



Pension Plan

Deferred Retirement Option Program

**20
22**
Edition

Revised 5/23

DISCLAIMER

As much as possible, this guide is written in nontechnical terms, avoiding the formal language of retirement laws and rules. 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 remain the final authority.

The information provided in this guide is based on the Florida Retirement System (FRS) Pension Plan laws and rules in existence as of July 2022 and is subject to modification based on changes in the law or the Florida Administrative Code.

Representatives from FRS employers are not agents of the Department of Management Services' Division of Retirement (division). The division is not responsible for erroneous information provided by employer representatives.

TABLE OF CONTENTS

Contacting the Division	2
What is DROP?	3
Eligibility Requirements.....	4
Who is eligible to participate in DROP?	4
Who is not eligible to participate in DROP?	4
When can I begin DROP participation?	5
When should I apply for DROP?	7
Benefits in Dollars and Sense	8
How much interest will my DROP account earn?	8
Will my FRS benefits receive a cost-of-living adjustment (COLA) while I'm in DROP?	8
How can I estimate the value of my DROP account?	8
What about my lump-sum annual leave payment?	9
What happens when my DROP participation ends?	9
How will my DROP benefits be taxed?	12
Is DROP right for me?.....	13
Should I retire and participate in DROP?.....	13
What forms must I complete to participate in DROP?.....	14
What forms must I complete to terminate my DROP participation?.....	17
Additional Questions to Consider	18

CONTACTING THE DIVISION

If you have questions not answered in this guide, you may call or write the Division of Retirement.

If you are writing to the division, address your correspondence to the following:

**DIVISION OF RETIREMENT
P.O. BOX 9000
TALLAHASSEE, FL 32315-9000**

The following telephone number and fax number will help you reach the Division of Retirement.

Telephone (Toll-Free).....844-377-1888
Telephone850-907-6500
Fax number.....850-410-2010

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 800-955-8771.

You may visit the division at the address below without an appointment, but you must bring a photo ID. Our hours are Monday through Friday from 8:00 a.m. until 5:00 p.m., Eastern time, except on designated state holidays.

The Division of Retirement is located at:

**3189 S BLAIR STONE RD
TALLAHASSEE, FL 32301-6812**

WHAT IS DROP?

The Deferred Retirement Option Program (DROP) is a voluntary retirement program that is available only to FRS Pension Plan members who qualify for normal retirement. As a participant of DROP, you begin accumulating your retirement benefits while delaying your employment termination for up to 60 months from the date your DROP participation begins. See *When Can I Begin DROP* on Page 5 for eligibility to participate in DROP. See Page 20 for information about instructional personnel and administrators who may be allowed to extend DROP participation beyond 60 months. While in DROP, you simultaneously earn a salary while your monthly retirement benefits are held in the FRS Trust Fund on your behalf.

Before you participate in DROP, you earn one month of retirement service credit for each month you have compensation reported for work performed. When you enter DROP, you stop earning retirement service credit. While you are participating in DROP, your monthly retirement benefits accumulate in the FRS Trust Fund and earn tax-deferred interest as 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 you terminate your employment at the end of your approved DROP participation period, you receive your DROP payout and begin receiving your monthly retirement benefit in the same amount determined at retirement, plus any applicable cost-of-living adjustment. 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 monthly benefit and an opportunity to accumulate additional savings while you are working.

ELIGIBILITY REQUIREMENTS

Who is eligible to participate in 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 one of the following:

- The FRS Pension Plan; or
- The Teachers' Retirement System (TRS).

Who is not eligible to participate in DROP?

You cannot participate in DROP if any of the following apply:

- You are a member of the FRS Pension Plan who did not begin DROP participation during your election period and you are not eligible to defer your DROP participation (see Deferrals on Page 18).
- You are retired from the FRS Pension Plan.
- 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 (SUSORP).
- You are a member or retiree of the State Community College System Optional Retirement Program (SCCSORP).
- You are a member or retiree of the Senior Management Service Optional Annuity Program (SMSOAP for state employees only).
- You are a member of the Senior Management Service Class (SMSC) employed by or retired from a non-state employer and you chose to withdraw from participation in the FRS.
- You are a member of the Elected Officers Class (EOC) and you chose to withdraw from participation in the FRS.

When can I begin DROP participation?

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. If you are initially enrolled in the FRS before July 1, 2011, you must have six years of service to be vested. If you are initially enrolled in the FRS on or after July 1, 2011, you must have eight years of service to be vested.

Normal retirement date requirements for age or service if you were initially enrolled in the FRS before July 1, 2011, are as follows:

- Special Risk Class –
 - Age 55 with at least six years of Special Risk Class service but fewer than 25 years of Special Risk Class service;
 - Any age before age 55 with 25 years of Special Risk Class service; or
 - Age 52 with a total of 25 years of Special Risk Class service that includes up to four years of purchased wartime military service.

These requirements apply to members of the Special Risk Administrative Support Class who have at least six years of Special Risk Class service.

- Regular Class, Elected Officers' Class, and Senior Management Service Class –
 - Age 62 with at least six years of service but fewer 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 Class service.

If you were initially enrolled in the FRS before July 1, 2011, and reach your normal retirement date based on your years of service before age 57 (age 52 for Special Risk Class members), you may be eligible to defer your DROP participation (see Deferrals on Page 18).

Normal retirement date requirements for age or service if you were initially enrolled in the FRS on or after July 1, 2011, are as follows:

- Special Risk Class –
 - Age 60 with at least eight years of Special Risk Class service but fewer than 30 years of Special Risk Class service;
 - Age 57 with a total of 30 years of Special Risk Class service; or
 - Any age after age 57 but before age 60 with 30 years of Special Risk Class service.

These requirements apply to members of the Special Risk Administrative Support Class who have at least eight years of Special Risk Class service.

- Regular Class, Elected Officers' Class, and Senior Management Service Class –
 - Age 65 with at least eight years of service but fewer than 33 years of service; or
 - Any age before age 65 with 33 years of service.

These requirements apply to members of the Special Risk Administrative Support Class who do not have eight years of Special Risk Class service.

If you were initially enrolled in the FRS on or after July 1, 2011, and reach your normal retirement date based on your years of service before age 60 (age 55 for Special Risk Class members), you may be eligible to defer your DROP participation (see Deferrals on Page 18).

If you reach your normal retirement date while holding an elected office, you may qualify to defer your DROP participation to a future date. Also, if you are employed as specified K-12 instructional or administrative personnel, you may be eligible to defer your DROP participation (see Deferrals on Page 18).

If you are a member of the Teachers' Retirement System (TRS), your normal retirement date varies based on your membership date, class, and plan. Please contact the Division of Retirement for more information on your normal retirement date (see Page 2).

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, the division must receive your DROP application and election forms no later than the last working day of the month you intend to begin DROP participation. Please submit 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, your eligible DROP participation will be reduced. There is a month-for-month reduction in your maximum DROP participation for each month you delay submitting your application to the division. If you fail to make an election to participate within the 12-month election window, you will no longer be eligible to participate in DROP, unless you qualify for one of the exceptions (see Deferrals on Page 18). Your Member Annual Statements and your service history, available from your FRS Online account, will help you track when you will reach normal retirement and allow you to project estimates of benefits.

Example:

If your normal retirement date or latest eligible deferral date was July 1, 2022, and you did not make an election to participate in DROP by the last working day in June 2023, you would no longer be eligible to participate in DROP unless you qualified for one of the deferrals.

BENEFITS IN DOLLARS AND SENSE

How much interest will my DROP account earn?

Your DROP accumulation earns compounded-monthly interest at an effective annual rate of 1.30 percent. Benefits on deposit for less than one month or after your DROP participation ends do not earn interest.

Will my FRS benefits receive a cost-of-living adjustment (COLA) while I'm in DROP?

Your individual COLA is payable each July 1 and included in the check you receive at the end of each July. Your benefit shall be increased as provided in section 121.101, Florida Statutes Your individual COLA is calculated when you retire based on your years of service and date of retirement. Members who are initially enrolled prior to July 1, 2011, and who retired prior to July 1, 2011, receive a 3% COLA. Members initially enrolled prior to July 1, 2011, and who retire on or after July 1, 2011, receive a prorated COLA for the portion of their service that occurred before July 1, 2011. Members initially enrolled on or after July 1, 2011, will receive a 0 percent COLA. If you have been in DROP for less than one year, your first COLA will be a prorated for the partial year.

Example:

A member enters DROP effective January 1, 2022, with 30 years of service, of which 20 years occurred before July 1, 2011. The member's individual COLA would be calculated as follows:

$$20/30 = .6667 \times 3 \text{ percent} = 2.0 \text{ percent}$$

$$.5 \text{ (partial first year)} \times 2.0 = 1.0 \text{ percent}$$

This member will receive a 1.0 percent COLA effective July 2022 and a 2.0 percent COLA each July thereafter.

How can I estimate the value of my DROP account?

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

Years of Service x Percentage Value x Average Final Compensation

For the percentage value of your service credit, visit FRS Online at frs.fl.gov.

Use the Create Estimate tool in your FRS Online account to estimate your retirement benefit and project your DROP accumulation.

What about my lump-sum annual leave payment?

You may choose to receive a lump-sum payment of your accumulated annual leave either at the time you enter DROP or after your DROP participation ends. If you choose to receive a lump-sum annual leave payment when entering DROP, up to the lower of your agency's policy or 500 hours can be included in your benefit calculation.

If your accumulated annual leave is paid to you at the time you begin DROP participation and your employer confirms and reports the amount to the division on the monthly payroll report, then the lump-sum annual leave payment will be eligible to be included in your retirement benefit calculation. If you receive a lump-sum annual leave payment at the end of your DROP participation, it will not be included in your retirement benefit calculation.

What happens when my DROP participation ends?

You must terminate all employment relationships and cease providing services, with or without pay, to all FRS employers (including positions that are not reported for retirement purposes, such as temporary, OPS, and adjunct) in order to receive your accumulated DROP benefits and monthly pension benefits. See “Are there any limitations that apply to working for or providing services to an FRS employer during the first 12 calendar months after my DROP participation is over?” starting on Page 23 for more information.

You and your employer(s) must complete and submit Form DP-TERM, DROP Termination Notification to verify that you terminated all employment with FRS employers. After your employment termination is verified, your name will be added to the retired payroll for monthly benefit payments. Monthly benefits are payable on the last working day of the month. Your DROP payout is distributed as soon as possible beginning with the month following your DROP termination date, if your termination has been verified and you have completed Form DP-PAYT, DROP Selected Payout Method, to select your payout method. Your DROP accumulation 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 certain employee contributions, such as required after-tax 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 accumulated in your DROP account will be paid as a tax-free, lump-sum payment. The division uses the Simplified Method 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 with your pre-tax contributions (see Page 29 for information on rollover options).

Within 60 days after your DROP participation ends, the division distributes your payment the way you choose on Form DP-PAYT. If you do not choose a distribution method within that 60-day period, the division issues a lump-sum payment and withholds 20 percent for taxes. The division will mail your lump sum payment directly to you at the address on file.

Note: If you hold an elected office at the end of your DROP participation, you must fulfill the termination requirement to receive retirement benefits, including your DROP accumulation. 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. Your termination may be further postponed to the end of a future term of office if the terms of office are consecutively held without a break in service after the term in which your DROP participation ended.

If your termination requirement is postponed under this provision, you will not be eligible for renewed membership in the FRS during the period of your delayed termination and will not receive pension payments or your DROP account distribution until you terminate from elected office and cease providing paid or unpaid services to all FRS employers. After your DROP participation ends and prior to termination from office, your DROP account will no longer accrue monthly benefits or earn interest. If you are an elected official and need more information, contact the Division of Retirement (see Page 2).

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 will owe no taxes on your DROP accumulation until you begin to withdraw these funds from the eligible retirement plan (see Page 29 for more information on rollover options). When you begin to withdraw these funds, the income taxes you owe will be 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 Internal Revenue Service (IRS) requires that the division 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 (or age 50 for eligible public safety officer retirees), you may owe an additional 10 percent early withdrawal tax on your lump-sum distribution. Please consult the IRS at [irs.gov](https://www.irs.gov) or your tax advisor for more information.

Example:

If you choose to take a lump-sum DROP distribution of \$100,000, the division automatically withholds 20 percent (\$20,000) for taxes. The amount of the lump-sum distribution paid to you would be \$80,000 (\$100,000 – \$20,000). The 1099-R tax form the division sends 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 to the IRS. 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 the IRS an additional 10 percent tax (\$10,000) on your lump-sum distribution.

IS DROP RIGHT FOR ME?

Should I retire and participate in DROP?

One of the most important retirement decisions you will make is determining whether you should participate in DROP. To help you in this decision, you can request from the division 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 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. The division recommends 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's toll-free help line at 866-446-9377 or access the FRS Financial Guidance Program at MyFRS.com. This program answers your retirement and 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, the division's website (frs.myflorida.com) offers a number of online services to assist you.

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, for retirement?
- 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 to participate in DROP?

You may obtain any of the forms described below from the Forms page of the division's website (frs.myflorida.com), from your human resource office, or by contacting the division. You must file these forms through your employer's human resource 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 form, for each FRS employer you provide services through paid or unpaid arrangements during your DROP participation. This form serves as a postdated resignation, acknowledged by your employer, with the termination date you chose when joining the program.
- If you choose to participate in DROP for less than the maximum allowable period and decide later that you wish to participate for the complete maximum allowable period, you may be eligible to do so with the approval of your employer and the division. Complete a revised Form DP-ELE, Notice of Election to Participate in the DROP and Resignation of Employment and send it to the division through your human resource office.

Application/Option Selection Forms:

FRS members must complete and return these forms before the DROP application can be completed.

- Form DP-11, Application for Service Retirement and the Deferred Retirement Option Program
- Form FRS-11o, Option Selection
- Form SA-1, Spousal Acknowledgement

TRS members must complete and return these forms before the DROP application can be completed.

- Form DT-11, Application for Service Retirement and the Deferred Retirement Option Program
- Form FST-11o, Option Selection
- Form SA-1, Spousal Acknowledgement

Extension Forms:

K-12 Personnel

You may be eligible for extension if you work as instructional personnel for the Florida School for the Deaf and the Blind, you are employed by a district school board or charter school in an instructional position as defined in section 1012.01(2)(a) (d), Florida Statutes, or you work for a developmental research school and are employed in an instructional position as defined in section 1012.01(2)(a), Florida Statutes.

- K-12 instructional personnel who are authorized to extend DROP participation beyond their 60-month participation period must end their extended DROP participation on the last day of the school year within the DROP extension granted by the employer.
- Certain K-12 administrative personnel may be authorized by their employer to extend participation in DROP through the last day of that school year if their original DROP termination date occurs before the end of that school year.
- To be authorized for 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 20 for more information).
- To extend your DROP participation, you must be employed in an eligible position and complete Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Personnel. Authorization from your employer must be obtained and the division must receive your completed Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Personnel before the end of your initial 60-month participation period. The division must approve your completed Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Personnel and will provide a revised DROP payout summary for approved extended DROP participants.

Law Enforcement Officers

As a law enforcement officer in a position that meets the criteria defined in section 121.0515(3)(a), Florida Statutes, you may be eligible for DROP extension.

- Effective July 1, 2022, law enforcement officers in DROP may extend their participation for up to an additional 36- calendar months beyond their initial 60-month period if the law enforcement officer enters DROP on or before June 30, 2028.
- To extend your DROP participation, you must be employed in an eligible law enforcement officer position at the end of your initial DROP participation, provide the information required by the division, and must remain in an eligible law enforcement position while working during the entire period of your extended DROP participation.

What forms must I complete to terminate my DROP participation?

Form DP-Term, DROP Termination Notification is required to verify your employment termination. Form DP-PAYT, DROP Selected Payout Method is required to select the method of payment of your accumulated DROP benefits. If you chose Option 4, Form DP-Joint, DROP Joint Annuitant Verification is required to verify the status of your joint annuitant. Three months before your scheduled DROP termination date, the division will send you a termination packet with the required forms.

If you decide to terminate your employment earlier than your scheduled DROP termination date on your initial DROP application, please contact the Division of Retirement (see Page 2) to report your new DROP termination date. If your new termination date is within three months, the division will send a termination packet to you. Your new termination date must be within your eligible DROP participation period approved by the division.

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 reach your normal retirement based on your years of service and the exceptions listed below. You must elect a current or future eligible date 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 elect a current or future eligible DROP participation date within this 12-month period, you lose your right to participate in DROP unless you are employed in an instructional position eligible for unlimited deferral of DROP participation.

Deferrals:

- If you were initially enrolled in the FRS before July 1, 2011, and are a member of the Regular Class, Senior Management Service Class, or Elected Officers' Class and you reach your normal retirement date based on your years of service before you reach age 57, you may defer DROP participation and elect to begin at any time up to 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. If you fail to make an election before you turn age 58, you will no longer be eligible to participate in DROP.
- If you were initially enrolled in the FRS on or after July 1, 2011, and are a member of the Regular Class, Senior Management Service Class, or the Elected Officers' Class and you reach your normal retirement date based on your years of service before you reach age 60, you may defer DROP participation and elect to begin at any time up to age 60 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 60. If you fail to make an election before age 61, you will no longer be eligible to participate in DROP.

- If you were initially enrolled in the FRS before July 1, 2011, and you are a Special Risk Class member and you reach your normal retirement date based on your years of service before age 52, you may defer DROP participation and elect to begin DROP at any time up to age 52 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 52. If you fail to make an election before you turn age 53, you will no longer be eligible to participate in DROP.
- If you were initially enrolled in the FRS on or after July 1, 2011, and you are a Special Risk Class member and you reach your normal retirement date based on your years of service before age 55, you may defer DROP participation and elect to begin DROP at any time up to age 55 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 55. If you fail to make an election before you turn age 56, you will no longer be eligible to participate in DROP.
- 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. Your DROP participation may not exceed 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 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 as a result of 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 you are in an instructional personnel position in grades K-12 as defined in section 1012.01(2), Florida Statutes, 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 age 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, you do not need to notify the division that you plan to defer your DROP participation. To maximize your time in DROP, you must apply promptly before your maximum deferral date occurs.

How can specified K-12 instructional personnel extend DROP participation for an additional 36 months?

Specified instructional personnel may be permitted to extend DROP participation up to an additional 36 months with authorization from your employer and approval by the division. Your extended DROP participation must terminate at the end of the school year which may limit being extended for a full 36 calendar months depending upon when your 60-month DROP participation ends. 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. A completed Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Personnel, with authorization from your employer must be submitted before the end of your initial 60-month participation period (see Page 15 for more information).

How can a law enforcement officer extend DROP participation for up to an additional 36 calendar months?

A law enforcement officer may extend their DROP participation up to 36 additional months beyond the initial 60-month period, by completing the documentation required by the division. If the form is received by the Division with the employer certifying you are in a position that meets criteria in section 121.0515(3)(a), Florida Statutes.

- The information required by the division must be received by the Division no later than your DROP termination date for your initial 60-month DROP participation period and will be accepted up to six months before your DROP termination date.
- You must remain in an eligible law enforcement position during your extended DROP participation as certified by your employer.

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 7), you can join DROP while on a leave of absence or on workers' compensation. However, once you return to work as a DROP participant, the division 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?

No, once your participation in DROP begins, your retirement decisions are final and you cannot add service credit, change retirement options, or change the type of retirement you chose to retire under.

May I change FRS employers while in DROP?

Yes, but if you are terminated for one calendar month or more while changing employers, then your DROP participation will end.

Note: If you change employers while in DROP, you must complete a new Form DP-ELE, Notice of Election to Participate in the DROP and Resignation of Employment with the DROP participation dates 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 for an extension. If you change employers and are employed in another eligible position during a period of extended DROP participation, you must also complete a new Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) for Specified K-12 Personnel, with the DROP participation dates with your new employer. In the case of extension, your overall extended participation in DROP with all employers cannot exceed 36 months.

Are there any limitations that apply to working for or providing services to an FRS employer during the first 12 calendar months after my DROP participation is over?

Yes. To begin receiving a retirement benefit, including the DROP payout, you must terminate all employment relationships with all FRS employers. If you are dually employed with one or more FRS employers, you must terminate from all positions, even if one of those positions is not an FRS covered position. You must terminate from all positions that include, but are not limited to:

- full time work
- part time work
- other personal services (OPS)
- election poll work
- substitute teaching
- adjunct instructing
- contractual services
- third-party arrangements to provide services to FRS employers

You are subject to the following termination requirement and reemployment limitation in the first 12 calendar months following your DROP termination date.

TERMINATION REQUIREMENT: 1st through 6th calendar months of retirement

You must have a bona fide termination by terminating all employment relationships with all FRS employers for the first six calendar months after your DROP termination date. Providing services, paid or unpaid, to an FRS employer may create an employment relationship. The determination of whether an employment relationship exists depends on the facts and circumstances of each case. Please seek competent tax and legal counsel to assist you in determining whether an employment relationship exists.

An employment relationship with an FRS employer in any capacity during this six-calendar month period may void your retirement and you and your FRS employer will be held jointly and severally liable to repay all benefits you received, including any accumulated DROP payout.

Voiding your retirement applies even if the position you hold is not covered by the FRS but is with an FRS employer. This requirement also applies to employment with the same employer if the employer withdrew from the FRS effective January 1, 1996, for newly hired employees.

**REEMPLOYMENT LIMITATION:
7th through 12th calendar months of retirement**

After you satisfy termination by not providing a service (paid or unpaid) to an FRS employer during the first six calendar months after your DROP termination date, there is an additional limitation to you providing services (paid or unpaid) to FRS employers. During the seventh through twelfth calendar months after your DROP termination date you may not receive a retirement benefit while also receiving salary or providing a service to an FRS employer in the same month. This limitation applies even if the position you hold is not an FRS covered position but is with an FRS employer.

If you choose to provide any services, whether paid or unpaid, to FRS employers during this reemployment limitation period, you must inform the division so that your retirement benefit can be suspended while you provide the services during the remainder of your first 12 calendar months after your DROP termination date. You and the FRS employer you provide services to may be held jointly and severally liable to repay any retirement benefits you received while providing services to FRS employers during this period. Your suspended retirement benefits for the months you provide services to an FRS employer during the reemployment limitation period will never be received.

If you provide services to an FRS employer in any capacity, you MAY be determined to have an employment relationship. The determination of whether an employment relationship exists depends on the facts and circumstances of each case. Please seek competent tax and legal counsel to assist you in determining whether an employment relationship exists.

Beginning the 13th calendar month after your DROP termination date, there are no limitations on receiving your retirement benefit while providing services to an FRS employer.

Note: The reemployment limitation does not apply to retired law enforcement officers reemployed as a school resource officer by an FRS employer.

For questions regarding the termination requirement or reemployment limitation, please contact the Division of Retirement (see Page 2).

Note: See the Ready. Set. Retire. Guide for more information. You can view or download this guide from the Publications page of the division's website at frs.myflorida.com.

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 lifetime monthly benefits upon your death. Exception: A child under the age of 25 is eligible to receive a monthly benefit until age 25, unless disabled. If you wish to change your joint annuitant, contact the Division of Retirement (see Page 2) and request 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, your retirement benefit will be recalculated based upon your age at that time and your new joint annuitant's age. A revised DROP payout summary will be provided to you reflecting the change in your future benefit payments. 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 who 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 that your parent, grandparent, or other such person is financially dependent upon you for half or more of 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 lifetime monthly 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?

Your FRS designated beneficiary is eligible to receive your DROP accumulation. If you chose Option 2, 3, or 4, your beneficiary could receive a continuing monthly benefit according to the terms of the benefit payment option you selected.

Note: While the FRS Option 2 guarantees benefits for a 120-month period, that period starts when your DROP participation begins. Monthly benefits would continue to your surviving beneficiary only for any months remaining in that period after your death.

If your Option 3 or 4 beneficiary predeceases you during DROP participation, you can name a beneficiary who does not qualify as a joint annuitant to receive your DROP accumulation if you die before your DROP participation ends.

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

If I divorce after joining DROP and I chose Option 3 or 4, may I remove my former spouse as my beneficiary?

Yes, you may nullify your joint annuitant by completing Form JA-NULL, 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).
- If you chose Option 3 when you entered DROP, the benefit amount you receive will not change but if you name a new joint annuitant your monthly benefit will be adjusted based on your age and your new joint annuitant's age.

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 will be 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 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. The division will deduct this amount from your total DROP accumulation.

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?

To cancel your DROP application, a written cancellation request must be received by the division before or by the end of the first month of DROP participation.

Can I choose to cancel my DROP participation?

You cannot cancel your DROP participation once your DROP application is finalized and after your first month of DROP participation. If your employer agrees to rescind your previously established DROP termination date, your DROP participation will be voided once you work past your previously established DROP termination 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 and required employee contributions. You must apply again 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. An eligible retirement plan includes the following plans:

- An individual retirement account as described in section 408(a) of the Internal Revenue Code, which includes a non-designated ROTH IRA;
- An individual retirement annuity as described in section 408(b) of the Internal Revenue Code (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) of the Internal Revenue Code for the sole and exclusive benefit of employees or their beneficiaries;
- An annuity plan as described in section 403(a) of the Internal Revenue Code; and
- A deferred compensation account qualified under section 457 of the Internal Revenue Code or an annuity plan qualified under section 403(b) of the Internal Revenue Code.

After-tax employee contributions (e.g., required after-tax employee contributions members paid 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 as a tax-free, lump-sum payment and are 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, your spouse may receive a distribution of your account proceeds after your death, as described in section 402(c)(9) of the Internal Revenue Code.

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.

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 to a disability retirement.

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

No, you cannot receive the HIS benefit while participating in DROP, and you cannot receive additional service credit toward your HIS benefit for your years of 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. This packet will include a Form HIS-1, Health Insurance Subsidy Certification, which you must complete and return. This form is also available from the Forms page of the division's website at frs.myflorida.com. The division will evaluate your eligibility for HIS benefits after your completed Form HIS-1, Health Insurance Subsidy Certification is received. If you are approved, HIS benefits will be included in the same payment as 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 resource 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.

NOTES

NOTES

Department of
**MANAGEMENT
SERVICES**

▶ Retirement

