EXHIBIT 2
DATE 2-16-03
HB 586

Deferred Retirement Option Plan Fact Sheet

- Retirement at 20 years = 50% retirement benefit, or 2.5% per year of service, which continues if Officer does not enter DROP, but continues to work

- When Officer enters DROP, 2.5 % yearly increase to member's retirement benefit ceases. Currently under DROP, member continues to contribute to retirement system , costing the participant over **-$19,000*** in contributions over 5 years with no continuing retirement benefit

**based on $40,000 per year salary at 20 years*

Example

Employee making $40,000 per year continues to work

↓

[redacted]

[redacted]

[redacted]

↓

+$27,700 interest earned

↓

-$19,000
employee contribution of over 5 years

↓

+$8,700
net interest earned by employee
(or net interest of only ~2.5%)

[redacted]

↓

[redacted]

↓

[redacted]

↓

[redacted]

↓

[redacted]

↓

[redacted]

Result

- DROP was designed as a benefit to employees eligible to retire, but choose to continue to work and contribute

- Members have already earned their retirement and funding for this has already been achieved by the 20 years of initial contributions

- Currently members will elect to fully retire at 20 years or not utilize the DROP program

- Currently employers will lose valuable, experience and trained employees

Results with the change

- Elimination of employee 9% contributions result in making the employee whole
- Employer contributions and will fully pay for DROP interest earned by the employee, easily funding the benefit and providing additional money to the retirement fund
- Employers benefit by keeping valued, trained and experienced employees

Equitable Solution

- Modify (4) of 19-9-1204 to…

Remove requirement for member to contribute to retirement system during DROP period

(Again, member has already earned retirement after 20 years and this contribution takes away majority of any interest earned by DROP contributions. Continued employer contributions will fund interest earned by the employee)