

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
202369

Resolution:
☒ Yes ☐ No

TITLE:

FOP Deferred Retirement Option Program Amendment

PRESENTATION SUMMARY:

Amend the 2017-2024 Fraternal Order of Police ("FOP") Collective Bargaining Agreement ("CBA") to reinstate the Deferred Retirement Option Program ("DROP").

PURPOSE:

Requesting Board approval to amend the FOP CBA, Appendix B "Washington Metropolitan Area Transit Authority Transit Police Retirement Plan", Article 4 "Normal Retirement Pension", Section 4.06 "Deferred Retirement Option Program" (DROP). This revision will allow eligible Transit Police Officers and Police Officials with 25 years of credited service to participate in the DROP.

DESCRIPTION:

The Washington Metropolitan Area Transit Authority (WMATA) and Fraternal Order of Police ("FOP") have agreed to amend the existing collective bargaining agreement (CBA) between the parties to reinstate the Deferred Retirement Option Program (DROP). On May 5, 2022, the FOP executed a Memorandum of Understanding (MOU). This action will be presented to the Board on July 28th as a consent item.

The DROP provision would allow police officers to retire for the purposes of the pension plan while WMATA retains their services for a period of up to three years. Police officers who elect DROP may continue to work beyond retirement, convert part of their retirement benefit into a lump sum, and receive a guaranteed return of five percent on the deferred benefit.

Key Highlights:

- DROP Program was created in 2006 and expired in 2010, the end of the contract period
- MTPD has a critical need to retain experienced officers while new officers are recruited and complete required training

- Reinstating the DROP for eligible employees with 25 years or more of credited service will create a retention incentive for current MTPD officers
- Officers who elect to participate would continue to work beyond retirement, convert part of their retirement benefit into a lump sum, and receive a guaranteed return of five percent on the deferred benefit
- DROP provisions will terminate September 30, 2026

Background and History:

In 2006, WMATA included the DROP as a contractual provision in the FOP CBA as a financial incentive for new police officer recruitment. The Board of Directors, through Board Resolution 2007-10, amended the WMATA Transit Police Retirement Plan to include the DROP to the Plan and adjusted the years of credited service requirement from 27 to 25.

Discussion:

The FOP executed a Memorandum of Understanding (MOU) on May 5, 2022 which proposes to amend Appendix B of the CBA of the Transit Police Retirement Plan. The revision would allow voluntary election to the DROP status for a period of up to three years, and provide a financial benefit of five percent per year, compounded annually.

FUNDING IMPACT:

Budget:	Operating Budget, FY2022-FY2026
Project/Account:	Pension Program
Project Manager:	N/A
Project Department/Office:	Nondepartmental
This Action:	\$1,356,576 through FY2026
Remarks:	Additional funding requesting to account for the reinstatement of the DROP.

TIMELINE:

Previous Actions	N/A
Anticipated actions after presentation	

RECOMMENDATION:

Board approval to amend Section 4.06 of the WMATA Transit Police Retirement Plan.

SUBJECT: AMENDMENT TO WMATA TRANSIT POLICE RETIREMENT PLAN

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

WHEREAS, Compact Section 66(d) requires the Board of Directors to approve any amendments to pension and retirement benefits plans for WMATA employees; and

WHEREAS, Management and the Fraternal Order of Police wish to amend the Washington Metropolitan Area Transit Authority Transit Police Retirement Plan to add a Deferred Retirement Option Program to begin when this resolution becomes effective and end on September 30, 2026;

NOW, THEREFORE, be it

RESOLVED, That the Board of Directors amends Section 4.06 of the Washington Metropolitan Area Transit Authority Transit Police Retirement Plan to add the “Deferred Retirement Option Program” as shown in Attachment A; and be it finally

RESOLVED, That this Resolution shall become effective 30 days after adoption in accordance with Compact Section 8(b).

Reviewed as to form and legal sufficiency,

/s/ _____

Patricia Y. Lee
Executive Vice President and General Counsel

WMATA File Structure No.:
7.6.3 Defined Benefit (Pension)

Attachment A

- (a) **Eligibility for DROP.** A Participant (i) who is a Transit Police Officer, to include those in the positions of Transit Police Officer, Transit Police Detective, or Transit Police Official covered by the Plan and (ii) who has completed at least 25 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 in a Transit Police capacity 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 WMATA Benefits Office, 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 any time thereafter provided the Participant has not terminated employment, become Disabled, or filed the election after the expiration of the DROP Program.

- (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 separate 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 separate 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, Transit Police Detectives, and other Transit Police Officials.

- (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 WMATA 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 WMATA Benefits Office must be filed with the WMATA 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 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 5% per year, compounded annually. 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) **Sick Leave.** All Participants in the DROP will continue to earn sick leave while in the DROP at the same rate as if he/she had not entered the DROP in accordance with current CBA language or existing Sick Leave Policy regarding sick leave accrual and utilization, if any, upon retirement.
- (j) **Disability Benefits.** On and after the DROP effective date, the Participant shall cease to be eligible for a Disability Retirement Pension under Article 5.
- (k) **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).

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.

- (l) **Sunset.** Absent a further Plan amendment to the contrary, the provisions of this Section 4.06 shall terminate effective September 30, 2026 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, 2026.

PROPOSED