

A collection of military medals and a compass on a wooden surface. The medals include a red ribbon with a circular emblem, a blue ribbon with a circular emblem, and a large silver star with a central emblem. A pair of glasses and a compass are also visible.

DROP

Deferred Retirement Option Program

Fairfax County Retirement Systems

FAIRFAX COUNTY
Retirement SYSTEMS
EMPLOYEES' POLICE officers UNIFORMED



Overview

- ◆ **What is DROP**
- ◆ **Your Benefit Estimate**
- ◆ **DROP Application**
- ◆ **Joint and Last Survivor Options**
- ◆ **Things to Consider**
- ◆ **Questions and Answers?**



What is DROP?

- ◆ **DROP allows members of Fairfax County Retirement Systems who are eligible for normal service retirement the option to retire for purposes of the retirement plan while remaining actively employed for up to an additional 3 years**
- ◆ **Retirement benefits accumulate and earn interest at an annual rate of 5%, compounded monthly during the 3 years**
- ◆ **DROP participants are treated as active employees for all other purposes (e.g. promotions, raises, and benefits)**
- ◆ **Employment terminates no later than the end of the 3-year DROP period**



How Does DROP Work?

- ◆ The member continues to work for Fairfax County and receives a salary. Member no longer contributes to retirement plan **nor** does member continue to earn benefit service credit
- ◆ If the member is eligible to receive the Pre-Social Security Benefit for all or part of the DROP period, that amount is part of the amount that goes into the member's DROP account
- ◆ Member makes Joint and Last Survivor election
- ◆ Member **continues to earn** leave at the same rate and continues to receive eligibility service for the purposes of the health subsidy & length of service awards
- ◆ At the end of the DROP period, the member terminates employment and retires



Program Eligibility

- ◆ **Must be a “normal” retirement eligible member (not early)**
- ◆ **Employees’ Retirement System members reach normal retirement eligibility when:**
 - You are age 65 with 5 or more years of service or
 - At the minimum age of 50/55 and your age and years of service equal at least 80/85 including sick leave**
- ◆ **Police and Uniformed Retirement System Members**
 - 25 or more years of service including sick leave OR
 - You are age 55 (Police)
 - You are age 55 with 6 or more years of Service (Uniformed)

***ERS Normal Retirement eligibility varies, depending on employment date.*



DROP Application

- ◆ **DROP Applications must be received at least 60 days prior to program entry**
 - For example: Those who want to enter DROP on July 29, 2021, must apply by May 23, 2021
 - DROP entry must be at beginning of a new payroll period
- ◆ **Visit the Retirement Systems website** for a complete schedule of DROP entry dates
- ◆ **Key points for successful DROP entry:**
 - Agency head or Supervisors must sign the form
 - Provide your payroll contact a copy
 - Spousal acknowledgement *must be signed and notarized (ERS only)*
 - Return the application to the Retirement Systems Office
 - Include required birth and marriage certificates



Sick Leave & DROP

Sick leave can be used to gain eligibility and extra benefit service when entering DROP

- 172 hours of sick leave = one month of retirement service credit
- You can convert all of your sick leave balance to service credit or hold back up to 40 hours to begin the DROP period with a bit of sick leave*

**For employees hired on or after 1/1/2013, the maximum number of sick leave hours that can be used for retirement service credit is 2,080.*

Any Sick leave accrued during DROP, and not used by the time you exit DROP, will be forfeited



Your Benefit Estimate

- ◆ Provides you information you need to make an informed decision
- ◆ **Benefit estimate illustrates:**
 - Your monthly annuity at DROP entry and the annuity you would have earned had you continued to work for 3 more years without entering DROP
 - Does not include projections for salary increases
 - Your accumulated lump sum balance and the monthly annuity amount that would begin in three years
 - Does not include projections for retiree COLA
- ◆ **Benefit Estimates can include Joint & Survivor Information** (*if applicable*) that can provide your spouse with annuity upon your death

Sample Benefit Estimate

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Member Information

Separation Date	02/06/2015	Increase Percent	Date
Benefit Type	DROP Contribution	Increase Percent	Date
Projected Retirement Date	02/07/2015	Increase Percent	Date
Age At Retirement	60.46301	Date of Birth	08/22/1954
Prepared By	JARAN2	Employment Date	10/2/1989
FAS (Final Average Salary)	\$ 3,986.62	Normal Retirement Date	11/05/2014
Pensionable FAS	\$ 3,986.62	Early Retirement Date	N/A
FAS Date Range	06/16/2012 to 06/12/2015	Contribution Balance	\$ 71,042.58
Current Hourly Pay Rate	\$ 23.47	Sick Leave	753.0
Current Yearly Salary	\$ 48,823.01	Agency Code	C028
Reaches Social Security Age	08/22/2020	Leave Without Pay	8.0
Social Security Breakpoint	\$ 7,025.00	Family Medical leave (FMLA)	0.0
		Military Leave Without Pay	0.0

Eligibility Service Information

Regular	Sick Leave	Miscellaneous	Plan Total
25.34795	0.36483	0.00000	25.71278
Age	Employment Service Plan Total	Total of Both	
60.46301	25.71278	86.17579	

Benefit Service Information

Plan Name	Regular	Sick Leave	Miscellaneous	Plan Total
Employees' Plan B	25.35210	0.36483	0.00000	25.71693
Total	25.35210	0.36483	0.00000	25.71693

Optional Retirement Beneficiary Information

Beneficiary Name	Date Of Birth	Relationship
Spouse	03/13/1956	Wife

Benefit Information Upon DROP Entry

Payment Option	Form Factor	Benefit Amount	Adjustment Total	Total Benefit
Joint & Survivor 100%	84.30%	\$ 1,780.41	\$ 1,055.99	\$ 2,836.40
Joint & Survivor 75%	88.40%	\$ 1,867.00	\$ 1,055.99	\$ 2,922.99
Joint & Survivor 66.67%	89.50%	\$ 1,890.23	\$ 1,055.99	\$ 2,946.22
Joint & Survivor 50%	91.60%	\$ 1,934.58	\$ 1,055.99	\$ 2,990.57
Single Life Annuity		\$ 2,111.99	\$ 1,055.99	\$ 3,167.98

Sample Benefit Estimate

Benefit Information Upon DROP Exit

Payment Option at Entry	Lump Sum (LS)	50% (LS) buys Increased Annuity	100% to Annuity
Joint & Survivor 100%	\$ 110,089.61	\$ 55,044.81 / buys \$ 311.31 monthly	\$ 622.62
Joint & Survivor 75%	\$ 113,450.44	\$ 56,725.22 / buys \$ 336.42 monthly	\$ 672.84
Joint & Survivor 66.67%	\$ 114,352.05	\$ 57,176.03 / buys \$ 343.31 monthly	\$ 686.63
Joint & Survivor 50%	\$ 116,073.43	\$ 58,036.72 / buys \$ 356.65 monthly	\$ 713.32
Single Life Annuity	\$ 122,959.26	\$ 61,479.63 / buys \$ 412.46 monthly	\$ 824.92

Your Payment Options and Amounts

Payment Option	To Retiree If Both Alive	To Surviving Beneficiary	To Retiree If Ben. Dies First	415 Test P=Pass, F=Fail
Joint & Survivor 100%	\$ 1,780.41	\$ 1,780.41	\$ 2,111.99	P / \$ 15,489.88
Joint & Survivor 75%	\$ 1,867.00	\$ 1,400.25	\$ 2,111.99	P / \$ 15,489.88
Joint & Survivor 66.67%	\$ 1,890.23	\$ 1,260.22	\$ 2,111.99	P / \$ 15,489.88
Joint & Survivor 50%	\$ 1,934.58	\$ 967.29	\$ 2,111.99	P / \$ 15,489.88
Single Life Annuity	\$ 2,111.99	\$ 0.00	\$ 2,111.99	P / \$ 15,489.88

Benefit Calculation

Final Average Salary	Factor	Benefit Service	Monthly Benefit
\$ 3,986.62 X	2.0% X	25.71693 X 103%	= \$ 2,111.99
Total Base Benefit			\$ 2,111.99
<u>Final Average Salary</u>	<u>Factor</u>	<u>Benefit Service</u>	
Pre-SSB \$ 3,986.62 X	1.00% X	25.71693 X 103%	= \$ 1,055.99
Total Adjustments			\$ 1,055.99
Total			\$ 3,167.98

Adjustments Added

Description	Effective Date	Termination Date	Amount
Pre-Social Security Benefit (Pre-SSB)	02/07/2015	08/31/2020	\$ 1,055.99
Total:			\$ 1,055.99



Joint & Last Survivor Information

(Spouse Option)

- ◆ **You must make your J&S election at DROP entry**
 - Your decision is irrevocable, except in cases of death and divorce
- ◆ **Reminder - your J&S choices are included on your DROP estimate if you provide your spouse's date of birth**



What Happens When I Exit DROP?

- ◆ **At the end of the DROP period, the member terminates employment and retires**
 - ✓ **Complete DROP Exit Notification Form**
 - ✓ **Monthly benefit amount starts being Direct Deposited into member's own bank account**
 - ✓ **Member makes decisions regarding**
 - **Health Insurance**
 - **Dental Insurance**
 - **Life Insurance**
 - ✓ **Choose what to do with lump sum balance**



What Happens When I Exit DRO? *(continued)*

- ◆ **Member chooses among five options for their DRO balance**
 - ✓ Receive a lump sum distribution by check (remember, this is taxable income)
 - ✓ Roll over entire DRO balance to an IRA or other qualified retirement plan (non-taxable income)
 - ✓ Combine Rollover and Refund
 - ✓ Apply 100% to increase your monthly annuity
 - ✓ Apply 50% to increase your annuity and receive a 50% distribution
 - 50% distribution can be a combination of rollover and refund in any percentages

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Adjustments Added

Description	Effective Date	Termination Date	Amount
Pre-Social Security Benefit (Pre-SSB)	02/07/2015	08/31/2020	\$ 1,055.99
Total:			\$ 1,055.99



Benefits at/after DROP Exit


County Government DROP Participants:

Review information on Health, Dental & Life Benefits on the County Human Resources website or call HR Central.

FCPS (Schools) DROP Participants:

Review information on Health, Dental & Life Benefits on the Fairfax County Public Schools website under the link for Employee Benefits information.

**NOTE: Benefits can change every year with Open Enrollment.
Please refer to the current information available for benefit options.**



Things to Consider

- ◆ **How much sick leave do you want to carry into the DROP? Up to 40 hours**
(Application Block 18 on ERS & URS; Block 20 on PORS)
- ◆ **If you change your mind before DROP entry, you must wait at least 12 months to reapply**
- ◆ **During DROP – all active benefits continue, (i.e. promotions, leave, health care, deductions, etc.) however retirement contributions cease**
- ◆ **You are retired for purposes of the retirement plan only!**
 - While in DROP, salary increases have no impact on future retirement annuity
 - However, you do receive retiree cost of living increases in your DROP account



Timing of DROP Entry

- ◆ **Annual Leave Conversion**
- ◆ **Raise, Promotion, or Status Change**
- ◆ **Sick Leave Accrued During the DROP**
- ◆ **Consult your financial planner and/or family before making final decisions – You cannot change your mind once you have entered the DROP**

What Next?

- ◆ If you are eligible for NORMAL Retirement within the next year, AND are seriously considering entering the DROP, please contact the Retirement Systems office for more information.

*Best Wishes as you plan
for your retirement!*