

MACOMB COUNTY HUMAN RESOURCES POLICY

DEFERRED RETIREMENT OPTION PLAN (DROP)

Eligible employees may elect to participate in the Deferred Retirement Option Plan (DROP). Eligibility, terms, and conditions of DROP participation are set forth below, including the payment of certain fringe benefits to DROP participants, Longevity, Paid Time Off and Sick Leave.

- A. An employees who is a members of the Macomb County Employees' Retirement System may voluntarily elect to participate in the DROP with a minimum of a thirty (30) day notice, at any time after attaining the minimum age and service requirements for a normal service retirement. Vesting for purposes of DROP excludes service time under the Reciprocal ACT 88.
- B. Participation: The maximum period for DROP payments credited to the account is five (5) years (the "Participation Period"). There is no minimum time period for participation. Employees may continue to work beyond the five (5) years, but DROP payments will cease at the end of the participation period.
- C. DROP Payment: Upon termination of employment, the retiree shall receive the monthly pension previously credited to their DROP account. Failure to terminate employment at the expiration of the DROP Participation Period shall result in forfeiture of the employee's monthly pension otherwise payable to the DROP account. Interest on the DROP account will continue to accrue during such a forfeiture.
- D. Election to Participate: Participation in the DROP is irrevocable once an employee begins participation. An employee who wishes to participate in the DROP shall be eligible to begin at the start of a pay period and must complete and sign such application form. Such application shall be reviewed by Human Resources and Labor Relations Department within a reasonable time period and a determination shall be made as to the member's eligibility for participation in the DROP. On the date upon which the member's participation in the DROP is effective, they 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 shall be fixed as of the

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employee's DROP date. When an employee's Final Average Compensation is calculated, any retroactive wages provided shall be counted as if the retroactive wages were paid to the employee when the wages were paid, not when they were earned 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.

- E. DROP Account: The employee's DROP Account shall be the regular monthly pension with interest to which the employee would have been entitled to if they had actually retired on the DROP date. The payment shall be credited monthly to the employee's individual DROP account. At the time an employee elects to participate in the DROP, their optional form of retirement allowance as set forth in the Macomb County Employees' Retirement Ordinance shall be irrevocable. 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. If a DROP participant separates from employment prior to the end of the calendar year, their interest will be pro-rated for that period and will be credited to their DROP account (i.e. an employee who separates from employment in June will receive 6/12ths of the annual interest).
- F. 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 from the Macomb County Employees' Retirement System, after termination of employment.

The annuity withdrawal amount (accumulated contributions and interest) will be disbursed from the Macomb County Employees' Retirement System within sixty (60) days from the first pension check. 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 they elect to participate in the DROP.

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G. 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.

H. Distribution of DROP Account: The employee participating in the DROP must choose one, or a non-inconsistent combination of, the following distribution methods to receive payment(s) from their individual DROP account:

- 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 procedures established by 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 a lump sum distribution to the employee.

I. Death During DROP Participation: If an employee participating in the DROP dies either (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 (above). If there is no such beneficiary, the account balance shall be paid in a lump sum to the estate/trust 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.

J. 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.

K. 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

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Revenue Code of the United States is hereby null and void and of no force and effect.

- L. 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.
- M. Paid Time Off and Sick Leave in Final Average Calculation: Human Resources Policy may provide for the crediting of both Paid Time Off and Sick Leave banks for inclusion in determining an employee's Final Average Compensation for purposes of computing an employee's pension.

At the effective date of an employee's participation in the DROP, an employee's Paid Time Off and 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 Paid Time Off and Sick Leave bank shall be determined as set forth by Human Resources Policy.

- N. Longevity, Paid Time Off and Sick Leave: After the effective date of an employee's participation in the DROP, the employee's Longevity, Paid Time Off and Sick Leave shall be determined as set forth below.
 - 1. Longevity for DROP Participants:
 - a. At the time an employee elects to participate in the DROP they shall receive, as part of their payoff, a prorated amount of longevity compensation. Payment for the balance of the DROP years' longevity payment and subsequent longevity payments shall be made in December of each year as described below.
 - b. For DROP participants, the amount of longevity compensation paid in subsequent years shall be determined by the step level achieved by the employee at the time they elected to DROP. Step levels are listed below.

STEP	CONTINUOUS YEARS OF FULL TIME SERVICE ON OR BEFORE OCTOBER 31ST OF EACH YEAR ¹	AMOUNT
1	15 through 19	\$600
2	20 through 24	\$800
3	25 and thereafter	\$1,000

- c. Longevity compensation shall be added to the regular payroll check, when due, for eligible DROP participants. It shall be considered a part of the regular compensation and, as such subject to Federal and State withholding tax, social security, regulations and ordinances of the County of Macomb and other applicable statutes.
- d. Payments to eligible DROP participants as of October 31st of any year shall be included in the first regular payroll check of December. The annual period covered in computation of longevity shall be from November 1 of each year through and including October 31st of the following year.
- e. DROP participants who terminate employment shall be entitled to and receive a longevity payment upon a pro-rated basis for that portion of the year employed.

2. Paid Time Off for DROP Participants

- a. The purpose of Paid Time Off (PTO) is to provide employees with flexible paid time off from work that shall be used for such employee needs as vacation, personal business and other activities, without disrupting the operations of the department. Paid Time Off (PTO) shall also be used for employee absences incurred from inclement weather.
- b. Employees who are participants in the Deferred Retirement Option Plan (DROP) shall receive Paid Time Off in the following manner.

DROP participants shall receive, on January 1st of each year of DROP participation, a number of hours of Paid Time Off equal to the number of hours of Paid Time Off earned based upon their years of service at the commencement of DROP participation according to the following schedule:

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YEARS OF CONSECUTIVE FULL-TIME SERVICE COMPLETED:	ANNUAL EQUIVALENT OF:
less than 5	15 days
5	20 days
10	21 days
13	24 days
20	25 days
21	26 days
22	27 days
23	28 days
24	29 days
25	30 days

- c. Paid Time Off requests shall be reviewed by the Department Head/designee, and must have their approval. Such approval shall be at the Department Head/designee's discretion to ensure efficient operations.
- d. DROP participants may request Paid Time Off conversion to cash payment of up to forty (40) hours per conversion, maximum of eighty (80) hours per year. Employees requesting Paid Time Off conversion must have a minimum of one hundred twenty (120) hours of Paid Time Off to be eligible for the conversion. The requested Paid Time Off conversion(s) must be submitted by February with the cash payment to be made in the second pay in March and August with the cash payment to be made in the second pay in September in a regular paycheck with normal deductions.
- e. Employees whose DROP participation begins at a time of year other than January 1st, shall receive a pro-rata share of Paid Time Off for the balance of the calendar year computed in the same manner as paragraph b. above.
- f. Paid Time Off not utilized by an employee by December 31st of a calendar year shall be forfeited.

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- g. There shall be no compensation for Paid Time Off remaining in the DROP participant's Paid Time Off bank upon separation from employment.
- h. DROP participants who utilize Paid Time Off in an amount in excess of a proportionate share prior to voluntarily or involuntarily discontinuing employment shall be obligated to compensate the Employer for all Paid Time Off time used in excess of such proportionate share. This provision shall not apply to a DROP participant whose involuntary discontinuance of employment is caused by duty related death or disability.

3. Sick Leave for DROP Participants

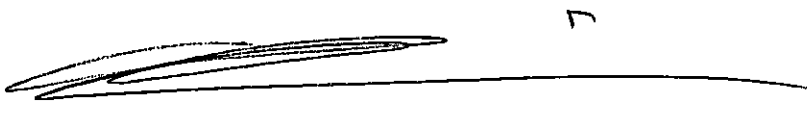
- a. DROP participants shall be provided with six (6) days of Sick Leave on January 1st of each year the employee participates in the DROP.
- b. Employees who begin DROP participation at a time other than January 1st, shall receive a pro-rata share of six (6) Sick Leave days for the balance of the calendar year.
- c. After the exhaustion of the six (6) Sick Leave days provided for in paragraph a, above, DROP participants may utilize that Excess Sick Leave, accrued during the period of employment prior to the effective date of DROP participation, for which the employee was not compensated at the time of entry into the DROP.
- d. DROP participants who are employed on December 31st of each year and have not exhausted the six (6) sick leave days provided for in paragraph a, above, shall receive a pay out of up to three (3) of the unused sick leave days. Payment will be made the following January.
- e. There shall be no compensation for any Sick Leave time remaining in the DROP participant's Sick Leave bank upon separation from employment.
- f. An employee may utilize available Sick Leave for absences:
 - i. Due to personal illness or physical incapacity caused by factors that the employee has no reasonable immediate control.

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Personal illness includes a woman's actual physical inability to work as a result of pregnancy, child birth, or related medical condition.

- ii. Necessitated by exposure to contagious disease or condition in which the health of others would be endangered by attendance on duty.
 - iii. Due to illness of a member of their immediate family who requires their personal care and attention. The term "immediate family" as used in this section shall mean parent, current step parent, current mother-in-law, current father-in-law, current spouse, children, current daughter-in-law, current son-in-law, current step children, brother, sister, grandparent or grandchildren. It shall also include any person who is normally a member of the employee's household.
 - iv. To report to the Veterans' Administration for medical examinations or other purposes relating to eligibility for disability pension or medical treatment.
- g. DROP participants absent for one of the reasons mentioned above shall inform their immediate Supervisor of such absence as soon as possible and failure to do so within the earliest reasonable time, may be the cause of denial of Sick Leave with pay for the period of absence.
 - h. When an absence occurs as defined in this policy, and the Department Head or designee suspects abuse, a medical certificate may be required.
 - i. A DROP participant who is seriously ill for more than five (5) days while on Paid Time Off, may, upon application, have the duration of such illness charged against their Sick Leave bank rather than against Paid Time Off. Notice of such illness must be given immediately. Proof of such illness in the form of a physician's certificate shall be submitted by the employee.



Office of County Executive

2-9-23
Date

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