



CITY of HOLLYWOOD, FLORIDA

Office of Human Resources and Risk Management

2600 Hollywood Blvd. • Room 206 • P.O. Box 229045 • Hollywood, Florida 33022-9045
Phone (954) 921-3218 • www.hollywoodfl.org

February 10, 2011

Re: Letter of Understanding Regarding Methodology Used in the
Calculation of DROP Account Earnings

Dear Mr. Dierks:

The purpose of this letter is to document and clarify our mutual understanding and agreement regarding the methodology used in the calculation of Deferred Retirement Option Plan ("DROP") Account earnings.

The terms of the agreement are as follows:

DROP ACCOUNT EARNINGS SHALL BE CALCULATED IN THE FOLLOWING MANNER:

- a. DROP accounts shall accrue earnings at the same rate of return as the net rate of investment return on Plan assets.
- b. DROP earnings shall initially be calculated and posted to the employee's DROP account balance on a quarterly basis. Quarter 1: October 1 – December 31; Quarter 2: January 1 – March 31; Quarter 3: April 1 – June 30; Quarter 4: July 1 – September 30.

Effective September 30 of each fiscal year, the DROP account's dollar earnings (positive or negative) for each quarter of the fiscal year shall be added together to determine the Annual dollar earnings, which shall then be posted to the DROP account except in the event that the Annual dollar earnings as determined above are less than zero in which case zero (\$0) dollars shall be applied to the DROP account.

Hollywood



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Our Mission: We are dedicated to providing municipal services for our diverse community in an atmosphere of cooperation, courtesy and respect. We do this by ensuring all who live, work and play in the City of Hollywood enjoy a high quality of life.

"An Equal Opportunity and Service Provider Agency"

February 10, 2011

Letter of Understanding Re: Methodology Used in the Calculation of DROP Account Earnings

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Attached hereto and made a part hereof is Attachment I entitled "Illustrations of the Described Method of Interest Calculation on DROP Accounts."

For those members who separate from City employment, the DROP account's dollar earnings (positive or negative) for each complete quarter of the separating fiscal year shall be added together along with earnings through the end of the quarter of separation. The dollar earnings for the incomplete quarter of separation shall be calculated utilizing the rate of return (positive or negative) of the preceding four (4) complete quarters prior to the member's separation.

Attached hereto and made a part hereof is Attachment II entitled "Illustration of Method of Interest Calculation for Members Who Separate from Employment".

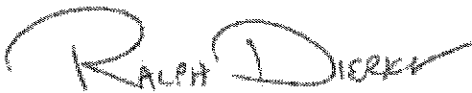
Accordingly, no DROP account at the end of any fiscal year or upon separation of City employment shall have a balance less than the dollar amount it contained at the beginning of the fiscal year plus any monthly DROP payments credited/deposited into the DROP Account.

Please affix your signature to the appropriate signature line indicating agreement to this Letter of Understanding.

Sincerely,



Gail Reinfeld
Director, HR & Risk Management



Ralph Dierks
President, Local 2432 AFSCME

APPROVED AS TO FORM AND LEGALITY
FOR THE USE AND RELIANCE OF THE
CITY OF HOLLYWOOD, FLORIDA, ONLY

BY:  AT
CITY ATTORNEY



ATTACHMENT 1: ILLUSTRATIONS OF THE DESCRIBED METHOD OF INTEREST CALCULATION ON DROP ACCOUNTS

Scenario 1 - Positive Annual ROR with Positive Annual Earnings

FY2011 - Quarter 1		Deposits	Earnings
Beginning Balance	\$10,000.00	\$1,000	(\$866.00)
1-Oct		\$1,000	(\$88.60)
1-Nov		\$1,000	(\$59.07)
1-Dec		\$1,000	(\$29.53)
Balance	\$13,000.00		
Quarter 1		-8.86%	(\$1,063.20)
Quarter 2			
Beginning Balance	\$11,936.80		(\$537.16)
1-Jan		\$1,000	(\$45.00)
1-Feb		\$1,000	(\$30.00)
1-Mar		\$1,000	(\$15.00)
Balance	\$14,936.80		
Quarter 2		-4.50%	(\$627.16)
Quarter 3			
Beginning Balance	\$14,309.64		\$1,073.22
1-Apr		\$1,000	\$75.00
1-May		\$1,000	\$50.00
1-Jun		\$1,000	\$25.00
Balance	\$17,309.64		
Quarter 3		7.50%	\$1,223.22
Quarter 4			
Beginning Balance	\$18,532.86		\$1,528.96
1-Jul		\$1,000	\$82.50
1-Aug		\$1,000	\$55.00
1-Sep		\$1,000	\$27.50
Balance	\$21,532.86		
Quarter 4		8.25%	\$1,693.96
Ending Balance	\$23,226.82		
"Earnings"			
Quarter 1		(\$1,063.20)	
Quarter 2		(\$627.16)	
Quarter 3		\$1,223.22	
Quarter 4		\$1,693.96	
Total FY2011		\$1,226.82	
Balance 9/30/10		\$10,000.00	
Deposits		\$12,000.00	
Total "Earnings"		\$1,226.82	
Balance 9/30/2011		\$23,226.82	

Scenario 2 - Negative Annual ROR with Negative Annual Earnings

FY2011 - Quarter 1		Deposits	Earnings
Beginning Balance	\$10,000.00	\$1,000	\$325.00
1-Oct		\$1,000	\$32.50
1-Nov		\$1,000	\$21.67
1-Dec		\$1,000	\$10.83
Balance	\$13,000.00		
Quarter 1		3.25%	\$390.00
Quarter 2			
Beginning Balance	\$13,390.00		(\$602.55)
1-Jan		\$1,000	(\$45.00)
1-Feb		\$1,000	(\$30.00)
1-Mar		\$1,000	(\$15.00)
Balance	\$16,390.00		
Quarter 2		-4.50%	(\$882.55)
Quarter 3			
Beginning Balance	\$15,897.45		(\$1,177.31)
1-Apr		\$1,000	(\$75.00)
1-May		\$1,000	(\$50.00)
1-Jun		\$1,000	(\$25.00)
Balance	\$18,897.45		
Quarter 3		-7.50%	(\$1,327.31)
Quarter 4			
Beginning Balance	\$17,370.14		\$911.93
1-Jul		\$1,000	\$52.50
1-Aug		\$1,000	\$35.00
1-Sep		\$1,000	\$17.50
Balance	\$20,370.14		
Quarter 4		5.25%	\$1,016.93
Ending Balance	\$21,387.07		
"Earnings"			
Quarter 1		\$390.00	
Quarter 2		(\$692.55)	
Quarter 3		(\$1,327.31)	
Quarter 4		\$1,016.93	
Total FY2011		(\$612.93)	
Balance 9/30/10		\$10,000.00	
Deposits		\$12,000.00	
Total "Earnings"		\$0.00	
Balance 9/30/2011		\$22,000.00	

Scenario 3 - Negative Annual ROR with Positive Annual Earnings

FY2011 - Quarter 1		Deposits	Earnings
Beginning Balance	\$10,000.00	\$1,000	(\$1,000.00)
1-Oct		\$1,000	(\$100.00)
1-Nov		\$1,000	(\$86.67)
1-Dec		\$1,000	(\$33.33)
Balance	\$13,000.00		
Quarter 1		-10%	(\$1,200.00)
Quarter 2			
Beginning Balance	\$11,800.00		(\$531.00)
1-Jan		\$1,000	(\$45.00)
1-Feb		\$1,000	(\$30.00)
1-Mar		\$1,000	(\$15.00)
Balance	\$14,800.00		
Quarter 2		-5%	(\$621.00)
Quarter 3			
Beginning Balance	\$14,179.00		\$815.29
1-Apr		\$1,000	\$57.50
1-May		\$1,000	\$38.33
1-Jun		\$1,000	\$19.17
Balance	\$17,179.00		
Quarter 3		5.75%	\$930.29
Quarter 4			
Beginning Balance	\$18,109.29		\$1,113.72
1-Jul		\$1,000	\$61.50
1-Aug		\$1,000	\$41.00
1-Sep		\$1,000	\$20.50
Balance	\$21,109.29		
Quarter 4		6.15%	\$1,236.72
Ending Balance	\$22,346.01		
"Earnings"			
Quarter 1		(\$1,200.00)	
Quarter 2		(\$621.00)	
Quarter 3		\$930.29	
Quarter 4		\$1,236.72	
Total FY2011		\$346.01	
Balance 9/30/10		\$10,000.00	
Deposits		\$12,000.00	
Total "Earnings"		\$346.01	
Balance 9/30/2011		\$22,346.01	

ATTACHMENT II: ILLUSTRATION OF METHOD OF INTEREST CALCULATION FOR MEMBERS WHO SEPARATE FROM EMPLOYMENT

Scenario 1 - Member who Separates from Employment on May 19 with Positive Annual Earnings

FY2011 - Quarter 1		on May 19 with Positive Annual Earnings	
	Deposits	Earnings	
Beginning Balance	\$10,000.00	(\$650.73)	
1-Oct	\$1,000.00	(\$65.07)	
1-Nov	\$1,000.00	(\$43.38)	
1-Dec	\$1,000.00	(\$21.69)	
Balance	\$13,000.00		
Quarter 1	-6.5073%	(\$780.87)	
Quarter 2			
Beginning Balance	\$12,219.13	\$987.54	
1-Jan	\$1,000.00	\$80.82	
1-Feb	\$1,000.00	\$53.88	
1-Mar	\$1,000.00	\$26.94	
Balance	\$15,219.13		
Quarter 2	8.0819%	\$1,149.18	
Quarter 3			
Beginning Balance	\$16,368.31	\$174.39	*
1-Apr	\$1,000.00	\$10.65	*
1-May	\$612.90	\$2.53	*
Balance	\$17,981.21		
4/1/2011-3/31/2012 ROR:	8.2315%	\$187.58	
Ending Balance	\$18,168.79		
"Earnings"			
Quarter 1		(\$780.87)	
Quarter 2		\$1,149.18	
Quarter 3		\$187.58	
Total FY2011		\$555.89	
Balance 9/30/10	\$10,000.00		
DROP Deposits	\$7,612.90		
Total "Earnings"		\$555.89	
Balance 5/19/2011	\$18,168.79		

Scenario 2 - Member who Separates from Employment on May 19 with Negative Annual Earnings

FY2011 - Quarter 1		on May 19 with Negative Annual Earnings	
	Deposits	Earnings	
Beginning Balance	\$10,000.00	(\$650.73)	
1-Oct	\$1,000.00	(\$65.07)	
1-Nov	\$1,000.00	(\$43.38)	
1-Dec	\$1,000.00	(\$21.69)	
Balance	\$13,000.00		
Quarter 1	-6.5073%	(\$780.87)	
Quarter 2			
Beginning Balance	\$12,219.13	\$254.16	
1-Jan	\$1,000.00	\$20.80	
1-Feb	\$1,000.00	\$13.87	
1-Mar	\$1,000.00	\$6.93	
Balance	\$15,219.13		
Quarter 2	2.0800%	\$295.76	
Quarter 3			
Beginning Balance	\$15,514.89	(\$244.20)	*
1-Apr	\$1,000.00	(\$15.74)	*
1-May	\$612.90	(\$3.74)	*
Balance	\$17,127.79		
4/1/2011-3/31/2012 ROR:	-11.1146%	(\$263.66)	
Ending Balance	\$16,864.11		
"Earnings"			
Quarter 1		(\$780.88)	
Quarter 2		\$295.76	
Quarter 3		(\$263.66)	
Total FY2011		(\$748.79)	
Balance 9/30/10	\$10,000.00		
DROP Deposits	\$7,612.90		
Total "Earnings"		\$0.00	
Balance 5/19/2011	\$17,612.90		

* These precise earnings are calculated using a complex mathematical formula not reflected in this illustration.