

The DROP Account

The DROP account funds are generated from three sources:

1. **Monthly Retirement Allowance**

The monthly retirement allowance that normally would have been paid to the member if he or she had retired will be placed in the member's DROP account. There will be no deductions for taxes, health insurance, or Social Security.

2. **Member Contributions**

The member contributions established by the Alabama Legislature will be placed in the member's DROP account. Up to October 1, 2011, the contribution rate will be 5% for regular members and 6% for full-time certified firefighters, correctional officers, and law enforcement officers. Beginning October 1, 2011, regular member's contributions will be 7.25% and 7.5% beginning October 1, 2012. Full-time certified firefighters, correctional officers, and law enforcement officers will contribute 8.25% beginning October 1, 2011, and 8.5% beginning October 1, 2012.

3. **Interest**

The DROP account will earn interest at the same rate as active member accounts except for members who continue to work after completing DROP. Interest accruals on member contributions cease at termination of the DROP participation period and are, by law, subject to 20% or 30% forfeiture, depending on the member's years of service. DROP funds not distributed within 90 days of termination of employment cease to accrue interest on monthly benefit deposits.

Retiree Cost-of-Living Adjustments (COLAs)

A member participating in DROP is **not** eligible to receive retiree COLAs. A member is not eligible to receive a retiree COLA until he or she has withdrawn from service and has been receiving a monthly retirement allowance for one year.

Active COLAs and Salary Increases

Participants in DROP may receive active COLAs and salary increases.

Health Insurance

A member's health insurance benefits (PEEHIP or SEIB) will continue to be provided through the member's employing agency or school system.

Annual and Sick Leave

Participants in DROP will continue to accrue sick and annual leave. See [Converting Accrued Sick Leave](#).

No Fees

DROP is not subject to fees, charges or other similar expenses of any kind.

Employee Rights

Participation in DROP does **not** affect the rights of education employees under the Fair Dismissal Act, tenure law, or any other fringe benefit. The election to enter DROP is between the TRS and the member. In no way should it be construed as a guarantee of continued employment for the DROP participation

period, nor as a requirement that a participant terminate employment at the end of the DROP participation period. Continued employment and termination of employment are matters between the employer and employee.

Military Leave While Participating in DROP

A DROP participant may go on military leave without penalty provided he or she does not terminate employment. The period of military leave is included in the DROP participation period.