

**MEMORANDUM OF AGREEMENT REGARDING
DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

This Memorandum of Agreement is by and between the **CITY OF ALLENTOWN**, a Municipal Corporation of the County of Lehigh, Commonwealth of Pennsylvania, ("City"), and **FRATERNAL ORDER OF POLICE QUEEN CITY LODGE NO. 10** ("Union") which is the collective bargaining representative for all full-time, non-managerial City Police Officers. The purpose of this Memorandum of Agreement is to memorialize an understanding between the City and Union regarding a term or condition of employment not set forth in the current collective bargaining agreement.

Currently, the collective bargaining agreement between the City and the Union expires on December 31, 2026. At this time, the City's Police Pension Ordinance does not include provisions related to a Deferred Retirement Option Plan ("DROP") Program. However, the City has examined the viability of a DROP Program and has concluded that a DROP Program may serve as an appropriate retention tool for the Police Department. The City and the Union acknowledge and agree to the following changes regarding a DROP:

1. **Creation of DROP Program.** The City and Union acknowledge and agree to a DROP Program. The provisions of the DROP Program shall be as set forth in the proposed amendments to the City's Police Pension Ordinance attached to this Memorandum of Agreement. It is agreed and understood that the City may make non-substantive editorial changes to the attached amendments as may be needed to correct any typographical errors or for internal consistency with the existing Police Pension Ordinance.

2. **Implementation.** The City and the Union acknowledge and agree upon this Memorandum of Agreement becoming fully executed, it is further agreed that the City shall be authorized to take any and all actions necessary for the implementation of the terms of this Memorandum of Agreement and the DROP Program. This includes, but is not limited to, creating documents necessary for DROP participation, obtaining a cost-study for the DROP Program prior to its implementation and making necessary amendments to the City's Police Pension Ordinance and/or plan documents.

3. **Effective Period.** The City and the Union acknowledge and agree that provisions of the DROP Program as set forth in the attached amendments to the City's Police Pension Ordinance shall become effective when signed by all parties to this Memorandum of Agreement and completion of the requisite actuarial study. The City and the Union acknowledge and agree that the DROP Program created by such amendments shall automatically sunset as of 11:59 p.m. on December 31, 2026. The DROP Program shall not survive the above-referenced sunset time and date, nor shall it become part of any post-expiration status quo period following the expiration of the

collective bargaining agreement between the City and Union.

During negotiations for a new collective bargaining agreement, the City and the Union may consider whether or not to extend or modify the provisions of the DROP contained in this Memorandum of Agreement.

4. **Eligibility.** The City and the Union acknowledge and agree that a City Police Officer must have twenty (20) or more years of pensionable service directly to the City as of December 31, 2026. "Pensionable service directly to the City" shall not include purchase of non-intervening military service or purchase of previous police or other service with the City. In addition, in order to be eligible to participate in the DROP, a City Police Officer must, no later than December 31, 2026, meet all service requirements, complete all necessary participation documentation and enter the DROP. No City Police Officer shall be permitted to enter the DROP or commence DROP participation after December 31, 2026. City Police Officers who are retired on a normal pension benefit before the Effective Date of this amendment or are receiving, pursuing, or have been deemed eligible to receive, a disability pension from the Police Pension Fund shall be ineligible and deemed to have waived the option of participating in the DROP.

Once a Police Officer commences participation in the DROP, his or her election to participate shall become irrevocable, and he or she may not choose to resume active participation in the Police Pension Fund nor resume earning pensionable service credit.

5. **Compensation/Wage Increases During DROP Participation.** The City and the Union acknowledge and agree that during a City Police Officer's period of participation in DROP, the Officer shall receive contractual increases to compensation, wages and other benefits provided to non-DROP participants. However, such increases shall not have any impact on the DROP participant's pension calculation or bi-weekly pension payment which is credited to the participant's DROP account (or the bi-weekly pension payment paid directly to the separated Police Officer following DROP participation). Likewise, upon a City Police Officer entering into the DROP Plan, the Officer may not obtain any service increments for any additional service as a City Police Officer.

6. **Redemption of Eligible Non-Pension Benefits at Separation.** The City and the Union acknowledge and agree that, for DROP participants, any non-pension, contractual benefits which are eligible to be paid, in full or in part, upon retirement/separation from employment for non-DROP participants will likewise be paid at actual separation from employment for DROP participants.

7. **Written election.** The City and the Union acknowledge and agree that a Police Officer electing to participate in the DROP must complete and file with the Mayor (or his/her designee) a DROP Participation Request Letter, in a form prepared by the City, which shall evidence the officer's request to participate in the DROP and provide their

last day of pensionable service, first day of DROP participation ("DROP commencement date") and exit date from DROP ("resignation date"). The letter must be signed by the Police Officer and submitted to the Mayor (or his/her designee), no later than December 31, 2026. Contributions by the officer to the pension fund will end with the pay period containing this DROP commencement date. Following the final pensionable pay date, the City will prepare a DROP Participation Agreement. The DROP Participation Agreement shall include an irrevocable notice to the City by the Police Officer that the Police Officer shall resign from employment with the City of Allentown Police Department, effective on the "resignation date." In no event shall the resignation date be more than forty-eight (48) months from the date on which DROP participation will commence. Unless ended by the Police Officer or the City prior to the resignation date, a Police Officer shall cease to be employed by the City as a police officer in any capacity as of the resignation date. To participate in DROP, an eligible officer must hold the City harmless from any tax or other implications or consequences of entering into the City's DROP. The DROP Participation Agreement must be signed by the Police Officer and submitted to the Mayor (or his/her designee) within fifteen (15) days before entry into the DROP and no later than December 31, 2026, with the sole exception of the initial round of Participation Agreements.

8. **Effect of DROP election.** The City and the Union acknowledge and agree that the effective date of the DROP Participation Agreement shall be the date on which the Police Officer indicates his or her enrollment in the DROP (the "effective date"). The effective date may be no sooner than the day after the date on which the Police Officer completes twenty (20) years of actual service as a Police Officer and no later than the ending period of the eligibility requirements/limitations set forth in Paragraph 4 of this Memorandum of Agreement. Under no circumstances may a Police Officer "back date" his or her effective date for any purpose.

9. **Payments to DROP Participant Account.** The City and the Union acknowledge and agree that a DROP Participant's initial and subsequent pension checks shall be credited at the same time and in the same manner as the Police Pension Fund pays the initial and subsequent biweekly payment to retiring Police Officers who do not participate in the DROP. While a DROP Participant is employed as a City Police Officer, the DROP Participant's biweekly, normal retirement benefit and interest thereon shall be credited to the DROP participant's DROP Participant Account.

The City and the Union acknowledge and agree that the interest rate for each DROP participants' account annually shall be the same as the overall annual investment return of the City's Police Pension Fund monies for the same year. However, the interest rate annually for a DROP participant's account shall be no lower than 0%. Following the Effective Date of the DROP Plan, If the Department of Auditor General issues a written finding that the annual interest rate for a DROP participant's account or another provision of the DROP is beyond what is required by Act 44 of 2009, the City and the Union

acknowledge and agree that the City shall automatically amend the DROP Plan to the specific interest requirements of Act 44, including any caps on interest rates.

10. **Payout.** The City and the Union acknowledge and agree that, following the resignation date set forth in the DROP Participant's DROP Participation Agreement, the date on which the City separates the DROP Participant from employment or the date on which the DROP Participant resigns, future biweekly pension payments shall be paid directly to the Police Officer or to the Police Officer's eligible survivor, if applicable, as defined under Section 75-55 of the City's Pension Plan, Police Pension Fund Document, and shall no longer be paid to the Police Officer's DROP Participant Account.

Within thirty (30) days following termination of a DROP Participant's employment, or as soon as administratively feasible thereafter, the balance in the Police Officer's DROP Participant Account shall be paid to the Police Officer in a single lump-sum payment. With respect to the payout of proceeds from a DROP Participant Account, Drop Participants shall agree to hold the City harmless for any tax or other consequences flowing from the officer's disposition of the payout under this section.

11. **Product of Collective Bargaining.** The City and Union acknowledge and agree that the terms and conditions contained in this Memorandum of Agreement, as well as the amendments contained in the attachment are the product of good faith collective bargaining negotiations between the parties. The City and the Union acknowledge and agree that the terms and conditions contained of this Memorandum of Agreement and the attachment include all bargainable issues related to this DROP account, as well as all ancillary issues had been addressed by the City and the Union. Both the City and Union agree that they will not take any steps to challenge, impede or interfere with the implementation of the DROP Program created under this Memorandum of Agreement.

12. **Non-Precedential Nature of Memorandum of Agreement.** The City and Union acknowledge and agree that the circumstances of this matter are extraordinary and unique unto the creation and implementation of the DROP Program outlined in this Memorandum of Agreement, including its attachment. Neither this Memorandum of Agreement nor its attachment shall constitute a past practice nor prejudice the rights of the City or Union to take differing positions in the future in response to the same or similar events.

13. **Entire Memorandum of Agreement.** This Memorandum of Agreement and its attachment sets forth the entire agreement between the City and Union. The parties further acknowledge that they have not relied upon any representation or statement, written or oral, not expressly set forth in this Memorandum of Agreement. This Memorandum of Agreement, including its attachment may only be amended by a subsequent written Memorandum of Agreement executed by both parties.

14. **Governing Law** This Memorandum of Agreement and the DROP created herein shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

15. **Effective Date.** This Memorandum of Agreement shall become effective and enforceable when executed and ratified by both parties. The provisions of the DROP Program as set forth in the attached amendments to the City's Police Pension Ordinance shall become effective upon completion of the requisite actuarial study that shall commence immediately after the parties have ratified the Memorandum of Agreement.

**MATTHEW TUERK, MAYOR,
CITY OF ALLENTOWN**

**FOR FRATERNAL ORDER OF POLICE
QUEEN CITY LODGE # 10**

Date

Date

ATTEST:

ATTEST:

Date

Date

ATTACHMENT A
CITY OF ALLENTOWN POLICE
DEFERRED RETIREMENT OPTION PROGRAM (DROP) PROVISIONS

§ 75-53 Limited Deferred Retirement Option Plan.

A. Definitions

The following definitions apply when used in this Section:

CITY

The City of Allentown, Pennsylvania

DROP

Deferred Retirement Option Program.

DROP PARTICIPANT ACCOUNT

A DROP Participant Account shall be established for each DROP participant. While a City Police Officer is employed as a DROP Participant, the member's bi-weekly, normal retirement benefit and interest thereon shall be credited to the DROP Participant's subsidiary DROP participant account.

DROP NOTICE OR DROP PARTICIPATION AGREEMENT

The forms prescribed by the City upon which a member informs the City of his or her intent to participate in the DROP.

DROP PARTICIPANT

A City Police Officer who meets the eligibility requirements for DROP participation and who has properly submitted a request to participate in the DROP which request has been approved by the Mayor (or his/her designee) or other identified President of the Police Pension Fund Association as set forth in the Police Pension Fund Document.

POLICE OFFICER

A duly-sworn full-time police officer employed by the City.

POLICE PENSION FUND

The City of Allentown Police Pension Fund Document as set forth in Chapter 75, Article III of the Code of the City of Allentown as applicable and as may be amended and revised from time to time.

UNION

The Fraternal Order of Police Queen City Lodge No. 10, which is the duly recognized collective bargaining representative for all non-managerial, full-time employees of the City Police Department.

B. Effective Period. The DROP Program shall become effective when the City and Union sign a Memorandum of Agreement and any addition actuarial study. The DROP Program created shall automatically sunset as of 11:59 p.m. on December 31, 2026. The DROP Program shall not survive the above-referenced sunset time and date, nor shall it become part of any post-expiration status quo period following the expiration of the collective bargaining agreement between the City and Union.

C. Eligibility. A City Police Officer must have twenty (20) or more years of pensionable service directly to the City as of December 31, 2026. "Pensionable service directly to the City" shall not include purchase of non-intervening military service or purchase of previous police or other service with the City. In addition, in order to be eligible to participate in the DROP, a City Police Officer must, no later than December 31, 2026, meet all service requirements, complete all necessary participation documentation and enter the DROP. No City Police Officer shall be permitted to enter the DROP or commence DROP participation after December 31, 2026. City Police Officers who are retired on a normal pension benefit before the Effective Date of this amendment or are receiving, pursuing, or have been deemed eligible to receive, a disability pension from the Police Pension Fund shall be ineligible and deemed to have waived the option of participating in the DROP.

Once a Police Officer commences participation in the DROP, his or her election to participate shall become irrevocable, and he or she may not choose to resume active participation in the Police Pension Fund nor resume earning pensionable service credit.

D. Written election.

- (1) A Police Officer electing to participate in the DROP must complete and file with the Mayor (or his/her designee) a DROP Participation Request Letter, prepared by the City, which shall evidence the officer's request to participate in the DROP and irrevocably identify the Officer's last day of pensionable service, first day of DROP participation ("DROP commencement date") and termination date from DROP ("resignation date"). The letter must be signed by the Police Officer and submitted to the Mayor (or his/her designee) no later than December 31, 2026. Contributions by the officer to the pension fund will end with the pay period containing the DROP

commencement date. Following the final pensionable pay date, the City will prepare a DROP Participation Agreement. The DROP Participation Agreement shall include the Police Officer's irrevocable specific date of resignation ("the resignation date") from employment with the City of Allentown Police Department. In no event shall the resignation date be more than forty-eight (48) months from the date on which DROP participation will commence. Unless ended by the Police Officer or the City prior to the resignation date, a Police Officer shall cease to be employed by the City as a police officer in any capacity as of the resignation date.

- (2) As a condition precedent to participation in the DROP, a DROP Participant must acknowledge and agree in writing to hold the City harmless for any consequences of the Police Officer's decision to participate in the DROP, including, but not limited to, any tax consequences or implications of DROP participation and/or any monetary loss incurred as the result of DROP participation.
- (3) In addition, all retirement documents required by the Police Pension Fund Association and/or by the custodian of the Police Pension Fund must be signed and submitted to the Police Pension Fund Association for approval of retirement and payment of pension. The Mayor (or his/her designee) shall approve the application so long as the applicant meets the eligibility requirements set forth in Section B of this DROP Plan. Once a DROP Participation Agreement has been approved by the Mayor (or his/her designee), it is irrevocable. The documentation that must be executed before a Police Officer may participate in the DROP shall include a provision releasing the City and related entities from any liability regarding DROP participation and contain an acknowledgement that any fees, commissions and administrative costs attributable to DROP participation shall be paid at the Plan level. Individual officers shall not be required to pay fees or costs attributable to DROP participation.

E. Effect of DROP election.

- (1) The effective date of the DROP Participation Agreement shall be the date on which the Police Officer indicates his or her enrollment in the DROP (the "effective date"). The effective date may be no sooner than the day after the date on which the Police Officer completes twenty (20) years of pensionable service directly to the City and no later than December 31, 2026, whichever occurs first. Under no circumstances may a Police Officer "back date" his or her effective date for any purpose.

After the effective date, the DROP Participant shall no longer earn or accrue additional years of continuous service for pension purposes (including, but not limited to, service increment benefit eligibility accrual). A separate account shall be created to credit the DROP Participant's bi-weekly pension amount during the time period that the DROP Participant continues to be employed by the City of Allentown Police Department ("DROP Account").

- (2) As a condition of DROP participation, the DROP Participant acknowledges that he/she:
 - (a) shall be retired under the Police Pension Fund for the purpose of calculating pension benefits (including, but not limited to, service increments). Sick leave, vacation and other leave deemed to be paid at separation shall be paid upon the completion of DROP participation and shall not be included in any pension calculation or other payment deposited into the Police Officer's DROP Account; and
 - (b) shall no longer earn or accrue additional years of continuous service for pension purposes under the Police Pension Fund; and
 - (c) shall no longer be required to make contributions to the Police Pension Fund; and
 - (d) shall not be eligible for any additional pension benefits unless expressly made applicable to DROP participants; and
 - (e) shall be permitted to continue to receive all other non-retirement employee benefits and programs as set forth in the applicable collective bargaining agreement.

F. Benefit calculation. For all retirement fund purposes, the length of service of a DROP Participant shall remain as it existed on the start of DROP Participation. Service thereafter shall not be recognized or used for the calculation or determination of any benefits payable by or through the City of Allentown Police Pension Fund. Solely for pension calculation purposes, the salary of a DROP Participant under the Police Pension Fund Document, and as defined by the collective bargaining agreement and the Police Pension Fund Document, shall remain as it existed on the effective date of commencement of participation in the DROP. Changes in pensionable earnings shall not be recognized or used for the calculation or determination of any pension benefits payable to the DROP account.

G. Police Pension Plan contributions. While participating in the DROP, a DROP Participant shall not contribute to the Police Pension Fund, regardless of

the level of contribution required to be made by officers who are not participating in the DROP.

H. Payments to DROP Participant Account.

- (1) The biweekly retirement benefits that would have been payable had the DROP Participant elected to cease employment and receive a normal retirement benefit shall, upon the Police Officer commencing participation in the DROP, be paid into the separate DROP Participant Account established to credit the Police Officer's biweekly pension payments. Such DROP Participant Account shall be an individual subaccount of the pension fund set up in each DROP Participant's name. This account shall be designated the DROP Account.
- (2) A DROP Participant's initial and subsequent pension checks shall be credited at the same time and in the same manner as the Police Pension Fund pays the initial and subsequent biweekly payment to retiring Police Officers who do not participate in the DROP. While a DROP Participant is employed as a City Police Officer, the DROP Participant's biweekly, normal retirement benefit and interest thereon shall be credited to the DROP participant's DROP Participant Account. The interest rate for each DROP participants' account annually shall be the same as the overall investment return of the City's Police Pension Fund monies for the same year. However, the interest rate annually for a DROP participants account shall be no lower than 0%. Following the Effective Date of the DROP Plan, If the Department of Auditor General issues a written finding that the annual interest rate for a DROP participant's account are beyond what is required by Act 44 of 2009, the City shall amend the DROP Plan to the specific interest requirements of Act 44, including any caps on interest rates.
- (3) By entering into the DROP, each participating officer holds the City harmless for any tax, financial or other consequences

I. Payout. Following the resignation date set forth in the DROP Participant's DROP Participation Agreement, the date on which the City separates the DROP Participant from employment or the date on which the DROP Participant resigns, future biweekly pension payments shall be paid directly to the Police Officer or to the Police Officer's eligible survivor, if applicable, as defined under Section 75-55 of the Police Pension Fund Document, and shall no longer be paid to the Police Officer's DROP Participant Account. Within thirty (30) days following termination of a DROP Participant's employment, or as soon as administratively feasible thereafter, the balance in the Police Officer's DROP Participant Account shall be paid to the Police Officer in a single lump-sum payment. With respect to the payout of proceeds from a

DROP Participant Account, Drop Participants shall agree to hold the City harmless for any tax or other consequences flowing from the officer's disposition of the payout under this section.

J. Disability during DROP.

- (1)** If a DROP Participant becomes temporarily incapacitated during his or her participation in the DROP, that DROP Participant shall continue to participate in the DROP as if fully employed. The DROP Participant shall receive any temporary disability pay or benefits to which he or she would otherwise be entitled if not participating in the DROP. In no event shall a DROP Participant on temporary disability have the ability to draw from his or her DROP Participant Account at any point prior to separation from employment.
- (2)** If a DROP Participant becomes permanently disabled during the DROP period, the DROP Participant shall be honorably discharged from employment immediately and may obtain the contents of his DROP account. Following separation, the DROP Participant shall continue to receive his or her biweekly pension benefit in the same manner as any other DROP Participant who ends employment as a Police Officer with the City. As a condition of DROP participation, a DROP Participant waives the right to receive a disability pension from the Police Pension Fund.
- (3)** Notwithstanding any other provision in this Section, if a DROP Participant is disabled and has not returned to work as of his or her required resignation date, then such resignation shall take precedence over all other provisions herein and said DROP Participant shall immediately resign from employment.

K. Death. If a DROP Participant dies before the DROP account balances are paid, the DROP Participant's designated beneficiary shall have the same rights as the DROP Participant to withdraw or direct the account balance. If a DROP Participant is killed in the line of duty, then a killed-in-service benefit shall be payable in accordance with Section 75-55 of the City of Allentown Police Pension Fund Ordinance. In addition, the contents of the deceased officer's DROP Participant Account shall be paid to the Police Officer's designated survivor or, in the absence of such named survivor, to the deceased Police Officer's estate.

L. Other benefits. For all non-pension benefits payable at separation of employment or thereafter, all DROP Participants are treated the same as non-retired police officers. DROP participants may voluntarily terminate their employment at any time without penalty. The DROP establishes no new pension or other benefits beyond what is specifically permitted herein.

Additionally, nothing hereunder shall be construed as conferring any legal rights upon any Police Officer to a continuation of employment, nor shall participation in the DROP in any way supersede or limit the existing rights of the City to suspend, demote or terminate an officer for just cause or to grant the officer an honorable discharge based upon a physical or mental inability to perform his or her duties.

M. Forfeiture of benefits. Notwithstanding a DROP Participant's participation in the DROP, a DROP Participant who is convicted or pleads guilty to engaging in criminal misconduct which constitutes a "crime related to public office or public employment," as that phrase is defined and used in Pennsylvania's Pension Forfeiture Act, 43 P.S. §§ 1311-1314, and interpreted thereunder, shall forfeit his or her right to receive a pension, including any amounts currently contained in the DROP Participant Account. In such a case, the DROP Participant shall only be entitled to receive the contributions, if any, made by the Police Officer to the Police Pension Fund, without interest.

N. Amendment. Any amendments to the DROP Plan shall be consistent with the provisions covering deferred retirement option plans set forth in any applicable collective bargaining agreement and shall be binding upon all future DROP participants and upon all DROP participants who have balances in their deferred retirement option accounts. With the exception of any modifications which are required as the result of a written finding by the Department of Auditor General in Paragraph H(2), the DROP Plan may only be amended by a written instrument, not by any oral agreement or past practice.

O. Interpretation of provisions. This DROP shall be interpreted under the laws of the Commonwealth of Pennsylvania. In addition, nothing provided hereunder shall be construed as a change to the parties' practice of calculating pensionable compensation, and, except for the ability to establish a DROP account and participate in the DROP, nothing herein is intended to create new pension benefits of any kind which did not exist prior to the effective date of the DROP.