

**PRESENTED AND ADOPTED:**

**SUBJECT:** Addition of Deferred Retirement Option Program to WMATA Transit Police Retirement Plan

**PROPOSED  
RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, The Washington Metropolitan Area Transit Authority ("WMATA") was unable to reach a negotiated settlement with the Fraternal Order of Police Metro Transit Police Committee ("FOP") over a new collective bargaining agreement ("CBA") for Transit Police Officers,

WHEREAS, A Board of Arbitration appointed to resolve the bargaining impasse issued its opinion with respect to the issues in dispute between WMATA and the FOP on December 19, 2005 (the "Arbitration Award"),

WHEREAS, The Arbitration Award provided for the inclusion of a Deferred Retirement Option ("DROP") in the WMATA Transit Police Retirement Plan, and

WHEREAS, WMATA desired to include Transit Police Officials in the DROP and the FOP consent to their inclusion; and

WHEREAS, Plan §14.01 requires all Plan amendments to be by written resolution; now, therefore, be it

*RESOLVED*, That the WMATA Transit Police Retirement Plan is amended as shown in Exhibit A to add the agreed-upon Deferred Retirement Option; and be it further

*RESOLVED*, That the Table of Contents to the Plan is hereby updated to conform to the changes made by this Resolution; and be it finally

*RESOLVED*, That this Resolution is effective immediately.

Approved as to form and legal sufficiency.

  
\_\_\_\_\_  
Carol B. O'Keeffe  
General Counsel

## EXHIBIT A

## TEXT OF AMENDMENTS TO THE WMATA TRANSIT POLICE RETIREMENT PLAN:

*Introduction:*

This Restated Retirement Plan is adopted by the Washington Metropolitan Area Transit Authority, an agency and instrumentality of the District of Columbia, State of Maryland and Commonwealth of Virginia, created as a body corporate and politic, with the consent of the Congress of the United States (hereinafter "WMATA" or "AUTHORITY"), effective February 1, 2002, pursuant to a Collective Bargaining Agreement between WMATA and ~~Local No. 246 of the International Brotherhood of Teamsters Fraternal Order of Police, Metro Transit Police Labor Committee, Inc.~~ (hereinafter "UNION"), the representative of sworn Metro Transit Police in the Office of Transit Police and Security.

*Article 2 (add the following new sections):*

2.26 "DROP" shall mean the Deferred Retirement Option Program described in Section 4.06.

2.27 "DROP Election" shall mean an election under Section 4.06(c) to participate in the DROP.

2.28 "DROP Effective Date" shall mean the date on which the Participant's DROP Election becomes effective. The DROP Effective Date must be the first day of a calendar month.

2.29 "DROP Retirement Date" shall mean the first day of the month coincident with or next following the retirement date voluntarily elected by an eligible DROP Participant in his or her DROP Election (or such earlier date upon which the Participant voluntarily elects to actually terminate his or her employment with the Authority).

2.30 "Normal Retirement Pension" shall mean the monthly benefit to which a Participant is entitled under the provisions of Section 4.02, expressed as a single life annuity commencing at the Participant's Normal Retirement Date.

*Section 4.06 (new section):*

#### 4.06 Deferred Retirement Option Program

- (a) Eligibility For DROP. A Participant (i) who is a Transit Police Official or who is classified as a PO 3, step 10, and (ii) who has completed at least 27 years of Credited Service may voluntarily elect, pursuant to this Section 4.06, to retire for purposes of calculating his or her Normal Retirement Pension under Article 4, continue working as a Transit Police Officer for a period of up to 3 years, and defer commencement of his or her Normal Retirement Pension until his or her DROP Retirement Date. The deferred benefit will be credited to the Participant's DROP Account and credited with interest in accordance with Section 4.06(e). In order for the DROP Election to be effective, the eligible Participant must complete and execute an election and release on a form supplied by the Board of Trustees, and such election and release must be valid and binding on the Participant in accordance with its terms.

A Participant who does not elect to participate in the DROP in accordance with the provisions of this Section 4.06 when first eligible, may elect to participate at anytime thereafter provided the Participant has not terminated employment or become Disabled.

- (b) Election of Retirement Date. An eligible Participant who voluntarily elects to have the provisions of this Section 4.06 apply shall irrevocably elect to retire no later than three years following the DROP Effective Date on which the Participant makes a DROP Election in accordance with Section 4.06(c). The DROP Election is not a commitment to remain employed for a period of up to three years or a guarantee of continued employment. A Participant who makes a DROP Election may retire at any time prior to the date specified in his or her DROP Election and may be terminated by the Authority at any time in accordance with the relevant rules and procedures applicable to terminations of Transit Police Officers.
- (c) DROP Election. The election to participate in the DROP in accordance with all of the terms and conditions of this Section 4.06 must be made, if at all, by executing and delivering to the WMATA Benefits Office, a DROP Election on a form provided by the Benefits Office for this purpose. Such form shall include a waiver and release of any age discrimination or other claims relating to the DROP. A DROP Election using the form provided by the Benefits Office must be filed with the Benefits Office at least sixty (60) days prior to the proposed DROP Effective Date. The proposed DROP Effective Date selected by the Participant shall be subject to the approval of the Board of Trustees. A

Participant who makes a DROP Election shall have a period of seven (7) calendar days to revoke the DROP Election. If the DROP Election is in effect at the close of regular business hours on the seventh calendar day after the date on which the Participant signs the DROP Election, the DROP Election (including, without limitation, the DROP Effective Date and the commitment to terminate employment and retire on the date specified) shall thereupon become irrevocable.

If a Participant makes a valid DROP Election, the amount accrued by a Participant after his or her DROP Effective Date and the amount payable with respect to the Participant's Normal Retirement Pension shall be determined solely and exclusively by the provisions of this Section 4.06 and, except as otherwise specifically provided herein, the Participant shall not be entitled to any other payment, benefit or amount with respect to his or her Normal Retirement Pension.

(d) Effect of Failure to Elect. The rights under the Plan of any Participant who is eligible for the DROP but who does not elect to participate in the DROP in accordance with, and subject to, all of the terms and conditions of this Section 4.06, shall be determined by the remaining terms of the Plan, and the value of any rights created by this Section 4.06 shall not be considered in determining such Participant's Normal Retirement Pension or the Actuarial Equivalent thereof.

(e) Credit to DROP Account.

(1) As of the first day of each calendar month commencing on or after the DROP Effective Date and continuing until the Participant's DROP Retirement Date, the Participant's DROP Account shall be credited with the amount the Participant would have received under Section 4.02 if the Participant had actually retired on the DROP Effective Date and elected to receive his or her Normal Retirement Pension in the form of a straight life annuity. Notwithstanding the foregoing, in lieu of having the amount credited to his or her DROP Account determined under the monthly life annuity form of retirement income, the Participant may elect, as part of his or her DROP Election, to have the amount determined under any of the Actuarial Equivalent forms of benefit specified in Section 4.04.

(2) The amount of the annuity used to determine the amount credited to the DROP Account will be adjusted each January 1 following the DROP Effective Date for changes in the cost of living in accordance with the provisions of Section 4.02.

- (3) As of the last day of each full calendar month that has elapsed since the DROP Effective Date, a Participant's DROP Account shall be credited with interest for such full calendar month at the rate of 3% per year, compounded monthly. No interest shall be credited for any period less than a full calendar month.
- (f) Amount of Retirement Benefit. Subject to the limitations contained in Section 415 of the Code, an eligible Participant who is subject to a valid and binding DROP Election shall be entitled to receive a monthly retirement income, beginning with the first day of the month coincident with or next following his or her DROP Retirement Date equal to:
- (1) His or her Normal Retirement Pension, calculated in accordance with Section 4.02 as if the Participant had terminated employment with the Authority on the Participant's DROP Effective Date.
- (2) Additional monthly retirement income that is the Actuarial Equivalent of the value of the Participant's DROP Account on the DROP Retirement Date.
- (g) Form of Retirement Benefit. Following the DROP Retirement Date, the Participant's retirement benefit, as determined pursuant to Section 4.06(f), shall be payable in the form of monthly payments for the remainder of the Participant's life, unless an optional form of payment has been elected pursuant to Section 4.04.
- A Participant may elect to have his or her benefits following the DROP Retirement Date paid in the form of a joint and survivor annuity or guaranteed period certain under Section 4.04 in accordance with the Plan's procedures for electing optional forms of benefits. The election made by the Participant does not have to be the same as the election made with respect to the amount credited to his or her DROP Account under Section 4.06(e). A Participant may also elect to receive the value of his or her DROP Account (but not his or her Normal Retirement Pension) in the form of a single lump sum payment.
- Upon the Participant's commencement of benefits, any election made by the Participant (including the designation of a Beneficiary under any option other than the guaranteed period option) shall be irrevocable.
- The benefit payable to the Participant following his or her DROP Retirement Date shall be adjusted beginning as of January 1 of the year following the Participant's DROP Retirement Date for changes in the cost of living in accordance with the provisions of Section 4.02.

- (h) Amount of Benefit Accruals and Cessation of Employee Contributions. Except as specifically provided in Section 4.06(i), a Participant who makes a DROP Election shall be treated as if he or she terminated employment as of the DROP Election Date.
- (1) The Participant shall not be required to make any Employee contributions with respect to Compensation earned on or after the DROP Effective Date.
  - (2) Such Participant's Normal Retirement Pension shall be determined based only on years of Credited Service earned as of the DROP Effective Date and shall be determined under the provisions of this Plan in effect as of the DROP Effective Date.
  - (3) In determining Final Average Earnings under this Plan, only Compensation with respect to employment as a Covered Employee prior to the DROP Effective Date shall be taken into account.
  - (4) The benefit accrued by the Participant subsequent to the DROP Effective Date shall consist solely of the amounts credited to the Participant's DROP Account under Section 4.06(e).
- (i) Disability Benefits. On and after the DROP Effective Date, the Participant shall cease to be eligible for a Disability Retirement Pension under Article 5.
- (j) Death Benefits. If a Participant who makes a DROP Election dies before the DROP Effective Date, the DROP Election shall be inoperative, and the death benefits, if any, payable on account of the Participant's death shall be determined in accordance with the remaining provisions of the Plan.

If a Participant who makes a DROP Election dies after the DROP Effective Date but before his or her Normal Retirement Pension (following the DROP Retirement Date) the benefits payable upon the death of the Participant shall be determined as follows:

- (1) The Participant's Beneficiary shall receive the amount of the Participant's DROP Account as a single lump sum.
- (2) If the Participant elected to have the amount credited to his or her DROP Account determined in one of the optional forms permitted under Section 4.04, then the Participant shall be deemed to have reached his DROP Retirement Date on the day prior to the date of death and to have commenced payment of his or her Normal Retirement Pension according to the form that

deferred benefit payments were being credited to the Participant's DROP Account under Section 4.06(e)(1). The additional benefits, if any, to which the Participant's Beneficiary shall be entitled with respect to the Participant's Normal Retirement Pension following the death of the Participant shall depend upon the form in which the Participant's Normal Retirement Pension was being credited to the Participant's DROP Account under Section 4.06(e)(1).

If a Participant dies after commencement of his or her Normal Retirement Pension (following the DROP Retirement Date), the benefits, if any, to which the Participant's Beneficiary shall be entitled shall depend upon the form in which the Participant's benefits were payable at the time of his or her death, under the applicable form of benefit.

- (k) Sunset. Absent mutual agreement to the contrary, the provisions of this Section 4.06 shall terminate effective September 30, 2007 and shall be of no further force or effect after such date; provided, however, that notwithstanding the termination of this Section 4.06, the provisions of this Section 4.06 shall continue to apply to (and determine the benefits of) any eligible Participant whose DROP Effective Date occurred on or before September 1, 2007.

\* Deletions shown as delete. New language is underlined.



**Washington Metropolitan Area Transit Authority  
STAFF SUMMARY SHEET**

February 6, 2006

ROUTI	TO	BY DATE	FOR	DATE
5	GMGR			
6	BOARD		X APPROVAL	SUBJECT: Addition of Deferred Retirement Option Program to WMATA Transit Police Retirement Plan
			X VOTE	PREPARED BY: LABR - D. Richard Froelke x2119
			CONCURRENCE	EXTENSION:
			INFORMATIO N	DEPARTMENTAL APPROVAL: WFDA - William F. Scott, II x2600

IMPLICATIONS (The implications checked below are involved in this action, and are discussed below or provided as a

CIP	RAIL CAPITAL CONST.	MANPOWER	CONSULTANTS
NONE			
OPERATING BUDGET	PUBLIC INFORMATION	<input checked="" type="checkbox"/> LEGAL	SAFETY

(NARRATIVE)

**PURPOSE:**

To request the WMATA Board of Directors' approve an amendment to the WMATA Transit Police Retirement Plan to provide for the addition of a Deferred Retirement Option Program to the pension plan in accordance with the award issued by an interest arbitration board convened pursuant to the Compact.

**DISCUSSION:**

In late December 2005, an interest arbitration board chaired by neutral M. David Vaughn, issued an award that is binding pursuant to the Compact on the Authority and the Fraternal Order of Police. This Award resolved all economic and non-economic issues in dispute and granted the Authority's proposal to install a Deferred Retirement Option Program (DROP) as an incentive for MTPD personnel to stay with WMATA for 27 years and then continue on board for up to three additional years at the election of the MTPD officer. To comply with the terms of the Award, the WMATA Restated Transit Police Retirement Plan must be amended to include the DROP language adopted by the Arbitration Board. This WMATA Board of Director's action formally approves the amendment of the Restated Retirement Plan to provide for inclusion of the DROP.

COORDINATION	Initial	Date		ENCLOSURE(S):
RAIL			2 COMP	
BUSV			 2/10/06	
CIVR			3 COUN	GENERAL MANAGER ACTION: <input checked="" type="checkbox"/> Approved. <input type="checkbox"/> Approved for Submission to the Board.
HMRS			 2/10/06	
TSDV			4 SCOS	Signature: Date: 3/8/06
EXTA			 2/10/06	
ADA		2/9/06	Deputy/ Admin.	BOARD ACTION (When Required): Approved by the Board of _____  Secretary
FIMA			Deputy/ Oper.	
PROC				
GOVR				
AUDT				
SAFE				
1 LABR				



**ALTERNATIVE:**

None.

**IMPACT ON FUNDING:**

The DROP is part of the MTPD pension plan and any cost associated with it will be paid by the pension fund. It is unknown at this time how many MTPD personnel will opt to elect participation in the DROP between this date and September 30, 2007 when the DROP will sunset. Pension costs related to the DROP Plan, if any, will be determined by the Plan Actuary and included in the normal cost of the pension plan which will be identified in due course during the WMATA budget cycle beginning in FY '08.

**RECOMMENDATION:**

That the WMATA Board of Directors' approve the attached resolution which amends the WMATA Transit Police Retirement Plan as set forth therein.