP retirement would be calculated:

**2.75% X Final Wages X Credited Service  
(after Back DROP)**

$$.0275 \times \$3,000 \times 24 = \$1,897.50 \text{ (monthly)}$$

**Lump Sum Amount**  
 $\$1,897.50 \times 24 \text{ months} = \$45,540.00$

### Payments

Payment of the lump-sum amount may be received via direct deposit, rollover to an IRA, or by check. Monthly benefit payments may be received via direct deposit or by check.

The El Paso Firemen & Policemen's Pension



Fund recommends direct deposit of monthly benefit payments to ensure timely receipt.

Tax rules to the Back DROP are complex and vary based upon individual circumstances. The El Paso Firemen & Policemen's Pension Fund does not provide tax advice or recommendations regarding the appropriateness of the Back DROP. Therefore, it is recommended that you consult with a professional tax advisor before you choose the Back DROP election in order to obtain further information on how this amount may impact your personal situation.

### Authority

The Back DROP is provided in accordance with Section 8 of the El Paso Firemen & Policemen's Pension Fund Plan Document.

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