

FREQUENTLY ASKED QUESTIONS

Q. What is DROP?

A. DROP stands for Deferred Retirement Option Program. The program allows normal service retirement members of Fairfax County's Retirement Systems, the ability to retire for purposes of the retirement plan while remaining employed for an additional three years. While participating in DROP, retirement benefits accumulate and earn 5% interest per annum, compounded monthly. Participants also receive the same Cost of Living Allowances (COLAs) as those received by regular retirees. COLA's are added to the DROP account.

Q. How does DROP Work?

A. Once you enter DROP, you continue employment with Fairfax County and the retirement benefits you would have received if you retired are credited monthly to your DROP account. In addition, your DROP account earns interest at an annual rate of 5% compounded monthly. When you exit DROP, the member MUST end employment with the County and begin to RECEIVE their retirement benefit instead of having it credited to a DROP account.

Q. If a member is eligible to receive a Pre-Social Security Benefit during the DROP period, is that amount credited to the DROP account balance as well as the base benefit amount? (ERS & URS only)

A. Yes. The DROP deferral amount will be the retirement benefit you would have received if you had actually retired.

Q. I am within one year of normal retirement eligibility; can I participate in DROP now?

A. NO. You must be currently eligible for normal service retirement to participate in DROP. Individuals within one year of normal retirement eligibility may request an estimate from the Retirement Systems office to help them decide whether DROP is the correct option for them.

Q. Can I enroll on any date once I am eligible to retire?

A. DROP enrollments are effective on the first day of a payroll period. For exact dates, visit the "DROP Enrollment Dates" page that is accessible from the Retirement Systems website.

Q. If I decide to participate in DROP, will I continue contributing into the Retirement System on a biweekly basis?

A. NO. Your contributions to the Retirement System will cease upon DROP entry.

Q. Will I continue to be eligible for salary increases and leave during the DROP period?

A. YES. DROP members continue as active employees and receive all other active employee benefits, including any benefit improvements that become effective during the DROP period.

For example, participating DROP members continue to accrue annual and sick leave during the DROP period and continue to be eligible for health, dental, and life insurance as well as the County's Deferred Compensation plan. The deductions for health, dental and life insurance benefits are the same as for active County employees.

Q. Will my health insurance subsidy be based on my years of service at DROP entry date or on my DROP exit date?

A. Your employment service years will continue to accrue while in DROP for purposes of the health insurance subsidy. Therefore, the health insurance subsidy will be based upon your retirement eligibility service years and the period of time you were in DROP.

Q. Can I request a DROP estimate from the Retirement Systems office?

A. If you are within one year of normal retirement eligibility, you may request an estimate based on the requested date you provide us for entering DROP. If you have more than one year to normal retirement eligibility, please calculate your own estimated retirement benefit making assumptions about years of service and average final compensation, giving consideration to entering DROP versus continuing to earn benefit service by visiting our website at www.fairfaxcounty.gov/retirement. Call 703-279-8200 or visit the Retirement Systems website for an Estimate Request form.

Q. If I want to find additional information to help me decide whether DROP is a good choice for me, what can I do?

A. Visit the Retirement Systems website and for more information on DROP. If you are within one year of DROP entry eligibility, you may request a DROP counseling session with one of the retirement counselors.

Q. Where can I find the DROP estimator on the Internet?

A. Visit www.fairfaxcounty.gov/retirement and click on "Retirement Account Log In". Once you have logged in to Web Member Services, click on "Benefit Estimator". From this screen, choose "DROP Contribution". On the next screen, you must enter your beneficiary information to continue. **Please Note:** To receive accurate information in the Joint & Survivor calculations, you must use the **actual** date of birth for your spouse. Dates of birth for any other beneficiaries will give you false assumptions in the J&S calculations.

Q. What happens to my Sick Leave upon DROP entry?

A. Your sick leave balance at the time of entry into DROP is used to calculate your retirement creditable service. You may choose to hold back up to 40 hours of your sick leave balance to allow you to begin the DROP period with sick leave available.

FREQUENTLY ASKED QUESTIONS

Q. What if I enter DROP and then change my mind?

A. Your election to enter DROP is irrevocable following the effective date. A member who has submitted an election to enter DROP may only rescind that election prior to the effective date of entry into DROP. If you withdraw your DROP application prior to DROP entry, you will not be able to participate in DROP for a period of at least 12 months from the date you withdraw your application. The member is expected to work the full term of the DROP period. However, at any time during the DROP period a member may resign from the County or be terminated. Once you are no longer employed, you must choose one of the options for receiving your account balance and your monthly retirement annuity.

Q. When I terminate employment at the end of DROP, what happens to my DROP account balance?

A. You must decide whether to receive the balance of the DROP account either in the form of a lump sum distribution, direct rollover to another qualified plan (or IRA), or elect to use 50% or 100% of your DROP balance to increase your monthly annuity for life.

Q. If I elect the lump sum option at the end of my time in DROP, will I pay taxes on that amount?

A. Yes, the distribution is subject to at least 24% withholding for federal and state tax as ordinary income. Additionally, if the member is under the age of 55 (*age 50 for public safety employees*) when they exit DROP, an additional 10% penalty MAY be imposed by the IRS. Taxation may be deferred by a direct rollover to another eligible retirement plan or IRA.

Q. Why would I want to participate in the DROP lump sum option if it is taxable?

A. There are various reasons for wanting a lump sum distribution.

FOR INSTANCE:

- ❖ The DROP account balance could help make a large purchase.
- ❖ The timing for receiving a lump sum might be perfect for paying your child's college tuition payments.
- ❖ The lump sum could help you pursue your own personal business venture by providing much needed start-up funds.

Q. If I enter DROP in October, meaning I would terminate employment in October three years later, can I defer doing anything with the DROP account until after January 1st?

A. NO. At least 60 days prior to the conclusion of your DROP period you must make an election on how you want the balance distributed or it will automatically be distributed as a lump sum at the end of the DROP period. To avoid taxes being withheld, you must roll over the DROP balance to an IRA or other qualified retirement plan.

Q. If I want to increase my monthly annuity at the end of the DROP period, how can I do this?

A. You have a choice to increase your monthly annuity by using 50% or 100% of your DROP balance towards the purchase of

an increased annuity. Once you select the amount of your DROP balance you want to use, your retirement counselor will calculate your new monthly retirement annuity.

Q. If I elect to take cash out, can it be any amount? Or does it have to be either 50% or 100%?

A. Any amount can be cashed out and the rest of the amount can be rolled over to a qualified retirement plan. If you use 50% of your balance to increase your annuity, the other 50% can be divided in any percentage between cash and a rollover to an IRA or other qualified retirement plan.

Q. As I know nothing about IRAs and annuities, can you tell me where I can go to learn about these?

A. Contact a Certified Financial Planner or get information from your bank, financial services firm, or the Internet regarding IRA options.

Q. What happens if I become disabled during DROP?

A. Should you become disabled, and are awarded a non-service-connected disability during the DROP period, the monthly benefit will be paid to you and you are eligible to receive the balance of the DROP as of the effective date of disability.

Should you become disabled during the DROP period and awarded a service-connected disability, you have a choice of either taking the DROP account balance plus the normal service retirement benefit or forfeiting the DROP account balance and taking a service-connected disability benefit as though DROP participation had not occurred.

Q. What happens to my account balance if I should die during the DROP period?

A. If you die during the DROP period and your death is not service-connected, the Joint and Last Survivor (J&LS) option election made by the member at the point of entry to DROP determines the monthly benefits payable to the spouse. If the member did not elect a J&LS option, monthly benefits will not be paid. Instead, your designated beneficiary will receive the lump sum balance of the DROP account following your death.

If your death is Service-Connected, the beneficiary may select one of two options:

- ❖ OPTION 1 – The beneficiary may elect to receive survivor benefits as though DROP participation had not occurred.
- ❖ OPTION 2 – The beneficiary may elect benefits the same as in the case of non service-connected death of the member.

You MUST make a Joint and Last Survivor election when you enter DROP. You may NOT defer a Joint and Last Survivor decision to the end of the DROP period.

Note: Members of the Police Officers Retirement System (PORS) have different death benefits before and after retirement than do members of ERS and URS. PORS members can find additional information on the retirement website.

Q. How long will DROP be available?

A. The Sunset Provision was removed from the DROP in October of 2010. There is currently no end date to the provisions of the DROP in Fairfax County.