



**Florida Retirement System  
Pension Plan**

**Deferred  
Retirement  
Option  
Program**

**DEPARTMENT OF  
MANAGEMENT SERVICES**

**Division of Retirement**

**September 2006**

## **DISCLAIMER**

If questions of interpretation arise as a result of the attempt to make these retirement provisions easy to understand, Chapter 121, Florida Statutes, Chapter 60S, Florida Administrative Code, and the Internal Revenue Code shall remain the final authorities.

## **TABLE OF CONTENTS**

<b>CONTACTING THE DIVISION .....</b>	<b>1</b>
<b>WHAT IS DROP?.....</b>	<b>3</b>
<b>ELIGIBILITY REQUIREMENTS .....</b>	<b>4</b>
Who is eligible to join DROP? .....	4
Who is not eligible to participate in DROP? .....	4
When can I begin DROP? .....	4
Example .....	5
When should I apply for DROP?.....	5
<b>BENEFITS IN DOLLARS AND SENSE .....</b>	<b>6</b>
How much interest will my DROP account earn? .....	6
How can I estimate the value of my DROP account? .....	6
DROP Account Estimate Example .....	6
What about my lump-sum annual leave payout?.....	7
How will my DROP benefits be taxed?.....	8
Example .....	8
What happens when my DROP participation ends? ..	9
<b>IS DROP RIGHT FOR ME? .....</b>	<b>11</b>
Should I retire and join DROP?.....	11
What forms must I complete for DROP? .....	12
When will I elect a distribution method for my DROP account? .....	14
<b>ADDITIONAL QUESTIONS TO CONSIDER ...</b>	<b>14</b>

## **CONTACTING THE DIVISION**

If you have questions not answered in this pamphlet, we invite you to email, call, or write the Division of Retirement. Address your correspondence to:

**DIVISION OF RETIREMENT  
PO BOX 9000  
TALLAHASSEE FL 32315-9000**

If you plan to visit the Division, please log on to our website (<http://frs.myflorida.com>) for a map or call us for the street address.

The following telephone numbers, fax numbers, email addresses, and descriptions of responsibilities should help you identify the right office.

### **Bureau of Retirement Calculations**

For questions concerning the calculation of your benefit amount, creditable service, DROP participation eligibility, estimated DROP accumulation, reemployment after retirement and DROP participation:

Telephone (Toll Free) ..... **888/RET-CALC**  
**(888/738-2252)**  
Telephone ..... **850/488-6491**  
FAX ..... **850/410-2195**  
Email ..... *calculations@dms.myflorida.com*

### **Bureau of Benefit Payments**

#### ***DROP Termination Unit***

To report termination of employment by DROP participants and for processing of DROP termination forms (Forms DP-TERM & DP-PAYT):

Telephone (Toll Free) ..... **877/RET-DROP**  
**(877/738-3767)**  
Telephone ..... **850/487-4856**  
FAX ..... **850/410-2199**  
Email ..... *drop\_term@dms.myflorida.com*

***Retired Payroll Section***

To report a late, lost, or stolen benefit payment; to report a change of address after retirement or DROP participation; and for general questions about benefit payments, insurance deductions, and withholding tax:

- Telephone (Toll Free) ..... **888/FRS-PMTS**  
**(888/377-7687)**
- Telephone ..... **850/488-4742**
- FAX ..... **850/410-2193**
- Email..... *retired@dms.myflorida.com*

***Survivor Benefits Section***

To report the death of a retiree, beneficiary, or joint annuitant and to request forms for change of beneficiary or joint annuitant:

- Telephone (Toll Free) ..... **877/FRS-HEIR**  
**(877/377-4347)**
- Telephone ..... **850/488-5207**
- FAX ..... **850/410-2197**
- Email..... *survivor@dms.myflorida.com*

**Research & Education Section**

For questions related to proposed legislation and for distribution of FRS Pension Plan publications:

- Telephone (Toll Free) ..... **877/FRS-1RES**  
**(877/377-1737)**
- Telephone ..... **850/488-5706**
- FAX ..... **850/921-0371**
- Email..... *rep@dms.myflorida.com*

If you have a hearing or speech impairment, you may call the Division via T.D.D. through the Florida Relay System by dialing 711 or 800/877-1113.

## WHAT IS DROP?

The Deferred Retirement Option Program (DROP) allows you to effectively retire under the Florida Retirement System (FRS) Pension Plan and begin accumulating your retirement benefits, without terminating employment, for up to 60 months from the date you first reach your normal retirement or eligible deferral date. (*See page 16 for information about instructional personnel who may be eligible to extend DROP participation beyond 60 months.*) You will simultaneously earn a salary and a retirement income.

While participating in DROP, your monthly retirement benefits accumulate in the FRS Trust Fund, earning tax-deferred interest, while you continue to work without earning additional service credit for retirement. Your benefit will be calculated based upon your years of service at the time your DROP participation begins. In other words, when you enter the program you are considered to be retired and you stop earning retirement service credit.

When your DROP participation ends, you **must** terminate all employment with all FRS employers. (*See page 11 for exceptions to the termination requirement that may apply to certain elected officials.*) At that time, you will receive payment of your accumulated DROP account 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 program participation can offer sufficient financial advantages to justify serious consideration. For many, DROP is the “best of both worlds,” providing both a guaranteed lifetime benefit with financial security and an opportunity to accumulate additional savings while continuing your career.

## **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 retirement system administered by the State of Florida and have since 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.

### **When can I begin DROP?**

The earliest you may begin participation in DROP is the month you reach your normal retirement date based upon your age, **or** the month following the month you reach your normal retirement date based upon your years of service.

### **Example:**

If you are vested (have at least 6 years but less than 30 years of service credit), and attain age 62 on May 22nd; your normal retirement date would be May 1st. Or, if you will complete 30 years 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 elective office covered by the Elected Officers' Class, you may qualify to defer your program participation to a future date. Also, if you are employed as K-12 instructional personnel, you may be eligible to defer DROP participation (*see deferral exceptions page 14*).

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 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 6 months prior to reaching your normal retirement date or DROP deferral date. To maximize your time in the program, the Division must receive your DROP application and election forms no later than the last working day of the month you intend to enroll in the program. We encourage you to send in your DROP application as early as possible.

If you apply for DROP after your normal retirement date or your latest eligible deferral date has passed but within the first 12 months of your 60-month participation period, your maximum program participation period will be reduced for each month your application is delayed. If you fail to make an



election to participate within this 12-month DROP election window, you will no longer be eligible to participate in the program, unless you qualify for one of the exceptions (see deferral exceptions page 14).

## **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 6.5%. No interest is earned on benefits on deposit for less than one month or after the month in which you terminate employment.

Your retirement benefits that accumulate in your DROP account will be increased by a 3% cost-of-living adjustment (COLA) each July 1st or by a prorated amount if you have been in DROP for less than 1 year when you receive your first COLA.

### **How can I estimate the value of my DROP account?**

First, calculate your monthly benefit based on the FRS Pension Plan retirement benefit formula:

For the “% value” of your service credit, see the retirement guide for your membership class or visit the “Online Services” page of the Division’s website at <http://frs.myflorida.com>.

### **DROP Account Estimate Example:**

If you have **30 years of creditable service**, are a **Regular Class member** in the FRS Pension Plan, are age 62 or younger, and have an **Average Final Compensation** of \$25,000 (an average of your highest earnings or compensation for five fiscal years), based upon the 1.60%-per-year value of your service as a Regular Class member, your **initial annual retirement benefit payment**, under option 1, would be \$12,000 (or \$1,000 per month).

$$\begin{aligned} 30 \text{ years} \times 1.60\% \times \$25,000 &= \$12,000 \\ \$12,000 / 12 &= \$1,000 \end{aligned}$$

With yearly 3% cost-of-living adjustments, this annual retirement system benefit would become \$13,911 (or \$1,159 per month) after 5 years 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 the program. 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 accessing the calculator from the Division's website (<http://frs.myflorida.com>). DROP account values cannot be estimated for more than a 60-month participation period.

If you are in an eligible position and are 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 the Division has received and approved the appropriate DROP Extension form (*see page 12, What forms must I complete for DROP?*).

### **What about my lump-sum annual leave payout?**

You may choose to receive a lump-sum payment of accumulated annual leave earned in accordance with your employer's policies and rules, either at the time you enter DROP or after your DROP participation ends.

If your accumulated annual leave is paid to you at the time you enter DROP and your employer confirms and reports the amount to the Division on the monthly payroll report, up to 500 hours of your lump-sum annual leave payment will be eligible to be included in your retirement benefit calculation, which will increase the benefit accumulating in your DROP account. However, if you receive a lump-sum annual leave payment(s) after your DROP participation begins that was not certified to the Division at the time DROP began, it will not change your FRS benefit calculation.

## **How will my DROP benefits be taxed?**

At the end of DROP, 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, there will be no taxes due on your DROP accumulation until you begin to withdraw these funds from the “eligible retirement plan” (see page 22 for more information on rollovers). When you begin to withdraw these funds, the income taxes you owe will be based upon your income tax rate in the year that you receive the funds.

If you elect to receive a total or partial lump-sum payment of your DROP accumulation from the Division, the lump-sum amount will be taxed as income in the year the payment is issued. The Division is required to withhold 20% 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% tax on your lump-sum distribution. When you file your income tax forms that year, you may also owe additional taxes, depending on your income tax bracket.

### **Example:**

If you chose to take a lump-sum DROP distribution of \$100,000, the Division would automatically withhold 20% (\$20,000) for taxes. The 1099-R tax form provided by the Division for that year would reflect the lump-sum amount you received, as well as the 20% tax already withheld. If you are in the 28% tax bracket, you would owe an extra 8% (\$8,000) in taxes, in effect reducing your lump-sum benefit from \$100,000 to \$72,000. If your termination from DROP occurs before the year that you reach age 55, you may also owe an additional 10% tax (\$10,000) on your lump-sum distribution. This would further reduce your lump-sum benefit from \$100,000 to \$62,000.

## What happens when my DROP participation ends?

You and your employer(s) must verify your termination of all employment with FRS employers. Upon verification, you will begin receiving your monthly FRS retirement benefit and distribution of your DROP account. Monthly benefits are payable on the last state working day of the month. DROP funds will be processed the month following termination. Your DROP account accrues no further interest after the month in which your participation ends.

Your DROP accumulation will be paid to you in one of three ways:

- as a lump-sum payment, with 20% withheld for federal income taxes;
- as a direct rollover; or

### DROP ACCOUNT ESTIMATES

Monthly Retirement Benefit Payment	YEARS OF PARTICIPATION	
	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

- as a combined partial lump-sum payment and direct rollover.

If your DROP account 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, those personal contributions will be paid to you as a tax-free, lump-sum payment, as computed using the Simplified General Rule under the Internal Revenue Code. This portion of your account represents your after-tax contributions that cannot be rolled over into a tax-sheltered account and therefore will be paid directly to you. (See page 22 for information on rollover options).

Within 60 days after your DROP participation ends, your account will be distributed in the manner you specify. If you do not specify a distribution method within that 60-day period, you will be issued a lump-sum payment with 20% withheld for taxes.

**IN DROP AND DROP ACCUMULATION**

<b>3</b>	<b>4</b>	<b>5</b>
\$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

**Note:** *If you hold an elective office covered by the Elected Officers' Class at the end of your DROP participation, and you began DROP prior to July 1, 2002, you do not have to terminate the elected office to end DROP and receive your account payout.*

*However, if you began DROP on or after July 1, 2002, and you hold an elective office covered by the Elected Officers' Class 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 ineligible for renewed membership in the FRS and will not receive pension payments or a DROP account distribution until you terminate from elective office. After the end of DROP participation and prior to termination from office, your DROP account will increase only by compounded monthly interest.*

## **IS DROP RIGHT FOR ME?**

### **Should I retire and join DROP?**

One of the most important retirement decisions you will have to make is whether you should participate in DROP. To assist you in this decision, you may ask the Division for comparative estimates of the benefits you would receive under the program versus the benefits you would receive if you continue working for the same period of time and retire without participating in DROP. When you receive these estimates, you should 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 1-866-44-MyFRS or

1-866-446-9377, or access the FRS Financial Guidance Program at [www.myfrs.com](http://www.myfrs.com). This program was created to answer your retirement and financial planning questions and protect the privacy of FRS members. Give careful consideration to your decisions to ensure that the choices you make will provide the best financial security for your future. To help you explore DROP further, the Division's website (<http://frs.myflorida.com>) offers a number of online services to assist you, including a link you may use to email the Bureau of Retirement Calculations directly.

### **Questions to ask yourself:**

- How long do I want to participate in DROP?
- What are my options for starting DROP if I wish to participate for the full initial 60-month participation period?
- Will I be ready (both financially and emotionally) to terminate employment when my DROP participation ends?
- 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 the Division of Retirement, or by visiting the "Forms" page of the Division's website. You must file these forms through your employer's personnel office.

#### **Election Forms:**

- 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 (see page 13). *Form DP-ELE* serves as a postdated resignation, acknowledged by your employer, indicating 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 initially elect 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 the Division through your personnel office.
- Certain instructional personnel may be authorized to continue participation in DROP for up to an additional 36 months beyond the initial 60-month eligibility period. If authorized, you must complete *Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Instructional Personnel*. To be eligible 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, remain employed in an eligible position during your extended DROP participation, and obtain proper authorization (*see page 16 for more information*). *Form DP-EXT* must be completed and received by the Division before your initial 60-month participation eligibility period ends.



## **When will I elect a distribution method for my DROP account?**

The Division will mail you the necessary forms 3 months before your participation in the program is scheduled to end, as indicated on your DROP application and *Form DP-ELE*. If you change your termination date, we will send these forms to you immediately if you are within 3 months of your new termination date. Your new termination date must be within your eligible DROP participation period approved by the Division. 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. Upon reaching the last date for which you qualify for deferral, you must elect to join DROP within 12 months, during which time your total allowable participation decreases by a month for each month you delay your decision. If you do not elect DROP participation within this 12-month period you will lose your right to participate in this program unless you are employed in a position with 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 attain age 57, you may defer participation in DROP and elect to begin at any time between the month after you complete 30 years of service and the month you attain 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 1 month of DROP participation for each month you delay after age 57.

You would no longer be eligible to participate in DROP starting the month you become age 58. Special Risk Class members who complete 25 years of special risk service before age 52 may defer DROP participation and elect to begin DROP at anytime up to age 52 and still participate for up to 60 months. The 12-month election period would begin at age 52. Maximum DROP participation would be reduced for each month you delayed joining DROP after age 52 and you would lose eligibility to participate in DROP if not participating before age 53.

- If you are an elected officer who will reach your normal retirement date while holding an elective office, you may defer participation in the program until your next succeeding term in the same office and may participate for the lesser of 60 months or the length of that term of office (*see Note on page 11*).
- 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 will always be used in your benefit calculation regardless of whether you use it to establish your normal retirement date for DROP.
- If you have dual normal retirement dates due to special risk employment and other employment covered by a different FRS membership class or plan, you are eligible to enter the program under the rules applicable to either class. The choice is yours.
- 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 12-month limitation period to elect participation in the program does not apply to you.)

If you decide to delay DROP participation because you qualify for a deferral exception, it is not necessary for you to notify the Division that you plan to defer your participation in the program. However, to maximize your time in the program, you must apply promptly when your deferral exception date occurs. The Division will accept your applications up to 6 months in advance of your planned DROP entry date.

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

If you work for a district 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 approval by the Division, provided you are employed on an annual 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.

To extend your DROP participation, you must obtain authorization from your employer and the Division must receive your completed *Form DP-EXT* prior to the end of your initial period of DROP participation. You must also obtain approval from the Division. (See page 12, “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. However, once you return to work as a DROP participant, you **cannot** have any additional salary or service credit added to your retirement benefit for that period.

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

No. 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 that you chose to retire under.

## **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 participation in the program will be over.

***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 (see page 16). 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. As FRS retirees, certain reemployment restrictions and exceptions must be considered.

**Important! Before you become reemployed in any capacity with an FRS employer after you retire or terminate DROP participation, you should contact the Bureau of Retirement Calculations for guidance (see contact information on page 1). Do not put your retirement benefits in jeopardy unnecessarily.**

### **In the first month after DROP ends:**

If you are employed with any FRS employer in any capacity during the first **calendar** month after your termination, both your retirement and your DROP

participation are voided. This also includes employment in a position not covered by the FRS with an FRS employer. You would be required to repay your DROP accumulation and any monthly benefits you received since your DROP participation ended. If you retired from the Teachers' Retirement System or the State and County Officers and Employees' Retirement System, you would also owe required employee contributions, plus interest, to reestablish your membership. In addition, if you have 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 would be required to pay all required employer contributions, plus interest, to retroactively establish your membership and service credit.

In other words, for the first **calendar** month after terminating DROP, you must be off the payroll of **all** FRS employers to meet the definition of termination and avoid cancellation of your retirement and DROP participation. Once your DROP is voided, you may not be eligible to participate in DROP in the future.

***Note: Employment with an FRS employer includes any full-time, part-time, temporary, other personal services (OPS), contractual services or noncontractual services with your previous employer or any other FRS employer.***

If you and your employer agree that you will work beyond your maximum DROP participation period, you will need to complete *Form DP-VOID, Deferred Retirement Option Program (DROP) Void Form*.

### **In the 2nd-12th months after DROP ends:**

The post-retirement reemployment restrictions apply during the 12 calendar months after your DROP participation ends. Unless your employment qualifies under one of the following exceptions, you cannot receive a monthly retirement benefit at the same time you receive a salary from an employer

participating in the FRS during the 2nd calendar month through the 12th calendar month after termination. If you wish to work during this 11-month period, you must notify the Division to suspend your monthly retirement benefit. You will forfeit any benefits suspended during this limitation period.

**Exceptions:**

There are certain exceptions to the reemployment limitations that apply during the 2nd through 12th month after DROP ends:

- Exceptions are provided for FRS retirees who are appointed to or elected to office, as well as retired judges called to temporary duty.
- School districts may reemploy FRS and TRS retirees, after being terminated for one calendar month, as K-12 classroom teachers on an annual contractual basis, or as hourly or substitute teachers on a noncontractual basis without further restriction.
- School districts may reemploy FRS retirees as education paraprofessionals, transportation assistants, bus drivers, or food service workers without restriction after they have been terminated for one calendar month.
- The Florida School for the Deaf and the Blind, developmental research schools, and charter schools may reemploy FRS and TRS retirees during the 2nd through 12th months after retirement as classroom teachers on an annual contractual basis, or as non-contractual hourly or substitute teachers without further limitation. Residential instructors and substitute nurses reemployed at the Florida School for the Deaf and the Blind are included in the category of noncontractual substitute or hourly teachers, but are not eligible for the contractual teacher exception.
- Community colleges and universities may reemploy FRS and TRS retirees in specified adjunct and phased retirement positions, but only for a maximum of 780 hours, without being required to suspend benefits.

- FRS retirees can be reemployed as firefighters and paramedics in this 11-month period without suspending their benefits, subject to the 780-hour limit.

See the brochure *Preparing to Retire* or the booklet *After You Retire* for more information. These publications may be viewed or downloaded from the “Publications” page of the Division’s website (<http://frs.myflorida.com>). Copies may be requested from your employer’s personnel office or from the Division.

## **How do I change beneficiaries while in DROP?**

In order 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.** Changing your joint annuitant after retirement will require your retirement benefit to be recalculated 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 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 DROP funds only (see the next question).

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

Except for what is described on page 23, your FRS, TRS or SCOERS designated beneficiary would be eligible to receive all accumulated DROP benefits, and if you chose option 2, 3 or 4, a continuing monthly benefit would also be payable, according to the terms of the benefit payment option you selected. (Note that, while option 2 guarantees benefits for a 120-month period, that period starts at your *entry* into DROP, 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 before your participation in DROP began.



## **If I decide to roll over my DROP account, what are my rollover options?**

The law states that rollovers must be paid directly to the custodian of an eligible retirement plan as 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.
- 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.
- Effective January 1, 2002, you are eligible to roll your DROP account into a deferred compensation account qualified under Section 457, IRC, or an annuity plan qualified under Section 403(b), IRC.

An eligible retirement plan **does not** include a ROTH IRA.

If your DROP account 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, instead of being rolled over those personal contributions will be paid directly to you as a tax-free, lump-sum payment, as computed using the Simplified General Rule under the Internal Revenue Code. This portion of your account represents your after-tax contributions that cannot be rolled over into a tax-sheltered account.

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. A

beneficiary other than your spouse must receive a distribution as a lump-sum payment from which required taxes would be deducted.

**Do I have the option to rollover my DROP account to a different eligible plan after the Division has rolled over to the eligible retirement plan I initially selected?**

You should 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 the Division receives 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 Qualified Domestic Relations Order (QDRO) on your FRS account, your DROP monthly benefit is subject to the monthly deduction amount stated in the QDRO, unless the QDRO addresses and specifically excludes the DROP 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 DROP monthly benefit. The amount distributed to the former spouse at the end of DROP will be the accumulation of the monthly deductions (including COLA if applicable), plus interest, during your period of DROP participation. This amount will be deducted 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 your monthly retirement benefit that was determined when you retired and started the program, including any cost-of-living 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?**

No, and you cannot receive 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 the Division. Included in that packet will be a *Health Insurance Subsidy Certification Form, HIS-1*, which must be completed. After we have received your completed *Form HIS-1* at the Division, 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, up to a maximum of 6 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 personnel officer or contact the Social Security Administration about enrolling in Medicare when you reach age 65, even though 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.