

## Post Retirement Option Plan (PROP)

### Frequently Asked Questions

**Q:** What is the PROP?

**A:** PROP is the Post Retirement Option Plan, which will be effective October 1, 2007. A retired member or surviving spouse can participate in the PROP by electing to have all or a portion of his or her monthly service pension or other taxable benefits issued by the Fund, less the ineligible amount (authorized and required deductions, plus \$300) credited to the participant's PROP account. The PROP account shall be credited with earnings in the same manner as the Fund's DROP program (minimum of 5% annually, maximum of 10% annually). At any time, the participant may elect to stop the amounts being credited to the PROP account and elect to resume receiving the full monthly service pension or other taxable benefits issued by the Fund.

**Q:** How much can I put into my PROP account each month (minimum/maximum)?

**A:** The minimum monthly PROP credit is \$50. The maximum amount you can deposit each month to your PROP account is your monthly service pension or off-duty disability pension (including the \$150 supplemental benefit), less the ineligible amount (your authorized and required deductions, plus \$300). If you are receiving an on-duty disability pension with a portion that is subject to taxation, you may be able to credit your taxable portion of the benefit to your PROP account (contact a Fund Member Services Representative to discuss).

**Q:** How many times can I take money out of my PROP account?

**A:** You can take up to four distributions from your PROP account each calendar year (and still maintain a PROP balance). If you request a fifth distribution, the entire PROP balance will be distributed to you.

**Q:** When are my PROP credits subject to taxation?

**A:** When you credit a portion of your taxable pension benefits to your PROP account, you are deferring the distribution of those funds to a later date. When you elect to take money out of your PROP account, the Fund must take a minimum of 20% federal income tax out of the distribution.

**Q:** Will my DROP account balance be rolled into my PROP account?

**A:** DROP accounts will be separate from PROP accounts and transfers between accounts will not be permitted.

**Q:** Can we roll money into PROP (from deferred compensation, IRAs, etc.) or add to PROP from our personal savings or other income?

**A:** A PROP participant will not be able to add money to the PROP other than through the designation of all or a portion of taxable benefits that the participant is entitled to receive from the Fund.

**Q:** If I stop my monthly PROP credits, can I resume at a later date?

**A:** If you elect to stop contributing to PROP on a monthly basis, you will not be able to contribute to PROP for the remainder of that calendar year. You may elect to resume your monthly PROP credits at any time after that calendar year.

**PROP Frequently Asked Questions****Page 2**

**Q:** What happens to my PROP account when I die?

**A:** Your PROP account balance will be distributed to your eligible survivors upon your death. Your eligible spouse will have the option to roll the PROP to an IRA or other qualified plan, take the distribution and pay the taxes, or leave the PROP balance at the Fund. Eligible children will not be able to leave their portion of the PROP account at the Fund. If you do not have eligible survivors, your PROP balance will be distributed to your designated beneficiaries.

**Q:** Can I designate my adult children as beneficiaries for my PROP?

**A:** Yes. You can designate one or more adult children as beneficiaries for your PROP. This designation would not apply to your monthly pension or other pension benefits.

**Q:** When my medical costs increase, will my PROP deduction be automatically adjusted?

**A:** No. The \$300 additional amount that is over the elected deduction amounts will act as a buffer for slight fluctuations. The Member Services staff will monitor the changes in the deduction amounts and contact you to discuss any changes you wish to make in your monthly PROP credit amount.

**Q:** Will I be able to view my PROP balance on the web?

**A:** The PROP balances will be added to the web by January 1, 2008.

**Q:** If I divorce and I have joined PROP, can my ex-spouse get money from this account?

**A:** Any pension benefit is subject to division in a divorce case.

**Q:** If I am on a disability pension, can I still participate in PROP?

**A:** If any portion of your monthly pension benefit is taxable, you can participate in PROP.

**Q:** Will I receive my PROP statement quarterly (in the same manner as my DROP)?

**A:** Yes. You will receive quarterly PROP statements.

**Q:** If I have a Power of Attorney, can my spouse remove money from my PROP?

**A:** If the Fund has a copy of your Durable Power of Attorney, your spouse can complete a PROP distribution form on your behalf. If the Power of Attorney is only in effect in the event of your incapacitation, the Fund will have to determine if you are incapacitated.

**Q:** Will I receive a 1099-R for DROP and one for PROP?

**A:** You will receive 1099-R's for each type of distribution (rollovers, disability distributions, regular distributions, etc.). For example, if you elect a rollover of DROP, and another rollover of PROP funds, those would be included on one 1099-R.

**Q:** If I remove all of my PROP account from the Fund, can I elect to participate in PROP at a later date?

**A:** Once you remove all of the PROP balance from the Fund, you will not be able to participate in PROP in the future.

## Frequently Asked Questions

### Page 3

**Q:** I'm over 70-1/2. Can I participate in PROP?

**A:** Yes. Each year, you will receive a letter from the Fund regarding your Required Minimum Distribution (RMD). You will have to take out a certain portion of your PROP balance each year. We suggest you seek professional tax advice to determine the RMD each year. (The Fund has a financial calculator to assist with RMD calculations.) Here are some examples of RMD amounts from current tables:

Account balance at 12/31	\$15,000
Your age as of 12/31	72
RMD	\$585.94

Account balance at 12/31	\$25,000
Your age as of 12/31	75
RMD	\$1,091.70

Account balance at 12/31	\$50,000
Your age as of 12/31	71
RMD	\$1,886.79

Account balance at 12/31	\$100,000
Your age as of 12/31	71
RMD	\$3,773.58

Account balance at 12/31	\$200,000
Your age as of 12/31	73
RMD	\$8,097.17

Account balance at 12/31	\$300,000
Your age as of 12/31	71
RMD	\$11,320.75

Account balance at 12/31	\$425,000
Your age as of 12/31	78
RMD	\$20,935.96

Account balance at 12/31	\$500,000
Your age as of 12/31	75
RMD	\$21,834.06

**Q:** How/When can I sign up for PROP?

**A:** You must contact a Fund Member Services Representative and have a PROP counseling session at least 45 days before entering PROP. Applications for PROP must be signed at least 30 days before entering PROP. A retiree or surviving spouse can only enter PROP on the first of a month. (See 2007 PROP calendar)

**PROP Frequently Asked Questions**

**Page 4**

**Q:** I retired at the age of 48. Am I subject to the 10% early withdrawal penalty?

**A:** If you left active service before the calendar year you reached 50 years of age, you would be subject to the 10% early distribution penalty until you reach age 59-1/2.

**Q:** Can I change my monthly PROP credits?

**A:** You can change your monthly PROP credits up to 4 times per calendar year. You would need to obtain a form from the Fund to request this change and that form must be received by the Fund by the 5<sup>th</sup> day of the month prior to the date that you elect to make the change effective.

**Q:** Can I borrow against my PROP?

**A:** You will not be able to borrow against your PROP account. This is a notional account and the PROP assets are not separated from the Fund until you take distributions from your PROP account.

**Q:** Which pension benefits can be credited to PROP?

**A:** Your taxable monthly pension benefits (less any ineligible amount), your taxable \$5,000 additional retirement payable upon retirement, and your taxable annual supplemental benefit can be credited to your PROP account.