

Deferred Retirement Option Program (DROP)

Office of Human Resource Services

Human Resource Services Search



Human Resource Services

Deferred Retirement Option Program (DROP)

Division of Retirement

For additional information about DROP--such as spreadsheets to help you estimate your benefits, brochures, and articles--visit the Division of Retirement's web site and click on DROP.

Employees reaching normal retirement date, age 62, or 30 years of service at any age, may retire and have their FRS benefits accumulate in DROP and earn interest while continuing to work for a FRS employer for up to five years. (Special Risk normal retirement date is age 55, or 25 years of special risk service, whichever comes first.) When the designated DROP period ends, the employee must terminate employment. He or she will receive payment of the accumulated DROP benefits and then monthly FRS retirement pension benefits will begin.

A few exceptions exist to the normal retirement eligibility criteria. The exception that occurs most frequently involves employees completing 30 years of service before reaching age 57. When this happens, they may defer DROP and elect to participate anytime until they reach age 57, then, at age 57, the 12-month window begins.

Another exception to the standard regulation applies when an employee has gained 30 or more years of creditable service only from buying back eligible prior service and/or military time. In this instance, they can defer enrolling in DROP until they have completed 30 years of actual service and are at least 57 years old.

Employees who meet either of the above exceptions may defer participating in DROP until they naturally reach normal eligibility. Then, upon reaching the normal eligibility criteria, they have 12 months in which to decide whether to participate in DROP. Employees' maximum program participation is reduced each month that passes during this 12-month span. After the 12 months from date of normal eligibility has passed, they no longer are eligible to enroll in DROP. Employees covered by Special Risk should contact the University Retirement Office for exceptions.

Twelve-month employees enrolling in DROP may elect to receive a lump-sum annual leave payment (up to the established policy limits--240 hours for USPS; 352 hours for certain TEAMS employees and faculty) when entering DROP. If employees elect this option, their annual leave payments are added to the calculation of monthly retirement benefits. As a second option, employees may wait to receive payment for accrued annual leave when they leave the university. In this case, the payment is not included in your pension calculation. A third option would be a combination of the two.

If an employee chooses the first or third options, he or she should coordinate the processing of annual leave payment with his or her departmental payroll administrator to ensure that it is processed timely so as to be included for DROP.

Because DROP is complex, you are encouraged to schedule a one-on-one [retirement counseling session](#) with a university retirement specialist. Contact University Retirement at 392-2477, or retirement@ufl.edu.

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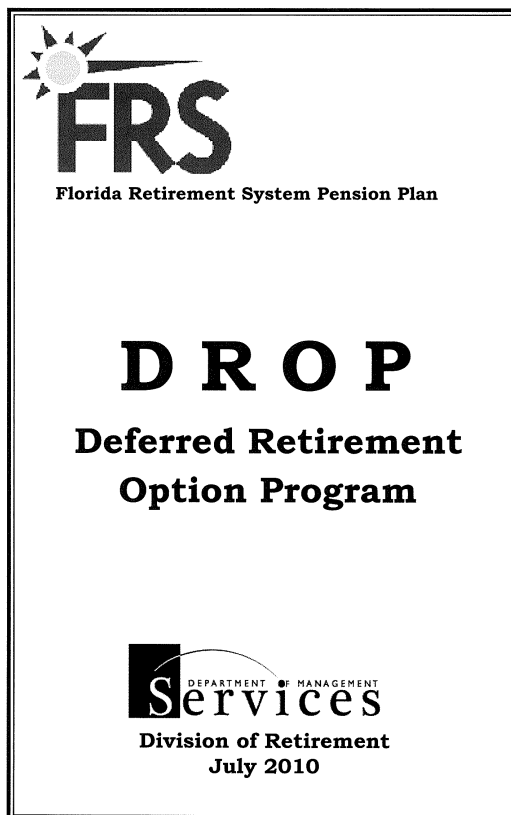


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WHAT IS DROP?

The Deferred Retirement Option Program (DROP) allows you to effectively retire under the Florida Retirement System (FRS) Pension Plan. You begin accumulating your retirement benefits without having to terminate employment for up to 60 months from the date you first reach your normal retirement date or your eligible deferral date. (See Page 14 for information about instructional personnel who may be eligible for extended DROP participation beyond 60 months.) As a DROP participant, you simultaneously earn a salary and a retirement income.

Before you participate in DROP, you earn one month of service credit for each month you work, towards your total service credit at retirement. When you enter DROP, you are considered to be retired and you stop earning retirement service credit. While participating in DROP, your monthly retirement benefits accumulate in the FRS Trust Fund, earning tax-deferred interest while you continue to work for an FRS employer. Tax-deferred interest means that you pay any taxes owed when you receive the interest instead of when the interest was earned.

When your DROP participation ends, you **must** terminate all employment with all FRS employers for six calendar months. (See “Note” on Page 9 for exceptions to the termination requirement that may apply to certain elected officials.) At that time, you receive your DROP payout and begin receiving your monthly retirement benefit, in the same amount determined at retirement, plus annual cost-of-living increases. The longer you participate in DROP, the greater your financial gain. However, even short periods of DROP participation can offer enough financial advantages to make participation the right choice for you. For many, DROP offers the “best of both worlds” by providing the financial security of a guaranteed lifetime benefit and an opportunity to accumulate additional savings, all while you are working.

ELIGIBILITY REQUIREMENTS

Who is eligible to join DROP?

To participate in DROP, you must be vested and eligible for normal retirement (based on your years of service or age) as an active member of:

- The Florida Retirement System (FRS) Pension Plan,
- The Teachers’ Retirement System (TRS), or
- The State and County Officers and Employees’ Retirement System (SCOERS).

Who is not eligible to participate in DROP?

You cannot participate in DROP if:

- You retired from a state administered retirement system and after retirement you become reemployed in an FRS-covered position as a renewed member.
- You are a member or retiree of the FRS Investment Plan.
- You are a member or retiree of the State University System Optional Retirement Program.
- You are a member or retiree of the State Community College System Optional Retirement Program.
- You are a member or retiree of the Senior Management Service Optional Annuity Program (for state employees only).
- You are a senior manager employed by or retired from a non-state employer and you chose to withdraw from participation in the FRS.
- You are an elected official and you chose to withdraw from participation in the FRS.

When can I begin DROP?

You may begin DROP participation in the month you reach your normal retirement date based upon your age, **or** the month after the month you reach your normal retirement date based upon your years of service. You also need to be vested, which means you have at least six years of service credit. Normal retirement date for age or service are:

- Special Risk Class - age 55 with at least six years but less than 25 years, age 52 with a total of 25 years that include up to four years of purchased wartime military service, or any age before age 55 with 25 years of special risk service. These requirements apply to members of the Special Risk Administrative Support Class who have at least six years of special risk service.
- Regular Class, Elected Officers' Class and Senior Management Service Class - age 62 with at least six years but less than 30 years of service or any age before age 62 with 30 years of service. These requirements apply to members of the Special Risk Administrative Support Class who do not have six years of special risk service.

Example:

If you are vested and reach normal retirement based on age (62 or 55) on May 22nd, your normal retirement date would be May 1st. Or, if you will complete 30 years (25 years for Special Risk Class members) of service in May and have not reached your normal retirement age, your normal retirement date is June 1st.

If you reach your normal retirement date based on your years of service before age 57 (age 52 for Special Risk Class members) or reach your normal retirement date while holding an elected office covered by the Elected Officers' Class, you may qualify to defer your DROP participation to a future date. Also, if you are employed as K-12 instructional personnel, you may be eligible to defer your DROP participation (see "Deferral Exceptions" on Pages 12-13).

If you are a member of one of the closed retirement systems such as the Teachers' Retirement System (TRS) and State and County Officers and Employees' Retirement System (SCOERS), your normal retirement date varies based on your membership date, class and plan. If you are a member of TRS or SCOERS and are unsure of your normal retirement date, please contact the Bureau of Retirement Calculations (see contact information on Page 1).

When should I apply for DROP?

You may apply up to six months before reaching your normal retirement date or DROP deferral date. To maximize your time in DROP, we must receive your DROP application and election forms no later than the last working day of the month you intend to begin DROP participation. We encourage you to send in your DROP application as early as possible.

If you apply for DROP after your normal retirement date or after your latest eligible deferral date, but within the first 12 months of your 60-month participation period, each month you delay your application you reduce your maximum program participation period. **If you fail to make an election to participate within this 12-month DROP election window, you are no longer eligible to participate in the program, unless you qualify for one of the exceptions** (see "Deferral Exceptions" on Pages 12-13).

Example:

If your normal retirement date or latest eligible deferral date was July 1, 2010, and you did not make an election to participate in DROP by the last State of Florida work day in June 2011, you would no longer be eligible to participate in the program unless you qualified for one of the exceptions (see "Deferral Exceptions" on Pages 12-13).

BENEFITS IN DOLLARS AND SENSE

How much interest will my DROP account earn?

DROP accounts earn interest, compounded monthly, at an effective annual rate of 6.50 percent. Benefits on deposit for less than one month or after the month in which you end your DROP participation do not earn interest.

The monthly retirement benefit credited to your DROP account increases by a 3 percent cost-of-living adjustment (COLA) each July 1st, or by a prorated amount if you have been in DROP for less than one year when you receive your first COLA.

How can I estimate the value of my DROP account?

Calculate your monthly benefit based on the FRS Pension Plan retirement benefit formula.

For the “percentage value” of your service credit, see the retirement guide for your membership class or visit the “Online Services” page of our website at <http://frs.MyFlorida.com>.

DROP Account Estimate Example:

You are a **Regular Class member** in the FRS Pension Plan, are age 62 or younger, and have:

- 30 years of creditable service
- an average final compensation (AFC) of \$25,000 (AFC is the average of your highest earnings or compensation for five fiscal years),
- an accrual value of 1.60 percent-per-year value of your service as a Regular Class member, and
- chose option 1.

Your initial annual retirement benefit payment would be \$12,000 or \$1,000 per month. It is calculated as follows:

$$30 \times 1.60\% = 48\% \times \$25,000 = \$12,000 \text{ per year}$$
$$\$12,000 / 12 = \$1,000 \text{ per month}$$

See the *Retirement Guide for Members of the Regular Class* for more information about the benefits for members of this class.

If you begin DROP participation in July and with yearly 3 percent COLA adjustments, your annual FRS benefit becomes \$13,911 or \$1,159 per month after five years in DROP. You would also have a DROP account balance of \$74,406.

To determine your potential DROP accumulation, find your estimated monthly retirement benefit payment on the left side of the table on Page 9. Next, find the number of years you expect to participate in DROP. The amount at the intersection of the selected row and column is a rough estimate of the value of your DROP account.

You may also project your DROP accumulation by using the calculator on our website at <http://frs.MyFlorida.com>. The calculator estimates DROP account values for up to a 60-month participation period.

If you are in an eligible position and authorized by your employer and the Division to extend your DROP participation beyond the period you originally requested, you will receive a revised DROP accumulation chart after we receive and approve your DROP extension form (see Page 11, “What forms must I complete for DROP?”).

What about my lump-sum annual leave payment?

You may choose to receive a lump-sum payment of your earned annual leave, either at the time you enter DROP or after your DROP participation ends. Based on your employer’s policy, up to 500 hours can be reported.

If your accumulated annual leave is paid to you at the time you enter DROP and your employer confirms and reports the amount to us on the monthly payroll report, this increases your retirement benefit, therefore your DROP accumulation increases as well. If you receive a lump-sum annual leave payment(s) after your DROP participation begins, and it was not certified to us at the time you began DROP, it will **not** change your FRS benefit calculation.

How will my DROP benefits be taxed?

At the end of your DROP participation, if you elect to have your DROP accumulation rolled over to another “eligible retirement plan” as defined in Section 402(c)(8)(b) of the Internal Revenue Code, you owe no taxes on your DROP accumulation until you begin to withdraw these funds from the “eligible retirement plan” (see Pages 17-18 for more information on rollover options). When you begin to withdraw these funds, the income taxes you owe are based on your income tax rate in the year you receive the funds.

If you choose a total or partial lump-sum payment of your DROP accumulation, the lump-sum amount will be taxed as income in the year the payment is issued. The IRS requires we withhold 20 percent of this amount for taxes when distributed to you. You could owe additional income taxes based on your income tax bracket. Also, unless you terminate from DROP in or after the year you reach age 55, you may owe an additional 10 percent early withdrawal tax on your lump-sum distribution. If you are an eligible public safety officer retiree, you would not be subject to this 10 percent early withdrawal tax unless you receive the lump-sum distribution before age 50. Please consult the Internal Revenue Service (IRS) at www.irs.gov, or your tax advisor, for more information. When you file your income tax forms that year, you may also owe additional taxes, depending on your income tax bracket.

Example:

If you choose to take a lump-sum DROP distribution of \$100,000, we automatically withhold 20 percent (\$20,000) for taxes. The 1099-R tax form we send you for that year would include the lump-sum amount you received and the 20 percent tax withheld. If you are in the 28 percent tax bracket that year, you would owe an extra 8 percent (\$8,000) in taxes, reducing the actual amount received in your lump-sum distribution from \$100,000 to \$72,000. If your termination from DROP occurs before the year that you reach age 55 (or age 50 for eligible public safety officer retirees), you may also owe an additional 10 percent tax (\$10,000) on your lump-sum distribution. This would further reduce the amount of the lump-sum distribution you receive from \$100,000 to \$62,000.

What happens when my DROP participation ends?

You and your employer(s) must submit *Form DP-TERM, DROP Termination Notification*, to verify that you terminated all employment with FRS employers. After verification, you begin receiving your monthly FRS retirement benefit and your DROP distribution. Monthly benefits are payable on the last State of Florida work day of the month. We distribute DROP payouts the month following verification of your termination. Your DROP account stops earning interest the month in which your participation ends.

Your DROP accumulation is paid in one of three ways:

- as a lump-sum payment, with 20 percent withheld for federal income taxes;
- as a direct rollover to an eligible retirement plan; or
- as a combined partial lump-sum payment and direct rollover.

If your DROP accumulation includes personal contributions, such as required employee contributions you made prior to 1975 or payments for optional service credit you purchased using after-tax dollars, that portion of each monthly payment will be paid as a tax-free, lump-sum payment. We use the Simplified General Rule under the Internal Revenue Code to compute that payment. This portion of your DROP accumulation represents your after-tax contributions that you cannot roll over into a tax-sheltered account (see Pages 17-18 for information on rollover options).

Within 60 days after your DROP participation ends, we distribute your account the way you choose. If you do not choose a distribution method within that 60-day period, we issue a lump-sum payment and withhold 20 percent for taxes.

***Note:** If you hold an elected office at the end of your DROP participation, you must fulfill the termination requirement as provided in s. 121.021(39), F.S. Your termination may occur at the end of your 60-month DROP eligibility period or be postponed to the end of the term of office in which your DROP participation ended or any successively held office. If your termination requirement is extended under this provision, you are not eligible for renewed membership in the FRS and will not receive pension payments or your DROP account distribution until you terminate from elected office. After the end of your DROP participation and prior to termination from office, your DROP account will increase only by compounded monthly interest unless your DROP participation begins on or after July 1, 2010. If you are an elected official and your DROP participation begins on or after July 1, 2010, your DROP account will no longer earn interest after your DROP participation ends. If you are an elected official and need more information, contact us by telephone toll-free at (888) 738-2252 or (850) 488-6491, or by e-mail at calculations@dms.MyFlorida.com.*

DROP ACCOUNT ESTIMATES

Monthly Retirement Benefit	YEARS OF PARTICIPATION IN DROP	
	1	2
\$100	\$1,235	\$2,588
\$200	\$2,471	\$5,176
\$400	\$4,941	\$10,352
\$600	\$7,412	\$15,528
\$800	\$9,883	\$20,704
\$1,000	\$12,353	\$25,880
\$1,200	\$14,824	\$31,056
\$1,400	\$17,295	\$36,232
\$1,600	\$19,765	\$41,408
\$1,800	\$22,236	\$46,584
\$2,000	\$24,707	\$51,760
\$2,200	\$27,177	\$56,937
\$2,400	\$29,648	\$62,113
\$2,600	\$32,119	\$67,289
\$2,800	\$34,589	\$72,465
\$3,000	\$37,060	\$77,641
\$3,200	\$39,531	\$82,817
\$3,400	\$42,002	\$87,993
\$3,600	\$44,472	\$93,169
\$3,800	\$46,943	\$98,345
\$4,000	\$49,414	\$103,521

IS DROP RIGHT FOR ME?

Should I retire and participate in DROP?

One of the most important retirement decisions you will make is whether you should participate in DROP. To help you in this decision, ask us for comparative estimates of the benefits you would receive under DROP versus the benefits you would receive if you continued working and earning service credit for the same period of time and then retired without participating in DROP. After you receive these estimates, review your total financial situation, including your FRS and/or DROP benefits, personal investments and other assets, Social Security benefits, significant debts and other liabilities. We recommend that you meet with your accountant, financial planner, tax attorney or other trusted financial advisor for assistance. You may also contact the FRS Financial Guidance Program toll-free help line at (866) 446-9377, or access the FRS Financial Guidance Program at www.MyFRS.com. This financial guidance program answers your retirement and

AND DROP ACCUMULATION		
3	4	5
\$4,067	\$5,681	\$7,441
\$8,134	\$11,362	\$14,881
\$16,267	\$22,724	\$29,762
\$24,401	\$34,086	\$44,644
\$32,534	\$45,448	\$59,525
\$40,668	\$56,810	\$74,406
\$48,802	\$68,172	\$89,287
\$56,935	\$79,534	\$104,168
\$65,069	\$90,896	\$119,049
\$73,202	\$102,258	\$133,931
\$81,336	\$113,620	\$148,812
\$89,469	\$124,982	\$163,693
\$97,603	\$136,344	\$178,574
\$105,737	\$147,706	\$193,455
\$113,870	\$159,068	\$208,336
\$122,004	\$170,430	\$223,218
\$130,137	\$181,792	\$238,099
\$138,271	\$193,154	\$252,980
\$146,405	\$204,516	\$267,861
\$154,538	\$215,878	\$282,742
\$162,672	\$227,240	\$297,624

financial planning questions while protecting your privacy. Careful consideration of your options helps ensure that the choices you make provide the best financial security for your future. To help you explore DROP further, our website (<http://frs.MyFlorida.com>) offers a number of online services to assist you, including a link to e-mail the Bureau of Retirement Calculations directly.

Questions to ask yourself:

- How long do I want to participate in DROP?
- What are my options if I wish to participate for the full 60-month participation period? Do I have to begin DROP participation immediately when I reach normal retirement or can I defer it to a later date?
- Will I be ready to terminate employment when my DROP participation ends? Will I be ready both financially and emotionally?
- If I need or wish to continue working, will I continue in my current career or change my career focus? Will I work full-time or part-time?

What forms must I complete for DROP?

You may obtain any of the forms described below from your personnel office, by contacting us, or by visiting the “Forms” page on our website (<http://frs.MyFlorida.com>). You must file these forms through your employer’s human resources office.

Election Form:

- To participate in DROP during your initial 60-month eligibility period, you must complete *Form DP-ELE, Notice of Election to Participate in the DROP and Resignation of Employment*, in addition to your application form. *Form DP-ELE* serves as a postdated resignation, acknowledged by your employer, with the termination date you chose when joining the program.

Application/Option Selection Forms:

- FRS members must complete *Form DP-11, Application for Service Retirement and the Deferred Retirement Option Program*.
- TRS members must complete *Form DT-11, Application for Service Retirement and the Deferred Retirement Option Program*.
- State and County Officers and Employees’ Retirement System (SCOERS) members must complete *Form DS-11, Application for Service Retirement and the Deferred Retirement Option Program*.
- If you do not select a benefit payment option at the time you file your DROP application, you must also complete and return *Form FRS-11o, Option Selection (FRS)*, or *Form FST-11o, Option Selection (TRS or SCOERS)*, as appropriate, before your DROP application can be completed.

Extension Forms:

- If you choose to participate in DROP for less than the maximum period allowable, but decide later that you wish to extend your participation, you may be eligible to do so with the approval of your employer and the Division. Complete a revised *Form DP-ELE* and send it to us through your human resources office.
- Certain instructional personnel may be authorized to continue participation in DROP for up to an additional 36 months beyond their initial 60-month eligibility period. If employed in an eligible position, you must complete *Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Instructional Personnel*. To be authorized for this extended DROP participation, you must be employed in an eligible position at the time you complete your initial 60 months of DROP eligibility and remain employed in an eligible position during your extended DROP participation (see Page 14 for more information). We must receive your completed *Form DP-EXT* before your initial 60-month participation eligibility period ends.

When will I decide how to receive my DROP account payout?

Three months before the DROP end date on your *Form DP-ELE*, we will mail you the necessary forms to choose the distribution method for your DROP account. If you change your termination date, we will send these forms to you immediately if you are within three months of your new termination date. Your new termination date must be within your eligible DROP participation period approved by us. If you terminate prior to the DROP end date specified on your initial DROP application and *Form DP-ELE*, please call the DROP Termination Unit (see contact information on Page 1).

ADDITIONAL QUESTIONS TO CONSIDER

Can I defer or postpone starting DROP?

You may be eligible to defer or postpone the date you begin DROP when you complete 30 years of service (25 years of special risk service for Special Risk Class members) based upon the exceptions listed below. You must elect to join DROP within 12 months beginning with the month you reach your maximum deferral date. During this 12-month period, your total allowable DROP participation decreases by a month for each month you delay your decision. **If you do not begin DROP participation within this 12-month period you lose your right to participate in DROP unless you are employed in a position eligible for unlimited DROP deferral.**

Deferral Exceptions:

- If you are a member of the Regular Class, Senior Management Service Class, or the Elected Officers' Class, and you complete 30 years of

service before you reach age 57, you may defer DROP participation and elect to begin at any time between the month after you complete 30 years of service and the month you turn age 57 and still participate for up to 60 months. If you miss that date and wish to participate, you still have 12 months to make the election, but you lose one month of DROP participation for each month you delay after age 57. You are no longer eligible to participate in DROP starting the month you turn age 58. If you are a Special Risk Class member who completes 25 years of special risk service before age 52, you may defer DROP participation and elect to begin DROP at any time up to the month you turn age 52 and still participate for up to 60 months. Your final 12-month election period begins at age 52. Each month you delay joining DROP after age 52 reduces your maximum participation. You are no longer eligible to participate in DROP starting the month you turn age 53.

- If you are an elected officer who will reach your normal retirement date during a term of office, you may defer participation in DROP until your next succeeding term in the same office. You may also participate for the lesser of 60 months or the length of that term of office (see "Note" on Page 9).
- When determining your normal retirement date for DROP eligibility or for maximum participation, you may choose to include or exclude any optional service you may have purchased (refunded service, leaves of absence, out-of-state service, etc.). Any optional service credit you buy is always used in your benefit calculation regardless of whether you use it to establish your normal retirement date for DROP. Upgraded service credit cannot be excluded when determining your normal retirement date.
- If you have dual normal retirement dates due to employment covered by the Special Risk Class and other employment covered by a different FRS membership class or plan, you are eligible to choose to enter DROP under the rules applicable to either class.
- If your employer considers you to be instructional personnel in grades K-12 as defined in s. 1012.01(2), F.S., at the time of your initial 60-month DROP participation, you may choose to enter DROP at any time after reaching your normal retirement date and still participate for up to 60 months. The maximum deferral to age 57 and the 12-month limitation period to elect DROP participation before losing DROP eligibility do not apply to you.
- If you decide to delay DROP participation because you qualify for a deferral exception, you do not need to notify us that you plan to defer your DROP participation. To maximize your time in DROP, you must apply promptly when your deferral exception date occurs. We will accept your application up to six months in advance of your planned DROP entry date.

How can specified K-12 Instructional Personnel extend maximum DROP participation for up to an additional 36 months?

If you work for a school board, the Florida School for the Deaf and the Blind, or a developmental research school, and you are employed in an instructional position as defined in s. 1012.01(2)(a)-(d), F.S., you may be permitted to extend your DROP participation. This extension may be up to an additional 36 months with authorization from your employer and our approval. You must be employed on a contractual basis in an eligible position at the time you complete your initial 60-month eligibility period and remain in an eligible position during your extended DROP participation. Your employer may choose to allow extended DROP participation for shorter periods of time before granting further DROP extensions not to exceed 36 months total.

To extend your DROP participation, you must obtain authorization from your employer and submit your completed *Form DP-EXT* before the end of your initial 60-month participation period. We must approve your completed *Form DP-EXT* and will provide revised DROP account information for approved extended DROP participants. (See Page 11, “What forms must I complete for DROP?” for more information.)

Can I enroll in DROP if I am on a leave of absence or on Workers’ Compensation?

Yes, on or after reaching your normal retirement date (as long as you apply within the 12-month DROP election window as described on Page 5) you can join DROP while on a leave of absence or on Workers’ Compensation. Once you return to work as a DROP participant, we **cannot** add any additional salary or service credit to your retirement benefit for that period.

Can I change my option selection or buy additional service credit while in DROP?

Once your participation in DROP begins, your retirement is final and you cannot add service credit, change retirement options, or change the type of retirement you chose to retire under. You are considered a retiree.

May I change employers while in DROP?

Yes, but be careful! If you are off all FRS payrolls for one calendar month while changing employers, your DROP participation ends.

Note: You must complete Form DP-ELE showing the dates of participation in DROP with your new employer. Your overall DROP participation with all employers cannot exceed 60 months unless you are employed in an eligible

position and authorized by your employer. If you change employers and are employed in another eligible position during this period of extended DROP participation, you must also complete a new Form DP-EXT showing the dates of participation in the program with your new employer. In that case, your overall extended participation in DROP with all employers cannot exceed 36 months.

What if I take another job with an FRS employer (become reemployed) after my DROP participation is over?

DROP participants are considered to be **retired** even though they continue to work for a specified period of time. Once you terminate DROP participation, you are fully retired and subject to termination requirements and reemployment restrictions with FRS participating employers. As FRS retirees, certain reemployment restrictions must be considered.

Important! *Before you become reemployed in any capacity with an FRS employer after you retire or terminate DROP participation, contact the Bureau of Retirement Calculations for guidance (see contact information on Page 1). Protect your retirement benefits from unnecessary jeopardy.*

For the **first six calendar months** after your DROP termination, you must not have any employment relationship with any FRS employer to meet the definition of termination and avoid cancellation of your retirement and DROP participation. Once you void your DROP participation, you may not be eligible for future DROP participation. This restriction includes being employed by an FRS employer in temporary or other positions that are not covered by the FRS.

If you are employed by **any** FRS employer in any capacity during the **first six calendar months** after your termination:

- You void your retirement and DROP participation.
- You are required to repay your DROP payout and any monthly benefits you received since your DROP participation ended.
- If you retired from the Teachers' Retirement System (TRS) or the State and County Officers and Employees' Retirement System (SCOERS), you also owe required employee contributions, plus interest, to reestablish your membership.
- In addition, if you rolled over your DROP accumulation, you may be subject to federal income tax penalties and surrender charges for withdrawing your DROP accumulation.
- Your **new** employer is required to pay all required employer contributions, plus interest, to retroactively establish your membership and service credit.

In the 7th-12th calendar months after your DROP termination date:

There are no exceptions to reemployment limitations. If you are employed by a participating employer in any capacity during this period you must suspend your retirement benefit in any month you receive a salary or wage payments.

Note: Employment with an FRS employer includes any employment with your previous employer or any other FRS employer regardless of whether the employment is covered for retirement.

See *Preparing to Retire* or *After You Retire* for more information. You can view or download these publications from the “Publications” page of our website at <http://frs.MyFlorida.com>. You may request copies from us or your employer’s human resources office.

How do I change beneficiaries while in DROP?

To change your DROP beneficiary, you must change the beneficiary of your retirement benefit. If you chose option 1 or 2, you may change your beneficiary by completing and returning *Form FST-12, Beneficiary Designation for Retired Members*.

If you chose option 3 or 4, your beneficiary is your joint annuitant who is eligible to receive continuing benefits upon your death. If you wish to change your joint annuitant, you must complete and return *Form JA-1, Change of Joint Annuitant*.

You may change your joint annuitant only twice during retirement. If you change your joint annuitant after retirement, we recalculate your retirement benefit based upon your age at that time and your new joint annuitant’s age. To qualify as a joint annuitant, your beneficiary must be:

- Your spouse; or
- Your natural or legally adopted child who is either under age 25 or is physically or mentally disabled and incapable of self-support (regardless of age); or
- Your parent or grandparent, or a person for whom you are the legal guardian, provided your parent, grandparent, or other such person is financially dependent upon you for one-half or more of his/her support.

If you chose option 3 or 4 and your joint annuitant dies while you are in DROP, you could name a new beneficiary to receive **only** your accumulated DROP benefits in case you die while in the DROP. Use *Form FST-12, Beneficiary Designation for Retired Members*, to make this restrictive beneficiary designation. In that case, your new beneficiary would not have to qualify as a joint annuitant, would not count as one of the two joint annuitant changes allowed by law after retirement, and would not be eligible for a continuing benefit upon your death.

If your joint annuitant dies while you are in DROP or you become divorced and nullify your joint annuitant, you may use *Form FST-12, Beneficiary Designation for Retired Members*, to name a new beneficiary for your DROP accumulation only (see next question).

Who is entitled to my DROP benefits if I die while participating in the program?

Except for what is described on Page 18, your FRS, TRS or SCOERS designated beneficiary is eligible to receive your DROP accumulation, and if you chose option 2, 3 or 4, a continuing monthly benefit is also payable, according to the terms of the benefit payment option you selected. (Note, while option 2 guarantees benefits for a 120-month period, that period starts when your DROP participation begins, so monthly benefits would continue to your surviving beneficiary only for any months remaining in that period after your death.)

Survivors of DROP participants are **not** eligible for in-line-of-duty death benefits.

Am I guaranteed employment if I am enrolled in DROP?

No, your employment status is not changed by your DROP participation. You may quit your job or your employer may lay you off or terminate you in the same manner as before your DROP participation began.

Can I cancel my DROP application?

You can only cancel your DROP application during your first month of DROP participation.

How is my DROP participation voided?

If your employer agrees to rescind your previously established DROP termination date, your DROP participation would be voided once you worked in the month following your previously established DROP end date. If this is going to occur, you and your employer should submit *Form DP-VOID, Deferred Retirement Option Program Void Form*, to the Division. Your retirement membership will be reestablished, as if you did not participate in DROP, and your employer must pay any difference in employer contributions. You must apply to establish a future retirement date.

If I decide to roll over my DROP accumulation, what are my rollover options?

The law states that rollovers must be paid directly to the custodian of an eligible retirement plan, defined in Section 402(c)(8)(b) of the Internal Revenue Code (IRC). An eligible retirement plan includes the following plans:

- An Individual Retirement Account as described in Section 408(a), IRC, which includes a non-designated ROTH IRA.
- An Individual Retirement Annuity as described in Section 408(b), IRC (an annuity set up by an insurance company).
- A Qualified Trust - a stock bonus, pension or profit sharing plan of an employer (both defined contribution and defined benefit plans) established in accordance with Section 401(a), 401(k), or 403(b), IRC, for the sole and exclusive benefit of employees or their beneficiaries.
- An Annuity Plan as described in Section 403(a), IRC.
- A deferred compensation account qualified under Section 457, IRC, or an annuity plan qualified under Section 403(b), IRC.

Personal contributions, such as required employee contributions you made prior to 1975 or payments for optional service credit you purchased using after-tax dollars included in your DROP accumulation are paid directly to you, instead of being rolled as a tax-free, lump-sum payment, as computed using the Simplified Method under the Internal Revenue Code. This portion of your benefit represents your after-tax contributions that cannot be rolled over into a tax-sheltered account. See IRS Publication 575 for more information about the Simplified Method. If you die while participating in DROP, and your spouse is named as your beneficiary, he or she may receive a distribution of your account proceeds after your death as described in Section 402(c)(9), IRC.

Do I have the option to roll over my DROP accumulation to a different eligible plan after the Division has rolled it over to the eligible retirement plan I initially selected?

Contact the custodian of the eligible plan that received your DROP rollover to discuss a subsequent rollover to another eligible plan.

If I become divorced after joining DROP and I chose option 3 or option 4, may I remove my ex-spouse as my beneficiary?

Yes, you may nullify your joint annuitant by completing *Form JA-NUL, Joint Annuitant Nullification* unless a qualified domestic relations order (QDRO) prevents such an action. The effective date of the change will be the first of the month after we receive this form. Be aware that, if you chose option 4 when you entered DROP, your benefit will be reduced by one-third at the time this change becomes effective (the same as if your spouse had died before you).

How would a QDRO affect my DROP accumulation?

If you are divorced and have an approved QDRO on your FRS retirement account, your monthly benefit accumulating in DROP is subject to the monthly deduction amount stated in the order, unless it addresses and specifically

excludes DROP accumulations from such deduction. If your QDRO requires a cost-of-living adjustment (COLA) to the deduction amount, the adjustment will be reflected in the amount deducted from your monthly benefit. The amount distributed to your former spouse at the end of your DROP participation will be the accumulation of the monthly deductions (including COLA if applicable), plus interest, during your period of DROP participation. We will deduct this amount from your total DROP accumulation.

What if I become disabled while participating in DROP?

If you become disabled while in DROP and terminate employment, you will begin to receive the monthly retirement benefit determined when you retired and began DROP, including any COLA increases, plus your DROP accumulation up to the point of your termination. You will **not** be eligible to change your type of retirement from a service retirement to a disability retirement.

Am I eligible to receive the Health Insurance Subsidy (HIS) Program benefit while I am in DROP?

You cannot receive an HIS benefit while participating in DROP and you cannot receive additional service credit toward your HIS for DROP participation. After your DROP participation ends and about the same time you receive your first monthly benefit, you will receive a packet of information from us. That packet includes a *Health Insurance Subsidy Certification Form, HIS-1*, which you must complete and return. After we receive your completed *Form HIS-1*, we will evaluate your eligibility. If you are approved, HIS benefits will be added to your retirement benefit each month. In addition, you will receive HIS benefits retroactive to the month after your DROP participation ended or up to a maximum of six months of retroactive benefits.

Am I covered for Social Security while participating in DROP?

Yes, provided your retirement plan included Social Security coverage before you elected to retire and participate in DROP. If you plan to work and participate in DROP past age 65, ask your human resources officer or contact the Social Security Administration about enrolling in Medicare when you reach age 65, even if you will not begin receiving Social Security benefits until you terminate employment. If you are late enrolling in Medicare, you may have to pay higher premiums.