FRS
FLORIDA RETIREMENT SYSTEM

Pension Plan

Deferred Retirement Option Program



2026 Edition

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 2026 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' (DMS) Division of Retirement (division). The division is not responsible for incorrect information provided by employer representatives.

SURVEY

We would love to hear from you! You may take a short survey by clicking this link or by scanning the below QR code.

TABLE OF CONTENTS

Contacting the Division 2

What is the DROP?....3

Eligibility Requirements....4

- Who is eligible to participate in the DROP?....4
- Who is not eligible to participate in the DROP?....4
- When can I begin DROP participation?....5
- When should I apply for the DROP?....6

How much interest will my DROP account earn?....6

Will my FRS benefits receive a cost-of-living adjustment (COLA) while I'm in the DROP?....7

How can I estimate the value of my DROP account?....8

What about my lump-sum annual leave payment?....8

What happens when my DROP participation ends?....9

How will my DROP benefits be taxed?....11

Is the DROP right for me?....12

- Should I retire and participate in the DROP?....12
- What forms must I complete to terminate my DROP participation?....16

Additional Questions to Consider....17

CONTACTING THE DIVISION

If you have questions not answered in this guide, you may call or write the Division of Retirement. When you write to the division, include your full name, your Member ID, your mailing address, and daytime telephone number. To retrieve your Member ID, log into FRS Online at FRS.FL.gov and view the Member ID under your name on the top of the navigation menu. Your Member ID will also appear on any correspondence provided by the division.

A copy of the power of attorney or guardianship papers authorizing someone to act on your behalf must be submitted if someone else is managing your affairs.

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 numbers and fax number will help you reach the Division of Retirement.

Member Services.....850-907-6500
Toll-Free 844-377-1888
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 THE 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. The DROP allows you to effectively retire while delaying your termination. As a participant of the DROP, you begin accumulating your retirement benefits while delaying your employment termination for up to 96 calendar months from the date your DROP participation begins. While in the DROP, you earn a salary while your monthly retirement benefits are held in the FRS Trust Fund on your behalf. See Page 5 for DROP eligibility requirements. See Page 17 for information about instructional personnel and administrators who may be allowed to extend DROP participation beyond 96 calendar months.

Before you participate in the DROP, you earn one month of retirement service credit for each month you have compensation reported to the division for work performed. When you enter the DROP, you are retired, and you stop earning retirement service credit. While you are participating in the DROP, your monthly retirement benefits accumulate in the FRS Trust Fund while you continue your FRS-covered employment and earn tax-deferred interest. 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 authorized 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 DROP provides you the financial security of a guaranteed monthly benefit for your lifetime and an opportunity to accumulate additional savings while you are working.

ELIGIBILITY REQUIREMENTS

Who is eligible to participate in the DROP?

To participate in the 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 the DROP?

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

- You are retired from the FRS Pension Plan, including disability retirement.
- 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) 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 can 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:

- 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 also apply to members of the Special Risk Administrative Support Class who do not have six years of Special Risk Class service.

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:

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

Normal retirement date requirements for age or service for a Special Risk Class member are as follows:

- If you were initially enrolled in the FRS before July 1, 2011, age 55 with at least six years of Special Risk Class service but fewer than 25 years of Special Risk Class service;
- If you were initially enrolled in the FRS on or after July 1, 2011, age 55 with at least eight 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 combined total of 25 years of Special Risk Class service and up to four years of purchased wartime military service.

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 (division) for more information on your normal retirement date (see Page 2).

When should I apply for the DROP?

If you are vested, you become eligible to participate in the DROP any time after you reach your normal retirement date. The earliest you may submit your application to participate in the DROP is six months before reaching your normal retirement date. You can apply for the DROP online by logging into or creating your secure FRS Online account at **FRS.FL.gov**. The division must receive your online DROP application or paper DROP application and DROP election forms by the last calendar day prior to the month you intend to begin DROP participation. Please submit your DROP application as early as possible. 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.

How much interest will my DROP account earn?

Your DROP accumulation earns interest at an effective annual rate of 4.00%[1], compounded monthly on the prior month's

[1] Members with a DROP begin date before, on, or after July 1, 2011, through June 30, 2023, earned interest compounded monthly, at an effective annual rate of 1.30%.

accumulated balance. If you participated in the DROP before July 2023, your interest accrual rate was different. Note that 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 am in the 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 retired prior to July 1, 2011, receive a 3% COLA.
- who retire on or after July 1, 2011, receive an individually calculated prorated COLA for the portion of their service that occurred before July 1, 2011. Your COLA is your service credit earned before July 1, 2011, divided by the total service at time of retirement or DROP entry.
- who were initially hired on or after July 1, 2011, will receive a 0% COLA.

If you have been in the DROP for less than one year, your first COLA will be prorated for the partial year.

Example:

A member enters the DROP effective January 1, 2024, with 30 years of service, of which 20 years occurred before July 1, 2011. The member's individual COLA is calculated as follows:

20/30 = 0.6667 x 3% = 2.0% (individual COLA) The member entered the DROP halfway through the fiscal year, so the first COLA is prorated, as shown below:

6/12 months = 0.5 (partial first year) x 2.0% = 1.0%

This member will receive a 1.0% COLA effective July 2024. Each July thereafter, this member will receive a 2.0% COLA.

COLA for Eligible Special Risk Class Members

Beginning July 1, 2026, for a Special Risk Class member to be eligible for a minimum 1.5% COLA, the member must have completed either six years (if initially enrolled in the FRS prior to July 1, 2011) or eight years (if enrolled in the FRS on or after July 1, 2011) of Special Risk Class creditable service.

The COLA would modify the benefit for Special Risk Class members beginning on the first July after the fifth anniversary of retirement as follows:

- For Special Risk Class members initially enrolled prior to July 1, 2011, the COLA rate would be the greater of 1.5% and the COLA rate calculated under the current law's formula.
- For Special Risk Class members initially enrolled in the FRS on or after July 1, 2011, the COLA rate would be 1.5%.

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

If your accumulated annual leave is paid to you when you begin DROP participation and your employer confirms and reports the amount to the division on the monthly retirement report, then the lump-sum annual leave payment will be eligible for inclusion 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 not provide services to any FRS employer (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.

After terminating the DROP, retirees may participate in an FRS employer's postemployment volunteer program (if established) that allows retirees to provide civic, charitable, and humanitarian services during the first six calendar months following retirement without causing the retiree to violate the termination requirement. The volunteer program must meet the criteria in section 121.091(15), Florida Statutes. See "Are there any limitations that apply to working for or providing services to an FRS employer during the first 6 calendar months after my DROP participation is over?" starting on Page 19 for more information.

You and your employer(s) must complete and submit the Deferred Retirement Optional Program (DROP) Termination Notification Form (DP-Term) 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 each 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 the Deferred Retirement Option Program (DROP) Selected Payout Method Form (DP-PAYT) to select your payout method. Your DROP accumulation stops earning interest the month your DROP participation ends.

Your DROP accumulation is paid in one of three ways:

- As a lump-sum payment, with 20% 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 24 for information on rollover options).

Within 60 days after your DROP participation ends, the division distributes your payment according to your choice on the Deferred Retirement Option Program (DROP) Selected Payout Method 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% 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 as provided in section 121.021(39), Florida Statutes, to receive retirement benefits, including your DROP accumulation. Your termination may occur at the end of your DROP participation 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, as provided in section 121.053(7), Florida Statutes.

An elected officer (other than an officer serving as a legislator), who has completed their DROP participation period and is still serving in their elected position may receive their DROP accumulations after attaining age 59 ½ and prior to termination from their elected office. If you are an elected official and need more information, contact the division (see Page 2).

Reference: Section 121.021(39), Florida Statutes

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 24 for more information on rollover options). When you begin to withdraw these funds, the federal 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% 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 the 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% early withdrawal tax on your lump-sum distribution. Please consult the IRS at **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% ($20,000) for federal withholding 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 show the lump-sum amount you received and the 20% tax withheld. If you are in the 28% tax bracket that year, you would owe an extra 8% ($8,000) in taxes to the IRS. If your termination from the 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% tax ($10,000) on your lump-sum distribution.

IS THE DROP RIGHT FOR ME?

Should I retire and participate in the DROP?

One of the most important retirement decisions you will make is determining whether you should participate in the DROP. To help you in this decision, you can create your estimates via FRS Online at **FRS.FL.gov**, or you can request, from the division, comparative estimates of the benefits you would receive under the 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 the 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 the 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 the DROP?
- 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?

How can I apply for the DROP?

You can apply online by logging in or creating your FRS Online account at **FRS.FL.gov**. Alternatively, 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. If you choose to complete a paper application, the application forms require the signature of your employer, but you are responsible for submitting these forms to the division.

Notice of Election to Participate in the Deferred Retirement Option Program (DROP) and Resignation of Employment Form (DP-ELE):

- To participate in the DROP you must complete Form DP-ELE. You and your employer must complete this form for each FRS employer you provide paid or unpaid services to during your DROP participation. This form serves as a postdated resignation, authorized by your employer, with the termination date you chose.
- If you choose to participate in the 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 authorization of your employer and the division. Complete a revised Form DP-ELE with your new resignation date.

Application/Option Selection Forms:

FRS members must also complete and return these forms before participating in the DROP.

- Application for Service Retirement and the Deferred Retirement Option Program (DROP) Form (DP-11)
- Retired Member and DROP Participant Beneficiary Designation Form (FST-12)
- Option Selection for FRS Members Form (FRS-11o)
- Spousal Acknowledgement Form (SA-1)

TRS members must complete and return these forms before participating in the DROP.

- Application for Service Retirement and the Deferred Retirement Option Program (DROP) Form (DT-11)
- Option Selection for Members Form (FST-11o)
- Spousal Acknowledgement Form (SA-1)
- Retired Members and DROP Participant Beneficiary Designation Form (FST-12)

DROP Extension Forms for K-12 Instructional and Administrative Personnel

Eligible DROP participants may extend their DROP participation for up to 24 calendar months after the 96-calendar month DROP period. This includes participants who are instructional or administrative personnel for the Florida School for the Deaf and the Blind, participants who are employed by a district school board or charter school in an instructional or administrative position as defined in section 1012.01(2)(a)-(d), Florida Statutes, or participants who work for a developmental research school and are employed in an instructional or administrative position as defined in section 1012.01(2)(a), Florida Statutes. Personnel that may be eligible to extend their DROP participation are listed below.

- K-12 instructional personnel may participate in the DROP for an additional 24 calendar months beyond their 96-calendar month participation period.[1]
- K-12 instructional personnel must end their extended DROP participation on the last day of the school year.[1]
- **Certain K-12 administrative personnel** may be authorized by their employer to extend participation beyond their 96-calendar month participation period 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 96 calendar months of DROP eligibility and remain employed in an eligible position during your entire extended DROP participation period (see Page 17 for more information).
- To request to extend your DROP participation for up to 24 calendar months, you must be employed in an eligible position and complete an Extension of the Deferred Retirement Option Program (DROP) for Specified K-12 Personnel Form (DP-EXT). Authorization from your

---

Reference: Section 121.091(13)(b), Florida Statutes

[1]This provision expires on June 30, 2029.

employer must be obtained and the division must receive your completed Form DP-EXT before the end of your initial 96-calendar month participation period. The division must approve your completed Form DP-EXT and, if approved, will provide a revised DROP accrual summary to extended DROP participants.

What forms must I complete to terminate my DROP participation?

The Deferred Retirement Optional Program (DROP) Termination Notification Form (DP-TERM)[2] is required to verify your employment termination. The Deferred Retirement Optional Program (DROP) Selected Payout Method Form (DP-PAYT) is required to select the method of payment of your accumulated DROP benefits. If you chose benefit payment Option 4, Deferred Retirement Optional Program (DROP) Joint Annuitant Verification Form (DP-JOINT) 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 (see Page 2) to report your new DROP termination date. If your new termination date is within three months when you contact the division, the division will send a DROP termination packet to you. Your new termination date must be within your eligible DROP participation period authorized by the division.

[2] Members of the Elected Officers' Class who delay their employment termination after their DROP participation has ended will complete another termination document. Contact the division for the appropriate form.

ADDITIONAL QUESTIONS TO CONSIDER

When do I have to enter the DROP?

You are eligible to participate in the DROP at any time after you reach normal retirement. There is no penalty for delaying entry into the DROP and participating for the full 96-calendar month period after you reach normal retirement.

How can specified K-12 instructional personnel extend DROP participation?

Specified instructional personnel may be permitted to extend DROP participation (see Page 15 for more information).

Can I enroll in the DROP if I am on a leave of absence or on workers' compensation?

Yes, on or after reaching your normal retirement date, you can apply for the 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 the DROP?

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

If I elect to participate for less than 96 months, can I change my DROP termination and resignation date to continue my participation?

To take advantage of additional DROP eligibility you must submit a revised DP-ELE form to the division with your new termination date. Participation in the DROP is not a guarantee of employment. If your employer does not authorize your revised DP-ELE, you may choose to change employers (see note below).

Can I change FRS employers while in the 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 the DROP, you must secure new employment by the end of the next calendar month and complete a new Form DP-ELE with the DROP participation dates with your new employer. Your overall DROP participation with all employers cannot exceed a maximum of 96 calendar months unless you are employed in an eligible position and authorized by your employer for an extension beyond the 96 calendar months. 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, with the DROP participation dates with your new employer. In the case of extension, your overall extended participation in the DROP with all employers cannot exceed the allowable limit (see page 16 and you must be employed in an eligible position during the DROP extension period.

Reference: Section 121.091(13)5., Florida Statutes

Are there any termination requirements that apply to working for, or providing services to, an FRS employer during the first six 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 companies providing services to FRS employers

Beginning July 1, 2023, volunteer services performed for an FRS employer's post-employment volunteer program that meets specific statutory criteria[3] allows retirees to provide civic, charitable, and humanitarian services during the first six calendar months following retirement without causing the retiree to violate the termination requirement.

TERMINATION REQUIREMENT:
1st through 6th calendar months following your DROP termination date

You must have a bona fide termination by terminating all employment relationships with and ceasing to provide services to all FRS employers for the first six calendar months after your DROP termination date.

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

[3] **Reference**: Sections 121.091(39) and 121.091(15), Florida Statutes

liable to repay all benefits you received, including any accumulated DROP payout. This means that each party can be held fully responsible for the repayment of the total amount of retirement benefits. There are no exceptions to the six-calendar month termination requirement.

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.

For questions regarding the termination requirement, please contact the division (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 the DROP?

To change your DROP beneficiary, you must change the beneficiary of your retirement benefit. If you chose either Option 1 or Option 2, you can change your beneficiary by completing and returning a Retired Member and DROP Participant Beneficiary Designation Form (FST-12).

If you chose Option 3 or Option 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 (see Page 2) and request a Change of Joint Annuitant (Retired members only) Form (JA-1). You can 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 accrual 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 Option 4 and your joint annuitant dies while you are in the DROP, you could name a new beneficiary to receive only your accumulated DROP benefits in case you die while in the DROP. Use a Retired Member and DROP Participant Beneficiary Designation Form (FST-12) 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 the DROP or you become divorced and nullify your joint annuitant, you may use a Retired Member and DROP Participant Beneficiary Designation (FST-12), 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, Option 3, or Option 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 be paid to your surviving beneficiary only for any months remaining in that period after your death.

If your Option 3 or Option 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 the DROP and I chose Option 3 or Option 4, can I remove my former spouse as my beneficiary?

Yes, you can nullify your joint annuitant by completing a Joint Annuitant Nullification Form (JA-NULL), 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 the 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 the 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 the DROP will be subject to the monthly deduction amount stated in the QDRO, 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 the DROP?

No, your employment status is not changed by your DROP participation and the DROP does not guarantee continued employment. You can 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 agreed upon employment termination date (and established DROP termination date), your DROP participation will be voided when you fail to satisfy the termination requirement by working past your previously established DROP termination date. If this is going to occur, you and your employer are encouraged to submit a Deferred Retirement Option Program (DROP) Void Form (DP-VOID) to the division within three calendar months before your DROP termination date. Once the DROP is voided, your retirement membership will be reestablished as if you did not participate in the DROP, and your employer must pay any difference in required employer and 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 (defined contribution and defined benefit plans) established for the sole and exclusive benefit of employees or their beneficiaries in accordance with section 401(a), 401(k), or 403(b) of the Internal Revenue Code;
- 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 the 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?

After the division has rolled over your DROP accumulation according to your instructions, 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 the DROP?

If you become disabled while in the DROP and terminate employment, you will begin to receive the monthly retirement benefit determined when you retired and began the 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 the DROP?

No, you cannot receive the HIS benefit while participating in the DROP, and you cannot receive additional service credit toward your HIS benefit for your years of DROP participation. After your DROP participation ends and at approximately the same time you receive your first monthly benefit, you will receive a packet from the division. The packet will include a Health Insurance Subsidy Certification Form (HIS-1), 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 receiving your completed Health Insurance Subsidy Certification Form (HIS-1). 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 the DROP?

Yes, provided your retirement plan included Social Security coverage before you elected to retire and participate in the DROP. If you plan to work and participate in the 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.

Department of
MANAGEMENT
SERVICES
Division of Retirement