



Photos by Rose Baca/Staff Photographer

## Gone but not forgotten



**Banners honoring** the four Dallas police officers and the DART officer killed in the July 7 ambush — Michael Smith (above), Lorne Ahrens (left), Michael Krol, Patrick Zamarripa and Brent Thompson — hang near El Centro College and around downtown Dallas. The banners, installed by E.H. Teasley and Co. in late July as a reminder of the officers' heroism, will be taken down later this week.

# Board members hoping pension panic subsides

Continued from Page 1B

fell swoop.”

Now, board members just have to hope panic subsides. Friar pleaded with members to keep their money in the fund to keep from further damaging a system that's set to go broke by 2030 without the benefit cuts and hundreds of millions of dollars from taxpayers.

“We've got to stop this runaway train,” Friar said. “We think the action we took today will help in doing that.”

In most pension systems, a run on the bank is impossible. Pensioners get their monthly check, and active employees pay part of their paycheck into the fund. Retirees can't simply cash out.

But the Dallas pension's Deferred Option Retirement Plan, commonly known as DROP, allows police and firefighters to do just that.

The plan's goal was to give veteran firefighters and police officers a reason to keep working. They officially retired in the system, but the fund paid the check into a DROP account, which was guaranteed at least an 8 percent interest rate. Cops and firefighters kept working for their paycheck but contributed much less money on their checks as their retirement accounts grew.

And once they retired, they could keep their money in DROP and make withdrawals whenever they wanted. Some police and firefighters became millionaires from DROP. Retiree DROP has \$921 million worth of accounts, down from \$1.1 billion before the board discussed the benefit cuts. And active DROP fell to \$400 million from \$479 million.

But for now, the withdrawals have actually helped the fund, said Kelly Gottschalk, the pension system's executive director. The system had the cash on hand to make the payments. The fund would otherwise have to pay 7 percent interest on those accounts — money that they do not have. That means lower future liabilities.

“But it will quickly get to a point where it's not helpful,” Gottschalk said.

She said if withdrawals continue at the current pace, the fund will have to start selling its assets to come up with the cash. That could mean selling assets at a loss. It also means the fund as a whole won't be able to make its investment return targets. The fund depends on those investment returns to pay its current and future bills.

That effectively leaves the fund at the whims of thousands of retirees and active workers who have their own

financial interests in mind.

Trustees have been making pleas for calm since they began discussing the benefit cuts. Friar said they expected some people to take their money and leave — just not this many.

Some of the recent worries were stoked when the board made an IRS-required change that prevented active police and firefighters from taking money out of their active DROP account and placing it into a 401(k) account. Rumors spread that the board was about to freeze all DROP withdrawals.

Clint Conway, a pension trustee, said those who retired or pulled out their money “made hasty decisions based on what they thought was going to happen.”

Some retirees said they were relieved that the board didn't restrict retiree withdrawals. They applauded when the board voted to keep withdrawals unrestricted.

But Dallas Battalion Chief Jim Aulbaugh told board members that they still have a mountain ahead of them.

“It's not over with,” he said. “The money is going to keep flowing out regardless of what you guys do.”

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