

**DEFERRED RETIREMENT OPTION PLAN
MEMORANDUM OF UNDERSTANDING AND AGREEMENT**

Your Statements to your employer and your PSPRS Local Board

Your employer and your Local Board will rely on the following facts. Each is important because it demonstrates you have carefully considered your election to participate in the DROP.

Please initial each statement if true in the place shown in the left margin. If the statement is not true and you do not initial each statement, you cannot enter into the DROP.

_____ I have received a copy of the Arizona Revised Statutes as it relates to DROP, which sets forth the terms and conditions for participation in the DROP.

_____ I have not been subject to any pressure, coercion, intimidation or threats by my employer or the Local Board or any of their agents in connection with my election to participate in the DROP.

_____ I have had sufficient time to consider my options regarding my employment with my employer.

_____ I understand my decision to participate in the DROP means I must retire and terminate my employment with my employer no later than the period of time I designate to participate in the DROP.

_____ I further understand there is a maximum period of sixty (60) consecutive months for participation in the DROP.

_____ I understand that during the DROP participation period I am not entitled to receive any health insurance subsidies or benefit increases from the PSPRS.

_____ I understand that if my election to participate in DROP falls under the provisions of A.R.S. 38-844.06(B), during the DROP participation period I will be required to make regular employee contributions to the System, but these contributions will not increase my credited service or be used to recalculate my monthly pension amount used to credit my DROP account.

_____ I understand my decision to participate in the DROP has very important consequences for me. I have been advised to consult an advisor such as an accountant or an attorney of my choosing if I have any questions about my participation in the DROP.

_____ I understand this agreement has very important consequences for me and is legally binding on me. I have been advised to consult an attorney of my choosing if I have any questions about the agreement.

Your promises to your employer

Please initial each statement if true in the place shown in the left margin. If the statement is not true and you do not initial each statement, you cannot enter into the DROP.

_____ I elect to participate in the DROP.

_____ The number of months in my DROP designation period is as prescribed in Form P4 DROP. (The DROP designation period may not exceed sixty (60) consecutive months. Interest accrues until the last day of the DROP period.)

_____ I understand that my employer may have additional requirements and/or policies and procedures regarding mandatory termination of employment at the end of DROP. I have reviewed these policies and/or procedures with my employer.

_____ I will retire under the PSPRS and terminate my employment with my employer no later than completion of my DROP participation period.

_____ I understand that it is my responsibility to remember my DROP termination date. I understand that the Local Board, my employer or the Board of Trustees is not required to remind me of my DROP termination date.

_____ I understand and agree that if I continue my employment with my employer as a member of a PSPRS eligible group beyond my DROP designated period the following will apply:

1. I will forfeit any interest accumulated on my DROP participation account.
2. I will not receive my lump sum DROP participation account amount until I actually terminate employment and retire from my employer.
3. If my election to participate in DROP falls within the provisions of 38-844.06 (A), I will not make any employee contributions to the PSPRS nor will my employer make any contributions to the PSPRS on my behalf and I will not accrue any credited service under the PSPRS.
4. If my election to participate in DROP falls within the provisions of 38-844.06 (B), I will make employee contributions to the PSPRS. Additionally, my employer will not make any contributions to the PSPRS on my behalf and I will not accrue any credited service under the PSPRS.
5. No further monthly payments will be credited to my DROP participation account.
6. I will begin directly receiving my monthly pension amount calculated at the beginning of my DROP period only when I terminate and retire with my employer. No retroactive monthly pension amounts will be made to me.

_____ I will abide by the terms and conditions of DROP as prescribed by law.

Waiver

Please initial each statement if true in the place shown in the left margin. If the statement is not true and you do not initial each statement, you cannot enter into the DROP.

_____ I release my employer, the Local Board and the Board of Trustees from any and all claims based on my election to participate in the DROP and my agreement to retire and terminate my employment with my employer upon completion of my participation in the DROP.

_____ I release my employer, the Local Board and the Board of Trustees from any and all claims under the Arizona and Federal Age Discrimination in Employment laws and Civil Rights laws as these laws relate to my participation in the DROP and my agreement to terminate employment with my employer upon the completion of my participation in the DROP.

_____ I understand that the facts in respect of which this agreement is made and releases are given may hereafter turn out to be other than or different from the facts now known by me or believed by me to be true. I expressly accept and assume the risk of the facts turning out to be so different. I agree that any releases I make in this agreement shall be in all respects effective and not subject to termination or rescission by reason of any such differences in facts.

Covenant Not To Sue

Please initial each statement if true in the place shown in the left margin. If the statement is not true and you do not initial each statement, you cannot enter into the DROP.

_____ I will not sue my employer, the Local Board, the Board of Trustees, or their employees, officers and agents for any claim arising out of my election to participate in DROP, my participation in the DROP or my decision to retire and terminate employment with my employer upon the completion of my participation in DROP.

Your signature to the Agreement

_____ I have carefully read this entire agreement.

_____ I understand this agreement.

_____ I am satisfied with this agreement.

_____ I have signed my name voluntarily.

This is the only agreement I have made with my employer and the Local Board regarding my election to participate in the DROP, my employment with my employer during participation in the DROP and my agreement to terminate my employment with my employer and retire upon completing my participation in the DROP.

Dated: _____

Member (Print)

Member (Signature)

Social Security Number

Employer Name

Dated: _____

BY: _____
Employer Signature

Dated: _____

BY: _____
Local Board Signature