Forward DROP and Planning for Retirement

By Tyler Grossman, EPFPF Executive Director

With the recent implementation of the Forward DROP program, many Fund members have taken the opportunity to enter the DROP. In fact, more members than expected entered which is wonderful news.

Among the priorities of the Fund board and staff is helping develop financial knowledge of members in the DROP and those considering entry into the DROP. For that reason, we will have a broader educational presence in the fire and police departments – so, please keep an eye out for those education opportunities. But until then please read through the following suggestions to prepare yourself for retirement, no matter how many years you have in your department.

First, the Forward DROP is just a tool in your retirement package, but it is not by a long shot the most important one. Your defined benefit (DB) pension plan is your most important asset. Please view it as the tool belt of your retirement. For most of us, our pension is the largest asset we will ever have. Upon retirement your pension will typically be worth more than $1.5 million, based on normal mortality rates. When planning retirement the first figure to find out is what your monthly benefit will be. You need to know what this monthly income is so you can determine if that income will sustain you going forward. A calculator is available on the Fund’s website. This same calculator can help determine if the Forward DROP is right for you.

The Forward DROP is one of the tools that fits in our pension tool belt. To determine what you could make on a monthly basis in the DROP, please use the Fund website calculator by figuring what your monthly benefit is at the time you would like to enter the DROP. That number will give you a good estimate of how much you can make on a monthly basis in the DROP. Now here is the important thing to remember: the DROP is a just “retirement” tool. The DROP has been made available so that you can fund a certain aspect of your retirement.

Your pension money is tax deferred until you accept it as payment. Once that occurs, Uncle Sam is close by and can’t wait to get his cut! The tax laws of this great nation are constantly changing – and usually not in our favor. Currently there are laws that penalize those who take lump-sum DROP’s in cash prior to 50 years of age and higher taxes for lump-sum withdrawals in cash. Lump sum payouts from DROP and deferred comp should be avoided if possible but also watch for new laws you must follow if you roll over to an IRA. Taxes are most lenient when retirement income is taken as monthly payments. Taxes have serious consequence so this is why everyone should plan for retirement early when they join their department. Don’t wait until a year, month, or day before retirement to start making life changing financial decisions. Retirement income is a lifelong decision but it’s never too late to work toward a secure retirement.

The second tool your department offers you is the deferred compensation program. This is another tax-deferred program we all should use. The deferred comp allows us to save and invest up to $18,000 a year. Automatic withdrawals and automatic investing is available to you so that when you do retire you can have another nest egg available. Most people who do not participate feel they can’t afford to give to the deferred comp. But remember, there is a tax benefit to participating that offsets the cost. The best way to never feel any pain in giving is at your next pay raise. Increase or start your deductions at a percentage of your raise. This way you never see the money in your paycheck, and, therefore, you never feel any hurt in losing it from your bi-weekly income.

These are just two of the tools for your pension tool belt. There are other tools available to you outside of the department such as, IRAs, reduced Social Security, and personal investments. The point is, our DB pension benefit is the largest asset and the other investment vehicles are there to supplement that retirement. But you must plan and it is beneficial to seek financial and tax help. Don’t wait to invest for your future and always be ready to fight for what you have earned.

“Retirement income is a lifelong decision but it’s never too late to work toward a secure retirement.”
Q&A: Christina Ramirez, Deputy Executive Director

What do you do for the Fund?
In many ways, my job encompasses every aspect of the Fund’s administration – from board and staff issues to services provided to individual members. This job is never boring and I support the Executive Director to make sure that we accomplish the objectives that are given to us by our Board of Trustees each year. I help ensure that Board members receive the information they need to make decisions for the Fund at each of the board and committee meetings.

I also assist in creating and updating the policies and procedures for the successful administration of the Fund. I oversee the benefits administration which enrolls new members, provides member education, assists members with the retirement process, maintains member records, calculates member benefits, and processes retiree payroll. I also work with the various consultants of the Fund. I am also the human resources arm of the Fund and I maintain the Fund’s website. All of this requires an effective team, of course, and I believe we have a very good one.

Please tell us about recent strides made with the Fund administration?
Both the executive director, Tyler Grossman, who previously served as chairman of the Fund’s Board, and I are relatively new in our current roles. We have worked hard to make sure that the Fund’s policies and procedures are updated. Some updates are intended to make us as cost-effective and efficient as possible. Others involve operational improvements. For example, we implemented a Board tool which moved us to paperless Board meetings.

This tool is a web-based application that the Trustees are able to access from any Internet-accessible computer. The reduction in paper waste at the office is already noticeable.

What Fund projects have your focus now?
Currently, my main focus is working with the Pension Technology Group to get our new pension administration system completed. We must ensure that we bring over all of members’ information, such as payroll and contribution history, accurately. We also want to be sure that the processes and calculations used in the system remain exact. This project involves all of the benefits team and although it is a tedious process, it will be very well worth the effort. We are committed to staying ahead of or at least on pace with technological innovations in our industry.

What are your priorities for 2017 and beyond?
We want to continue to enhance the educational services that our members receive by providing sessions on financial planning. Also once the pension administration system is finished later this year, we will continue to add additional modules to the system. One of the modules will be a member portal. For the first time, members will be able to see their earnings statements online, make changes to their address, payment instructions, and tax withholdings. This will be an added convenience for the members.

How are Fund members benefitting from these initiatives?
My main focus is making sure that members understand their benefits so that they can be prepared for retirement. I want to make sure that members, once they are retired, have the tools they need to manage their pension benefit. I believe that providing our members with the best customer service has become our highest priority. All of the initiatives that we have implemented recently – or have in development – have been initiated for the benefit of our members.
Here’s news from TEXPERS on Texas pension legislation in late-March. The State Affairs committee of the Texas Senate held a public hearing on March 20, and discussed five pension bills.

1. Politics vs. Voter Approval

Senate Bill 151 authored by Sen. Paul Bettencourt, R-Dist. 7, is seeking to require funds to obtain voter approval before issuing pension obligation bonds. Some fear the bill would politicize pensions.

A representative with the Houston Police Officers Union testified before the committee and said if the pension obligation bonds were to be presented to voters and fail to gain support, it would be because of politics. The committee’s chair, Joan Huffman, R-District 17, however, said she believes voters would support bonds if a case were made. TEXPERS’s legislative committee confirmed its opposition to the bill.

The bill was voted out of committee and moves to the full Senate.

2. Unfunded Reporting Requirement

Senate Bill 509, authored by Huffman, would add a new reporting requirement for public pensions. The State Affairs committee chairwoman told the committee that she authored the bill in light of pension fund problems in Dallas as a means of increasing transparency in asset reporting.

The bill would require municipal, police and fire pension funds greater than or equal to $100 million to submit an evaluation of investments and performance every three years. Funds with $30 to $100 million would present a report every six years. Funds under $30 million would be exempt from the reporting requirement.

TEXPERS’ executive director, Max Patterson, and board president, Paul Brown, testified against the bill during the hearing. Patterson said funds already provide reports to the state’s Pension Review Board and the board can always request the information without establishing legislation. Brown said the legislation is an unfunded mandate and reiterated that some systems already provide the information to the PRB.

Anu Anumeha, executive director of the PRB, said the bill would require funds to obtain someone outside her state agency to check assets to ensure they are accurate. The bill was voted out of the committee.

3. Another Pension Systems Study

The state affairs committee also held a public hearing regarding Senate Bill 936, which seeks to establish a joint interim committee to study the public retirement systems in Texas.

The bill’s author, Huffman, told the committee that people think she is trying to achieve a particular result, such as convert defined benefit plans to defined contribution plans, in establishing the committee but that isn’t the intent. Huffman said the intent is to study the pension systems to save them.

However, Huffman did state that possible conversion from DB to DC would be considered by the interim committee as an option. The bill is supported by the Texas Public Policy Foundation, a partisan think tank based in Austin. The foundation supports the bill stating that it will restore local control. However, the Texas Retired Teachers Association conducted a study in 2011 and found that when comparing DC plans to DB plans, DB plans cost significantly less to operate.

4. To POB or Not to POB and Other Questions

Senate Bill 2190, also by Huffman, proposes changes to three pension funds in Houston. The state affairs committee discussed the bill that is based on negotiations between the city of Houston and the municipal, police and fire funds.
Houston Mayor Sylvester Turner spoke to the committee about negotiations and said the city wants to honor the defined contributions of current employees and said any shifting of new employees to defined contribution plans wouldn’t reduce the city’s unfunded liabilities. The bill received some criticisms from representatives of the Houston Firefighters’ Relief and Retirement Fund who said the negotiated bill has new items it never agreed to, such as parity in pensions without equality in pay.

The Huffman bill also includes the use of pension obligation bonds to help raise funds to pay for the city’s financial shortfall. The POB, according to the bill, would require voter approval, however. A representative from the city’s municipal employee pension fund said the system cannot support the bill with the voter approval provision.

Also, the firefighter’s fund would be the only fund not receiving money from any approved pension obligation bonds, according to a representative of the Houston Professional Firefighters Association who testified to the committee. The association opposes the bill as it is currently written.

During the hearing, a committee member asked Robert May, a member of the Pension Review Board and a professional actuary, if the pension reforms proposed could still work without the bonds. He said it would, however, the city’s contribution rate would increase by 10 percent of payroll.

Also, while discussing the negotiation process, Mayor Turner said all but one fund provided actuarial information. David Keller Jr., chair of the Houston Firefighter’s Relief and Retirement Fund, said his fund cannot release actuarial reports while in litigation and under a judge’s order not to share the information. Huffman requested the fund produce the report no later than March 21.

The bill was voted out of committee.

5. Huffman: No State Funds
Senate Joint Resolution 43 was discussed during the state affairs public hearing. The bill, by Huffman, is a proposed constitutional amendment that would prohibit the use of state funds to pay for the obligations of local public retirement system.

Huffman told the committee that the state is not obligated to pay local pension debt. The bill was not voted out of committee.
Let’s Remember: Not All Texas Pension Plans Are the Same

By Jerry Villanueva, EPFPPF Chairman

The 2017 legislature has begun and the pension “reformers” are out in full force. Many retired El Paso police officers and firefighters ask me if our Fund is “okay.” My response is, “Financially, yes – we are in great shape! Politically, no – we are constantly under attack.”

Here’s what I mean: legislative bills have already been submitted in order to diminish or even end defined benefit (DB) pension plans for public employee retirees in Texas.

Financially, our Fund is in great shape. We remain strong and funded, but that does not stop people from trying to do away with our plan and leave us with nothing. Many reformers have pegged their hopes on confusing the difficulties with the Dallas and Houston police, fire and municipal plans. While they are state-mandated plans just like ours, our Fund is financially different.

For 10 years El Paso firefighters, police officers and retirees have done what is right – for us and the city – by paying proper contributions, sharing contribution burden, and implementing new Fund-friendly programs. Many government officials around Texas are trying to implement policies that we have already implemented. I firmly believe we are at the top of the state when it comes to pension plan fiscal responsibility. With the work we have done to keep our local city council, mayor, and city manager informed is invaluable. With transparency comes trust and that is what we have done to instill transparency and trust with our city officials.

Of course, this point is moot if reformers get their way in Austin, and impose devastating benefit cuts statewide. Our DB plan is a privilege and not a right. We must protect it at all costs.

It’s worth remembering that the so-called pension reforms are led by billionaires and other ultra-rich who apparently believe public employees make too much money in retirement or are the cause of “high” municipal taxes. They do not mention that deregulation of pension funds or conversion to high-risk 401(k) accounts would benefit banks and Wall Street financial institutions. This is among the reasons that your trustees ask you to understand your pension and pass on your knowledge to younger firefighters and police officers.

To keep these reformers at bay, we must take ownership of our Fund, understand we are not entitled to a pension without fighting for it, and always willing to do what it takes to protect your benefits. Your pension staff and trustees will be in Austin in 2017 making sure your Fund is being heard. There are laws in place to protect your Fund, but laws can change if our voice is not heard at the state capitol.

Please don’t be caught off guard in this fight. Read your newsletters, listen to your trustees, and help keep your retirement strong.

MISSION STATEMENT OF EL PASO FIREMEN & POLICEMEN’S PENSION FUND

To preserve the promise of benefits for members and beneficiaries of the El Paso Firemen & Policemen’s Pension Fund. As leaders in the provision of retirement benefits, we ensure financial security through sound investment decisions. Our service and dedication to our members and our community is unparalleled.

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It is time to.....

- Show **PRIDE** in our organization
- Represent your **TEAM** to other members of our department
- Look back and **REMEMBER** friends and events of the past
- Be part of the **HISTORY** that will be handed down to our families

**Attention El Paso Fire Department Members:**

We have partnered with Heritage Portraits & Album to photograph our department members so we can create our **135th Anniversary Heritage Album** for our organization. This full color hardbound Album will include all our members’ photos as well as document in pictures and text, the rich history and current events of our organization. This will be YOUR book about our organization and will make a great heirloom for you to pass down through the generations documenting your service with this organization.

To make this endeavor a success, we are expecting 100% participation from our members.

Heritage Portraits & Albums will offer professionally produced prints of the portraits, candidhs and departmental promotional shots captured during this event. Heritage is here to make this event special and would love to photograph what is most important to you. **Everyone will have the opportunity to purchase packages and the department Heritage Album at the time of the event.** You are under no obligation to purchase anything.

Our department will be handling all portrait appointments internally. If you have any questions about this project, contact your project manager **PIO Carlos Briano at (915) 820-9712 or BrianoCA@elpasotexas.gov** Personnel interested in taking candidhs with family members or special gear can do so on their off days at Station 22, Station 23 or Station 35. Please make prior arrangements with the PIO.

**Do your part to make our Heritage Album a success....**

**Build YOUR Heritage...BE PHOTOGRAPHED.**

**Dates, Times, Locations of the Photography Sessions**

**Location: Communications, 200 N Kansas**
(Personnel of Bat. 1 & HQ)
- **Mon Feb 6th** 1300-1700 & 1800-2100 C-Shift
- **Tue Feb 7th** 1300-1700 & 1800-2000 A-Shift
- **Wed Feb 8th** 0500-0700 & 1300-1800 B-Shift

**Location: Station 22, 6500 Mesa**
(Personnel of Bat. 2)
- **Thur Feb 9th** 1300-1700 & 1800-2100 A-Shift
- **Fri Feb 10th** 1300-1700 & 1800-2100 B-Shift
- **Sat Feb 11th** 1300-1700 & 1800-2100 C-Shift

**Location: Station 23, 5315 Threadgill**
(Personnel of Bat. 5)
- **Sun Feb 12th** 1300-1700 & 1800-2100 B-Shift
- **Mon Feb 13th** 1300-1700 & 1800-2100 C-Shift
- **Tue Feb 14th** 1300-1700 & 1800-2100 A-Shift

**Location: Logistics, 8600 Montana**
(Personnel of Bat. 3 & 4)
- **Wed Feb 15th** 1300-1700 & 1800-2100 C-Shift
- **Thur Feb 16th** 1300-1700 & 1800-2100 A-Shift
- **Fri Feb 17th** 1300-1700 & 1800-2100 B-Shift

**Location: Station 35, 12230 Pine Springs Dr.**
(Personnel of Bat 6)
- **Sat Feb 18th** 1300-1700 & 1800-2100 A-Shift
- **Mon Feb 20** 1300-1700 & 1800-2100 C-Shift
- **Tue Feb 21** 1300-1700 & 1800-2100 B-Shift
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POSE 2: 8x10, 5x7, 2 3.5x5 + 4 wallets

Heritage offers the above promotional priced packages ONLY for orders placed during your Heritage Photo Sessions.

Cash, Check, and all major charge/debit cards are accepted. Portrait orders will be shipped within 4 weeks of photo session completion and upon final approval of the departmental promo/cover shot. Pricing subject to change after photo sessions are concluded. All Sales Final.