

## DROP Termination

### Completion of Contractual Obligation

If you complete your contractual obligation in DROP, i.e., participate in DROP between three to five years, and terminate employment, you may elect to receive the following funds in either a lump-sum payment or make a direct rollover to an eligible plan:

1. The monthly retirement allowance contributions plus interest (currently four percent). These contributions are based on the retirement option elected upon entering the DROP participation period.
2. Member contributions made to the TRS during the DROP participation period plus applicable interest.

The monthly retirement allowance you will receive after withdrawal from service may be recalculated to include accrued sick leave. However, the number of sick days converted cannot exceed the number of sick days you had on the date you entered DROP.

You are not allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period. Payments will not be made until you withdraw from service. If you continue employment with an agency participating in the RSA, you will not be able to receive a distribution until you terminate employment.

### Involuntary Termination, Disability, or Involuntary Transfer of Spouse

If you did not fulfill your contractual obligation due to involuntary termination, disability, or involuntary transfer of your spouse in the first three years of the DROP participation period, you are entitled to receive the same benefits as a member who has completed the contractual obligation. However, you will have fewer funds accumulated because the DROP participation period is shorter.

### Voluntary Termination

If you withdraw from service voluntarily within the first three years of DROP, you will **forfeit** the DROP funds based on the monthly retirement benefits paid to your account. However, you may elect to receive the following in either a lump-sum payment or make a direct rollover to an eligible plan:

1. Member contributions made to the TRS during the DROP participation period plus applicable interest.
2. Interest attributable to the monthly retirement allowance contributions made to the DROP account during the DROP participation period.

If sick leave conversion was selected when the member elected DROP participation, the monthly retirement allowance you will receive after withdrawal from service may be recalculated to include accrued sick leave. However, the number of sick days converted cannot exceed the number of sick days you had on the date you entered DROP. You are not allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period.

**Payments will not be made until you withdraw from service.**

### Death During DROP Participation

If a member dies anytime during the DROP participation period and the beneficiary is the spouse, the **spouse** may elect to receive the following funds in either a lump-sum payment or make a direct rollover to an eligible plan. **Non-spouse** beneficiary(s) may receive the following funds in a lump-sum payment or make a direct rollover to an IRA created for that purpose:

1. The monthly retirement allowance contributions plus interest (currently four percent). These contributions are based on the retirement option elected upon entering the DROP participation period.

2. Member contributions made to the TRS during the DROP participation period plus applicable interest.

Any retirement benefit based on the retirement option selected by the member at the beginning of the DROP participation period will be paid to the beneficiary(s). The monthly retirement allowance may be recalculated to include accrued sick leave. However, the number of sick days converted cannot exceed the number of sick days the participant had on the date he or she entered DROP. The beneficiary is not allowed to change the option for the monthly retirement allowance chosen at the beginning of the DROP participation period.

A \$15,000 term life insurance benefit will be paid to the beneficiary(s) if the member was employed full-time. This benefit will be prorated if employment was not full-time. **No death before retirement benefit will be paid to the estate or beneficiary.**

### **Continued Service after the DROP Participation Period**

If you do not withdraw from service after completing your DROP participation, you will resume active contributing membership in the TRS for the purpose of earning creditable service. No time spent participating in DROP will be counted as creditable service. For example, if a member had 26 years of creditable service upon entering DROP and participated in DROP for five years; then worked two more years after completing his or her contractual obligation in DROP, the member would only have 28 years of total creditable service. There would be two separate retirement allowance calculations; one based on 26 years of service and the other based on two years of service.

Upon withdrawal from service, you may elect to receive the following contributions in either a lump-sum distribution or make a direct rollover to an eligible plan as described in *Completion of Contractual Obligations*.

An additional monthly retirement allowance based on your additional service since the end of the DROP participation period will be calculated using the retirement formula (Average Final Salary x Additional Years and Months of Service x 2.0125%). The Average Final Salary will be calculated only on the additional service since the end of DROP participation. **This additional service can in no way be combined with service prior to participation in DROP.** The retirement option will be the same option used in the original retirement allowance.

If the member dies or becomes disabled during the period of additional service, he or she will be considered as having retired on the date of death or commencement of disability. No death before retirement benefits will be made. However, the \$15,000 Group Term Life Insurance benefit would be payable to beneficiaries of full-time employees. The beneficiary will have any eligible benefits based on the option chosen by the member and the balance in the DROP account as previously described in *Death During DROP Participation*.

More information about DROP and DROP forms, go to our Web site at [www.rsa-al.gov](http://www.rsa-al.gov).

### **Next month: DROP Distributions**

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 Web site at [www.rsa-al.gov](http://www.rsa-al.gov).