



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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SPECIAL NOTICE REGARDING INTEREST RATE ELECTION ON DROP ACCOUNTS FOR THOSE WHO BECAME ELIGIBLE TO PARTICIPATE IN DROP ON OR AFTER JANUARY 1, 2004 AND BEFORE JULY 1, 2019

As you are aware, after participation in DROP, your account will be credited with interest annually based upon the return on a stable value investment.

Under R.S. 11:2221(G)(3)(a)(i), you are authorized to make an irrevocable written election to waive certain rights you presently have under the Louisiana Constitution if you choose to have your DROP account credited with interest based upon the MPERS investment portfolio rate of return less one-half of one percent, as certified by the system's actuary in the annual actuarial valuation, rather than the money market investment rate of return.

The stable value investment rate of return has a guarantee under the Louisiana Constitution that the interest credited will never be less than zero. In other words, the investment of your DROP account cannot cause you to lose any principal or interest previously credited to your account.

If you choose to make the irrevocable written election under R.S. 11:2221(G)(3)(a)(i), you will waive these Constitutional rights and expressly acknowledge that your DROP account will be reduced in the event the system's overall investment portfolio rate of return is less than a positive one-half of one percent, or a negative earnings rate. By making such an election, you would further expressly acknowledge your consent to having the value of your DROP account permanently reduced as a result of the application of such a negative earnings rate. If the balance of your DROP account is not sufficient for this reduction, you consent to the suspension or reduction of your monthly benefits to cover the required debit.

The attached Schedule A shows the MPERS investment portfolio DROP interest rate (computed as the overall investment portfolio rate of return less one-half of one percent). Performance data is historical and is not necessarily indicative of future results.

In making a decision on whether to elect the system's rate, you must consider your personal financial circumstances, investment objectives, and retirement goals and timeline. MPERS encourages you to seek guidance from an investment professional and/or tax professional when making your DROP election decision. This opportunity for increased return is accompanied by increased risk.

Under Louisiana law, the MPERS board of trustees invests the assets of the trust with the care, skill, and diligence of a prudent institutional investor with a long-term strategy among various asset classes. This asset allocation incorporates risk and return objectives suitable to MPERS, which has an investment time horizon of thirty years or more that may or may not be consistent with the risk and return objectives suitable to your individual circumstances.

In other words, MPERS's portfolio is designed to suit MPERS's objectives, which are almost certainly not the same as yours. You may want to consider initially going with the stable value fund, details noted on Schedule B, and then later opt into the self-directed option with Empower, which offers the Vanguard Lifestrategy Funds. With those funds, you can choose the specific fund that best suits your objectives. However, like the MPERS portfolio, those funds can generate negative returns.

Accordingly, when making your decision, you must weigh your risk tolerance and return objectives against those of the system. The stable value investment DROP account has no risk of loss of account value to you. The MPERS portfolio DROP account, although historically providing higher returns, will have the risk of possible negative returns that you will not be subjected to unless you voluntarily make an irrevocable election under R.S. 11:2221(G)(3)(a).

You are required to make an irrevocable election regarding the interest you earn on your DROP account using one of the two forms provided with this Notice. If you choose to make an irrevocable election pursuant to Act 827, the form "IRREVOCABLE ELECTION AND WAIVER OF CONSTITUTIONAL RIGHTS" (the purple form) is provided for that purpose. If you choose to have your DROP account invested in the stable value investment, the form "IRREVOCABLE ELECTION FOR THE STABLE VALUE INVESTMENT DROP / IBO ACCOUNT" (the yellow form) is provided for that purpose.

In order to comply with the requirements of Act 827, the election form must be received by the MPERS office prior to commencement of your participation in DROP. Your decision to elect the stable value investment DROP account, or to opt into the MPERS portfolio DROP account, is irrevocable. You will not at any time be able to change your mind and elect a different option.

This Notice has identical application to Initial Benefit Option (IBO) participants.

If you have questions regarding this Notice or the election forms, you may call the MPERS office at (225) 929-7411 or (800) 443-4248 to obtain further information.