




RETIREMENT BOARD POLICY AND REFERENCE MANUAL

SUBJECT: COMMUNITY PROPERTY SPLIT OF DROP ACCOUNT	Section: 2-16 Date Adopted/Revised: 8/13/2008
SYSTEM(S): JOINT	Approved:  Retirement Administrator

PURPOSE

When the City Council adopted the ordinances that created the Deferred Retirement Option (DROP), it was recognized that, as an alternate method of receiving the member's retirement benefit, DROP was community property. In recognition of this fact, the Boards established this policy for the administration of the DROP accounts in connection with community property orders.

POLICY

1. If the employee is a DROP participant on the date of separation as identified in the court documents, upon receipt of a final QDRO, the balance in the employee's DROP account on the separation date will be split into two accounts one for each divorcing party.
 - A. If the QDRO specifies the separate account option, the former spouse's DROP account will not receive future deposits; however, the balance in the account will continue to earn interest at the DROP rate until the former spouse is of retirement age or until the former spouse elects to cash out his/her benefit at which time the former spouse must elect a lump sum payment of the DROP account or roll the balance to an IRA.
 - B. If the QDRO specifies the combined account option, the former spouse's DROP account continues to receive the community property piece of the employee's DROP deposit monthly plus interest until the employee retires and begins drawing a benefit. At this time the former spouse also begins to draw his/her community piece of the monthly benefit based on the former spouse's DROP payout election.

2. If the employee is not a DROP participant on the date of separation, but becomes a DROP participant during the divorce proceedings or after the divorce, there is no DROP account balance to divide in the split of assets.

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1. Adopted 10/08/2003
 2. Annual Review, administrative changes, adopted 8/13/2008.