CITY OF LOS ANGELES FIRE & POLICE PENSION PLAN
DEFERRED RETIREMENT OPTION PLAN ("DROP")

**DROP DISTRIBUTION ELECTION INFORMATION**

Name: ______________________________ DROP Exit Date:____________________

You are entitled to elect a distribution of your DROP account balance in a lump sum payment or a rollover to a traditional Individual Retirement Account (IRA) or another tax-qualified retirement plan or a combination of a lump sum and a rollover. (A traditional IRA does not include a Roth IRA, SIMPLE IRA or education IRA.) You must schedule an exit consultation appointment with the Fire & Police Pension Department prior to exiting DROP, to complete the necessary forms for processing your DROP distribution election and future retirement payments. We recommend that you schedule your appointment 60 days prior to your intended exit date for processing purposes.

Please review this Distribution Election Information prior to your exit consultation meeting with the Fire & Police Pension Department staff. The Fire & Police Pension Department is located at 360 E. 2nd Street, Suite 400, Los Angeles, California 90012, (213) 978-4568.

Please review the attached forms which allow you to elect to receive your DROP account either as a direct lump sum payment, as a rollover, or as a combination of these. Please complete the applicable form(s), attached, to make your election.

No matter which distribution option you elect, we encourage you first to carefully review the Special Tax Notice regarding distribution from DROP and to consult with your tax and/or financial advisor so that you are aware of any financial consequences that could affect your distribution decision. We cannot advise you regarding your tax liability.

You have the right to take ninety (90) days to make an election. If you return this form in fewer than 90 days, the DROP Administrator will honor your election as soon as it is received.

If you do not elect a distribution option within ninety (90) days of the DROP exit date, which is indicated above, your distribution election will **default** to the lump sum payment option less mandatory tax withholding. Keep in mind that if you receive a lump sum payment:

(1) you will not receive all of the funds in your DROP account as the plan must withhold 20% for federal income taxes--the only way to avoid the 20% mandatory withholding is to do a direct rollover.

(2) unless you do a rollover within 60 days of receipt (see the Special Tax Notice for further information or your tax advisor), you will be subject to taxes upon the full amount of the taxable distribution and, if you are not age 55 or older during the year of distribution, you will have to pay an additional 10% federal tax and 2½% state tax as early distribution penalties.

The only way to avoid both the mandatory federal tax withholding and taxation upon the distribution in the current year is by a direct rollover to a traditional IRA or tax-qualified retirement plan. If you wish to have your DROP account distributed as a direct rollover, please provide the requested information concerning the financial institution receiving the rollover distribution on page 5.

Should you take a lump sum payment, remember that you have 60 days after you receive the distribution in which to do a rollover to a traditional IRA or tax-qualified retirement plan and avoid taxation in the current year (including any applicable early withdrawal penalties). You, however, will have to do this rollover yourself. See your tax and/or financial advisor for further information.

**IMPORTANT TAX INFORMATION FOR SPOUSE OR FORMER SPOUSE OF MEMBER**

The above information is addressed to the Member, but the same rollover and mandatory 20% federal tax withholding rules set forth above also apply to:

- A current or former spouse who receives funds from a DROP account based upon a domestic relations order.
- A spouse who receives funds from a DROP account due to the Member's death.

A spouse or former spouse, however, is not subject to the early distribution penalty that applies to the member.

**IMPORTANT TAX INFORMATION FOR BENEFICIARIES OTHER THAN A SPOUSE**

In the event of the Member's death, if the beneficiary is not a spouse, the beneficiary has no right to rollover the funds in the Member's DROP account. The non-spouse beneficiary is not subject to either the early distribution penalty or to the mandatory federal tax withholding requirements.