

**IMPORTANT NOTICE
OF
CHANGES TO
DEFERRED RETIREMENT OPTION PLAN (DROP)**

The DROP was changed by the Board of Education at its April 27, 2004 Board meeting.

The last date by which eligible employees may file elections into the DROP is May 15, 2004. To be eligible, an employee must either have reached age 65 or met the Rule of 85 on or before June 30, 2004.

In order to make a valid election into the DROP, the Public School Retirement System of the City of St. Louis (“Retirement System”) must receive on or before May 15, 2004, both the DROP Application and your Retirement Application. The DROP Period beginning date must be no later than July 1, 2004 (e.g., last day of regular employment is June 30). (Note that your eligibility for the Sick Leave Conversion Program, if applicable to you, may be affected if the end of your DROP Period is not the end of the school year.) The DROP Application and Retirement Application are available from the Retirement System by calling (314) 241-7763. Note that the Retirement System shall determine whether an individual meets the Rule of 85.

Individuals who currently participate in the DROP are not affected by this change.

What is the DROP? The DROP is a program under which eligible employees retire with the Retirement System, but continue to work as employees for every other purpose for a specified period – called the DROP Period. During the DROP Period, 80% of the employee’s pension benefit will be deposited by the Retirement System into an account that earns 8% annual interest, compounded monthly. At the end of the employee’s DROP Period, the individual begins to receive his/her full lifetime monthly pension benefit that was calculated at the beginning of the DROP Period. In addition, the individual receives the proceeds that have accumulated in his/her DROP account. To be eligible for the DROP, an employee must be age 65 or must satisfy the Rule of 85 under the Retirement System regulations without Unused Sick Leave. The maximum DROP Period is four (4) years.

Will electing into the DROP affect eligibility for the proposed voluntary retirement incentive program, if such program is adopted by the Board? No. DROP employees who are otherwise eligible, will be able to participate in the voluntary retirement incentive program, if such program is adopted by the Board.