

AMENDMENT TO CODE OF ORDINANCES

BE IT ORDAINED by the Board of Directors of the Town of Manchester that the Code of Ordinances, Chapter 70, Pensions and Retirement, Article III, Subpart C, Police, Section 70-38 is hereby amended by adding the following new section:

Section 70-38.1. Deferred Retirement Option Plan

Eligibility: Only employees who will reach their normal retirement date by December 31, 2027 shall be eligible to participate.

A Bargaining Unit Member, upon reaching his or her normal retirement date in accordance with the terms of the Pension Plan may elect the D.R.O.P. at any time on or after reaching normal retirement date (either twenty-five years of service or age 50 and ten years of service) The employee must provide the Town with at least 60 days advanced notice, in writing, that he or she has elected the D.R.O.P

Duration: The minimum length of the D.R.O.P. will be one (1) year and the maximum length of the D.R.O.P. will be five (5) years. Upon electing the D.R.O.P., the member will select the length of his or her respective D.R.O.P, but may thereafter end the D.R.O.P. period at any time after one and prior to five years, upon sixty (60) days' notice. Such election shall be irrevocable unless the Town and the member mutually agree to a change.

Benefits: When a member elects the D.R.O.P. they will be entitled to all the benefits they would have received under the Normal Retirement Provisions of the Pension Plan (during the D.R.O.P. period, with the following conditions:

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- a. During the D.R.O.P. period, all of the employee's monthly pension payments will be made to the employee's separately designated D.R.O.P. account established for the benefit of that member. During the D.R.O.P. period, the monthly pension payments will be 100% of the monthly pension payment the employee was entitled to receive upon entering the D.R.O.P., had the member retired without electing the D.R.O.P, based upon the plan's normal form of benefit.
- b. During the D.R.O.P. period, the member will not make any employee contributions to the Pension Plan
- c. Upon the D.R.O.P entry date, the amount of the employee's monthly pension benefit will be calculated as if he or she retired on the DROP entry date. The amount of the monthly pension benefit will not be recalculated for any additional service and earnings paid to the employees on or after the D.R.O.P Entry Date.
- d. Any Cost of Living Adjustments for retirees in the Pension Plan shall not be included in the payments towards the D.R.O.P benefit during the D.R.O.P period. The member shall

only be considered to have terminated employment and be eligible for a benefit under the Pension Plan and for COLA under the Pension Plan based on their date of separation from Town service as if the member had not entered the D.R.O.P.

- e. The amounts considered to be held in the D.R.O.P on behalf of a member the DROP account balance is a notional amount, payable as a lump sum upon separation from Town service, with no interest credited to it, no segregation of funds, and no separate investment and shall not be credited with interest, earnings or losses.

Plan Selection: Upon completion of the D.R.O.P. period, the member will be considered a retired employee and will receive a payment from the D.R.O.P equaling all contributions made on behalf of the member. The lump sum will be made available to the employee/member within a reasonable period of time after the member terminates service with the Town, but in any event no longer than ninety (90) days from notice to the Town of the termination date. Said lump sum payment will be made as a qualified roll over payment into a qualified eligible retirement plan (e.g. IRA, 457) UNLESS the member designates he/she desires the payment to be taxable as of the date of distribution.

Employee status: Any member electing the D.R.O.P. will be considered retired with respect to the Pension Plan but will not have separated from Town service for purposes of determining any COLA until the member separates from Town service. The member who has elected the D.R.O.P may remain in Town Service at their current rank, with all the benefits of the Collective Bargaining Agreement, including, but not limited to, promotional opportunities and all accrued and accrual of time (e.g. vacation holiday, compensatory and earned time, as well as sick time not exchanged for pension benefit), through and including the completion of their D.R.O.P period as though the employee had not entered the D.R.O.P.

Any accrual of time benefits (vacation, holiday, compensatory, and earned time, as well as sick time not exchanged for pension benefit) during the D.R.O.P period will not be used towards the employees pension benefit calculation, as that calculation is frozen upon entry into the D.R.O.P. If a member becomes totally disabled or sustains an injury or illness that requires them to exhaust their entire individual leave accounts while in D.R.O.P, employment will terminate and the member will begin to receive the monthly retirement benefit determined upon entering D.R.O.P, plus the D.R.O.P accumulation up to the point of termination. An employee elected D.R.O.P will not be eligible to change the type of retirement to a disability retirement.

If a member dies prior to the end of the D.R.O.P period, all amounts held in the D.R.O.P. account shall be payable to the member's spouse, if any, (unless waived by said spouse) or if none, then to the beneficiary designated by the member.

The member will not elect their form of annuity (e.g. spousal selection) until separation of service.

The ordinance shall become effective upon its passage by the Board of Directors and the subsequent legal publication pursuant to the Town Charter. The ordinance shall sunset and therefore expire on December 31, 2027.