

## DISCUSSION POINTS REGARDING BOARD RULES RELATING TO THE SHARE PLAN

### Definition of "Member":

#### At what point does an employee become a member of the Share Plan?

**Do** Police Recruits become a Member of the Share Plan when they start working as a Recruit, or when they complete their probationary period and become sworn Police Officers?

**Staff recommendation:** As soon as an employee is placed on the payroll they are considered an Active employee for Pension purposes. Therefore the employee begins their eligibility to participate in the Share Plan on the date of hire

### Eligibility of DROP Participants:

Should Members remain eligible to continue their membership in the Share Plan upon entering the DROP?

Note: Once an employee enters the DROP they are no longer a pension participant.

**Staff Recommendation:** Since they are no longer an active member of the Pension Plan they are not eligible to participate in the Share Plan. Their individual Share Plan account would be paid out at the time they enter the DROP.

### Share Plan Losses (negative interest):

Should the Board institute a "Hold Back Provision" to cover potential losses on accounts paid out prior to losses being posted to Share Accounts?

For example , each year the member's individual account will be credited in January for their share of the Chapter Funds adjusted for the actual return of the Fund reported the previous fiscal year.

Suppose a Member retires after 10 years of service during December. The individual's portion of the Share Plan for that year plus earnings or losses reported by the Fund as of 9/30 the previous year is due to be credited in January. If the Fund shows a positive return, the individual Share Plan account is paid out along with the credited return.

However, what if the Fund experienced a loss during the previous year? Should the Fund apply the negative interest? Should a "Hold Back" be applied when the Member is given the check for their Share Plan balance until after the next interest credit in January? Any negative interest would be deducted from the amount "Held Back" and the Member would be credited with any remaining balance after the interest deduction.

Another consideration: since the Ordinance states that the Share Plan active Participant on the city's payroll of the preceding September 30<sup>th</sup> shall be credited with his/her share of the Share Plan, should an

individual who retired before September 30<sup>th</sup> of any year receive a pro rata portion of the Share Plan portion for the following year?

**Staff recommendation:** Pay the retiring employee the balance in his/her individual account at the time of retirement. The following January, the retired member should receive a pro rata amount of the Share Plan credited to the account based on the number of months worked the previous fiscal year. No Holdback required.

#### Time Service Connections

If a newly hired employee bridges service at what point does he/she become eligible to participate in the Share Plan?

Example: If an individual begins work on January 1<sup>st</sup> but bridges two years of October 1<sup>st</sup> of the preceding year. When does they be eligible

**Staff recommendation:** The date of hire is the start point for determining participation in the Share Plan. This way the individual new hire employed on 9/30 would receive prorated amounts for each full month of active service based on their partial year of service prior to 9/30.