Employees' Retirement System of Alabama

DROP

Deferred Retirement Option Plan
Contract and Application

This packet is intended to serve as an election to participate in DROP and as a contract between the Employees' Retirement System of Alabama (ERS) and the member relating to DROP participation and as such grants certain benefits and imposes certain obligations on all parties. It should be read carefully and understood before being signed and submitted.

P. O. Box 302150
Montgomery, Alabama 36130-2150
334-517-7000 or 877-517-0020
www.rsa-al.gov

Deferred Retirement Option Plan (DROP)
Election to Participate and Agreement

ELIGIBILITY A member must be eligible for service retirement, at least 55 years of age, and have at least 25 years of creditable service under the ERS exclusive of sick leave to be eligible for DROP.

ELECTION TO PARTICIPATE By completing this uniform and nondiscriminatory election and application, the member elects to participate in DROP and to abide by and be bound by the provisions thereof. This election must be filed with the ERS no more than 90 days nor less than 30 days prior to the effective date of participation. The effective participation date must be the first day of a month. Participation in DROP must be at least three (3) years and not more than five (5) years.

RETIREMENT ALLOWANCE Upon receipt of this application, the ERS will calculate the member's monthly retirement allowance under the available options and provide this information to the member. The member must choose prior to the effective date of DROP participation the option under which he or she wishes to receive his or her monthly retirement allowance. If the member fails to do so, he or she will receive benefits under the Maximum Retirement Allowance. The election of an option becomes final on the effective date of DROP participation and is irrevocable once DROP participation begins. When a member withdraws from service and DROP participation terminates, he or she will begin receiving the monthly retirement allowance, which may be recalculated to include accrued sick leave if the member is eligible and makes an election to convert unused accrued sick leave to retirement credit.

SICK LEAVE Accrued sick leave may not be converted to service credit for purposes of establishing eligibility for the DROP program, nor will the accrued sick leave be used in the calculation of the initial retirement allowance at the time a person enters DROP. As permitted by law upon the member's withdrawal from service, the monthly retirement allowance may be recalculated to include service credit for accrued sick leave or the member may receive payment for the accrued sick leave. In no event can the number of sick leave days converted to service credit exceed the total number of sick leave days the member had accrued upon entering DROP.

SERVICE CREDIT A member's service credit will remain the same during participation in DROP. No additional service credit will be earned based on time spent in DROP, nor will any service credit purchases be allowed after participation in DROP begins.

DROP ACCOUNT A member's monthly retirement allowance will be deposited into the member's DROP account and will accrue interest at four percent (4%) compounded annually. The member's retirement contribution will also be deposited into the member's DROP account and will earn interest at four percent (4%) compounded annually.

COST-OF-LIVING ADJUSTMENTS (COLAs) A member participating in DROP will not receive retiree COLAs during participation in DROP and for a period of one year following the member's withdrawal from service. The member will be entitled to receive any salary increases or colas in his or her active compensation.

EMPLOYEE RIGHTS, HEALTH INSURANCE, ANNUAL/SICK LEAVE Participation in DROP does not affect the rights of employees under the Fair Dismissal Act, Tenure Law, or any other fringe benefit entitlement. If otherwise eligible, a member will continue to receive health insurance through his or her active employment. If otherwise eligible, a member will continue to earn annual and sick leave as prior to DROP participation.

CONTINUATION OF EMPLOYMENT This agreement is between the ERS and the member and in no way should be construed as a guarantee of continued employment for the DROP period, nor as a requirement that a participant terminate employment at the end of the DROP period. Continued employment and termination of employment are matters between the employee and his or her employer.

DROP ACCOUNT DISBURSAL Upon the completion of participation in DROP and the withdrawal from service, the member is entitled to receive a lump-sum payment equal to all retirement allowance payments deposited into the DROP account plus accrued interest and all retirement contributions deposited into the DROP account plus applicable interest. This payment may be rolled over to an eligible retirement plan. The member will also begin receiving the monthly retirement allowance.

INVOLUNTARY TERMINATION, DISABILITY, OR INVOLUNTARY TRANSFER OF SPOUSE A member who fails to complete at least three years of DROP participation due to involuntary termination, disability, or involuntary transfer of spouse is entitled to receive a lump-sum payment equal to all retirement allowance payments deposited into the DROP account plus accrued interest and all retirement contributions deposited into the DROP account plus applicable interest. This payment may be rolled over to an eligible retirement plan. The member will also begin receiving the monthly retirement allowance.

DEATH OF MEMBER If a member dies during DROP participation, the beneficiary is entitled to receive a lump-sum payment equal to all retirement allowance payments deposited into the DROP account plus accrued interest and all retirement contributions deposited into the DROP account plus applicable interest. This payment may be rolled over to an eligible retirement plan. The beneficiary will also begin to receive a monthly retirement allowance if such allowance was elected by the member upon entry into DROP.

VOLUNTARY TERMINATION WITHIN FIRST THREE YEARS OF DROP PARTICIPATION A member who voluntarily terminates employment prior to the completion of at least three years of DROP participation will forfeit the retirement allowance payments which have been deposited in the DROP account. The member will receive the member contributions as well as applicable interest credited to the DROP account. The member would begin receiving his or her monthly retirement allowance.

CONTINUED SERVICE AFTER DROP PARTICIPATION PERIOD If the member does not withdraw from service after completing DROP participation, the member will resume active contributing membership in the ERS. The member will make normal retirement contributions and earn additional service credit. No time spent in DROP participation will count as creditable service. Upon withdrawal from service the member will receive a lump-sum payment from the DROP account equal to all retirement allowance payments deposited in the DROP account and the member contributions deposited into the DROP account plus applicable interest. The member will begin receiving the monthly retirement allowance. The member will also receive an additional retirement benefit based on service after the end of the DROP participation period. This additional service cannot be combined with service prior to the DROP period. The additional benefit will be paid under the same option as the original retirement allowance. If the member dies or becomes disabled during the period of continuing service, he or she will be considered as having retired on the date of death or commencement of disability.

INCENTIVES OR EXTRAORDINARY BENEFITS No employer can offer any incentives such as monetary payments, payment of health insurance premiums, or extraordinary payments for accrued leave solely for the purpose of enticing employees to elect to participate in DROP. This does not apply to regular payments for leave or regular health insurance allocations or contributions.

ACKNOWLEDGEMENT

I acknowledge that I have read and understand this document which is an application for and agreement to participate in the Deferred Retirement Option Plan (DROP). I understand that once participation in DROP begins that I am bound by the terms and conditions thereof. I further understand that DROP is covered by the law which established the plan and that the terms contained in this document are intended to provide general information and guidance.

_____
Signature of Applicant

STATE OF ALABAMA, COUNTY OF _____ .

On this _____ day of _____, 20 ___, personally appeared before me the above

named _____ and made oath to me that

they have read this document and by signing this document are applying for this plan.

_____
Signature of Notary Public

My Commission Expires _____

(AFFIX SEAL)

The fully executed, signed and notarized DROP Application (ERSF 10 D)
must be submitted with the DROP Contract.

ERSF 10 D 01/09

Application for Deferred Retirement Option Plan

Employees' Retirement System of Alabama
P.O. Box 302150
Montgomery, AL 36130-2150
877-517-0020 or 334-517-7000
www.rsa-al.gov

The signed, notarized acknowledgement of the DROP Contract **must** be submitted with this application.

Member Information

Name _____ Soc. Sec. No. _____

Home Address _____ Date of Birth _____
Street or P. O. Box

_____ Home Phone ( ) _____
City State Zip Code

Employer _____ Work Phone ( ) _____

Date of Participation _____
(This date is always the first of the month.)

Beneficiary Designation

I am designating the following beneficiary to receive any benefit due at my death _____

Relationship to me _____ Date of Birth _____

Social Security Number _____

In the event the designated beneficiary listed above is different from that listed on my active account, I desire the change to be effective **(Check One)**:

☐ Upon the submission of this signed and notarized application to the Employees' Retirement System of Alabama.
☐ On the date my DROP participation begins.

Signature of Applicant _____ Date _____

STATE OF _____ , COUNTY OF _____

On this _____ day of _____ , 20 __ , personally appeared before me, the above named individual and made oath to me that he or she has read this document and by signing this document is applying for this plan.

Signature of Notary Public _____

My Commission Expires: _____

Employer Certification - *DROP Data Certification*

Last date of service prior to DROP participation _____

List additional contributions, if any, with date of deductions (i.e. extra pay period, overtime, etc.) _____

Indicate and explain an periods in which deductions were not made (i.e. leave without pay, etc.) _____

Total accrued and unused sick leave days at the effective date of DROP participation _____

NOTICE: *As permitted by law upon the member's withdrawal from service, the monthly retirement allowance may be recalculated to include service credit for accrued sick leave or the member may receive payment for the accrued sick leave. In no event can the number of sick leave days converted to service credit exceed the total number of sick leave days the member had accrued upon entering DROP.*

Please project and certify amount of deductions for last 4 months prior to the effective date of DROP participation:

Oct	_____	Apr	_____
Nov	_____	May	_____
Dec	_____	Jun	_____
Jan	_____	Jul	_____
Feb	_____	Aug	_____
Mar	_____	Sep	_____

Job Classification _____

Signature of Employing Official: _____ Work Phone: ( ) _____

Employing Institution: _____ Date: _____