The Retirement Systems of Alabama
201 South Union Street, Montgomery, Alabama 36104 · 877.517.0020
STRENGTH. STABILITY. SECURITY.
Employees' Retirement System
June 2013

Distribution of Your DROP Account

No distribution from a member's DROP account will be made until the member terminates employment. Upon termination, the member should notify the ERS how the member wants to receive the DROP distribution. **DROP accounts cease to accrue interest after 90 days from termination of employment.** A member generally receives DROP distributions within 30 days of receipt of the final contribution to the DROP account.

DROP participants have one of **two ways** to distribute the funds in their DROP account:

1. Receive a lump-sum payment of the total DROP account balance less the required 20% federal income tax withholding. No portion of the distribution is subject to state of Alabama income tax.
2. Rollover all or a portion of the account balance to a traditional IRA, another eligible employer retirement plan, a 403(b) Tax Sheltered Annuity, or a governmental 457(b) plan that accepts rollovers. **The RSA-1 Deferred Compensation Plan** (457 plan) accepts rollovers from DROP accounts.

Applying for DROP Distribution - Early Termination

1. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form.
2. Complete the REQUEST FOR EARLY TERMINATION OF DROP form (ERS 10 D-E). Indicate the reason for the early termination and complete the federal income tax withholding certificate.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the REQUEST FOR EARLY TERMINATION OF DROP form to the ERS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the ERS. Both forms must be completed and returned to the ERS at least 30 days prior to termination of employment, if possible.
4. Supporting documentation must be included with the forms. If the termination is involuntary, submit a copy of the termination letter. If the termination is due to a disability, the DROP participant must complete and submit the REPORT OF DISABILITY PACKET. The STATEMENT OF EXAMINING PHYSICIAN form (also used to apply for a disability retirement) in the REPORT OF DISABILITY PACKET must be signed by the member and completed by his or her attending physician.

Applying for DROP Distribution - Participation Period Completed

1. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form.
2. Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form (ERS 10 D-C). Complete the federal income tax withholding certificate.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form to the ERS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND forms must be completed and returned to the ERS at least 30 days prior to termination of employment, if possible.

Applying for DROP Distribution - Death During DROP Participation

1. The beneficiary must complete the APPLICATION FOR BENEFICIARY PAYMENT - DROP form (RSA-DROP BEN). The beneficiary will complete Part I, Part II, and Part III, sign and have the form notarized. The employer of the deceased member will complete Part IV and send the form to the ERS. A copy of the death certificate must accompany this form.

2. How the DROP account balance is distributed depends on whether the beneficiary is a surviving spouse or not. A **non-spousal** beneficiary may receive the distribution in a lump-sum payment or make a direct rollover to an IRA created for that purpose. If the beneficiary is a **surviving spouse**, the surviving spouse may elect to either have the full account balance paid directly to them less the 20% mandatory withholding on taxable portion of payment, or have all or a portion of the account balance rolled over into an eligible retirement plan.
3. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before sending it to the Trustee of the eligible retirement plan you have elected to make your rollover to. The Trustee should mail the completed form to the ERS.

DROP Participation Period Completed - Will Continue Employment

Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED/CONTINUED SERVICE form (RSA 10 D-CCE). Check the box indicating you will be continuing employment after you have completed the DROP participation period. Have your employer certify your employment and have them return the form to the ERS.

Once you terminate employment post-DROP:

1. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form.
2. Complete the TERMINATION OF EMPLOYMENT OF CONTINUED SERVICE - POST DROP form (ERS 10 D-CT). Complete the federal income tax withholding certificate. Sign and have the form notarized before sending it to your employing agency for them to certify your employment.
3. Send both the completed REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form and the TERMINATION OF CONTINUED SERVICE - POST DROP form to the ERS. If electing a rollover, the Trustee will send the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form to the ERS. Both forms must be completed and returned to the ERS at least 30 days prior to termination of employment, if possible.

For more information about DROP and to download DROP forms, visit our website at www.rsa-al.gov.

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in "Preparing for Retirement", please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our website at **www.rsa-al.gov**.