

PENSION UPDATE



Volume 2004.03, March 2004
Dallas Police & Fire Pension System



NCPERS Legislative Conference 2004

Message From Trustee and NCPERS Executive Board Member Richard H. Wachsman

From February 9–11, several Pension System Trustees and staff members attended the National Conference on Public Employees Retirement Systems (NCPERS) annual Legislative Conference in Washington, D.C. This yearly conference keeps public pension fund trustees informed and up-to-date on federal pension legislation that may affect public employees or their pension systems. It also gives us the opportunity to visit with Senators and Representatives and their aides from the Dallas area.



*Richard H. Wachsman,
Pensioner Fire Trustee*

NCPERS Board's Positions

NCPERS opposes expanding Social Security to noncovered public employees. Expanding Social Security coverage would undermine our Pension System and place a financial burden on our City and its employees. We support using federal budget revenues to strengthen the current Social Security system to make it solvent for future generations. We consider private accounts risky, and believe they could lead to a reduction in benefits at retirement age. The Government Pension Offset and the Windfall Elimination Provision are two

provisions in Social Security that lower benefits to government employees. We support eliminating these two provisions.

Rising health care costs are eating away the pension benefits of our Pensioners and threatening the benefits of future Pensioners. We support reforming the Medicare system to make it financially sound and to provide health care coverage for all senior citizens. We also support federal aid
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Constitutional Amendment

The Dallas City Council, after a briefing from staff, decided not to hold the opt-out election in May that could change or modify amendments from the September 2003 statewide election. Therefore, pension benefits are now protected by the Texas State Constitution.

Councilmembers Maxine Thornton-Reese and Donald W. Hill played a central role in explaining the amendment and the opt-out election to the Council.

NCPERS Legislative Conference, continued from page 1

to local governments that is equivalent to the aid given to the private sector to provide health care benefits for their employees and retirees. Other proposals we support would allow retirees to use funds from their 401 or 457 plans on a pre-tax basis to pay health care premiums, deductibles, and co-pays; allow public retirees to rollover unused leave into a "health care plan" on a pretax basis; allow contributions to a health care plan to be exempt from FICA, federal, and state unemployment taxes; and allow distributions from DROP accounts before the age of 59½ without a penalty.

Meetings on the Hill

We spent a day on the Hill meeting with Congressional members and staff from the Dallas area. Senator Kay Bailey Hutchison and an aide gave us a few minutes of their time. Leaders from the House side who met with us were Eddie Bernice

Johnson, Jeb Hensarling, and aides from the offices of Michael Burgess, Pete Sessions, Kay Granger, Joe Barton, Ralph Hall, and Sam Johnson.

They all seemed interested in our concerns. Some were with us on all issues. Others needed to study the issues more. Meeting with the staff of our Congressional Representatives gave us a chance to educate them and express our views on our pension issues. Since this is an election year, mandatory Social Security for all public employees will probably not be addressed.

Feel free to contact any of your Board Members about this or any other question you might have.



—Richard H. Wachsman,
Pensioner Fire Trustee



Pension System Trustees and staff members attended the NCPERS Legislative Conference in Washington, D.C. in February where they met with legislators. Pictured above (l-r) General Counsel Everard Davenport, Pensioner Police Trustee John M. Mays, Pensioner Fire Trustee Richard H. Wachsman, Senator Kay Bailey Hutchison, Administrator Richard L. Tettamant, Fire Trustee and Chairman Gerald Brown, Assistant Administrator Donald C. Roban, Fire Trustee and Deputy Vice-Chairman Gary W. Edge, Police Trustee Rector C. McCollum, and Police Trustee Steven H. Umlor.

Taking Your Money Out of DROP

Message From Your Administrator

The Deferred Retirement Option Program (DROP) is a valuable benefit that helps you to save and to plan for retirement. When you leave Active Service, however, there are many issues to consider before deciding to withdraw funds from your DROP account.



*Richard Tettamant,
Pension System
Administrator*

One of the most important considerations is the tax consequence of taking funds out of your account. See below for a brief discussion of your DROP distribution options and the tax consequences.

Distribution Options

You have several options for withdrawing funds from your DROP account after you leave Active Service:

- Annuity payable on a monthly basis for your life
- Joint and survivor annuity payable for your life and the life of your designated beneficiary
- Substantially equal payments for a specific period of time
- Rollover of all or part of your DROP account balance into another eligible retirement plan or IRA
- Lump sum distribution of all or part of your DROP account balance

Of course, you also may leave your balance on deposit with the Pension System. The System continues to credit interest to any amount remaining in your DROP account just as we do before you leave Active Service.

Tax Consequences

How and when you take money out of your DROP account determines your tax liability on the withdrawal. IRS rules require the Pension System to withhold a mandatory 20% of any lump sum payment you take out of your account unless you roll over the withdrawal to another eligible retirement or IRA. (Your actual tax liability may be more, depending on your income level.)

If you leave Active Service before the calendar year in which you turn age 55 and take money out of your DROP account, your withdrawal may be subject to a 10% early distribution tax.

The rules are too complicated to fully discuss here. The System strongly advises you to discuss your options with a Benefits Counselor and your financial advisor before making a decision to take money out of your account. Planning ahead can save you tax dollars.

If you have any comments or questions, please contact us via e-mail at info@dpfp.org, or call us at 214.638.3863 or 1.800.638.3861. We are here to help you!



—Richard L. Tettamant,
Pension System Administrator



Congratulations Retirees!

Police Department

*James H. Freeman
Christopher S. Green
Ronald R. Hill
Albert D. Holland
William G. Huffman
William R. Kirk, III
Victoria Leal
James C. Murphy
Mark A. Smith*



Fire Department

*Norman L. Akins
Frank B. Allen
James W. Broyles
Mac A. Devers
Jerry W. Graves*



March 2004

- **NCPERS Legislative Conference 2004**
- **Constitutional Amendment**
- **Taking Your Money Out of DROP**
- **Look Who Retired!**

2004 Easter EGGStravaganza

Easter Egg Hunt and Lunch, Saturday, March 27th, 11 a.m.

Dallas Fire-Rescue Maintenance & Training Center, 5000 Dolphin Road, Dallas, Texas 75223

Children and grandchildren, ages 1–10, of Active and retired Dallas Firefighters are welcome.

For more info, Ruth Ann Johnstone Gibson 214.369.7782.

Hosted by The Auxiliary to the Dallas Fire Fighters Assn.

Pension System Calendar

- **March 25**—Financial Planning
- **March 27**—DFFA Easter EGGStravaganza
- **April 8**—Board of Trustees meeting
- **April 11**—Happy Easter
- **April 15**—Board of Trustees meeting
- **April 20–22**—Dallas Fire-Rescue Health Fair, call 214.670.7331
- **April 27**—PREP
- **May 5**—Financial Planning
- **May 13**—Board of Trustees meeting

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Call us at 214.638.3863
or 1.800.638.3861

Visit our Web site at
www.dpfp.org

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