

# DROP EXIT

**DROP** = Deferred Retirement Option Program



## **INTRODUCTION**

The Fairfax County Retirement System was established to help provide you with financial security at retirement.

This booklet summarizes your Retirement System (“System”) benefits. You can find more detailed information about the System in the County Code (Chapter 3, Article 2). All System benefits are subject to the provisions of the Code of Virginia and the Fairfax County Code, as well as applicable rules, regulations and resolutions of the Board of Trustees of the Retirement System. Those statutes, ordinances, rules, regulations and resolutions are controlling in the event of any conflict with this booklet. The System’s plan year ends June 30. Records are maintained on a fiscal year basis.

**Fairfax County Retirement Systems**  
12015 Lee Jackson Memorial Highway Suite 350  
Fairfax, VA 22033  
**703-279-8200**

1-800-333-1633  
fax 703-653-9543

*[www.fairfaxcounty.gov/retirement/](http://www.fairfaxcounty.gov/retirement/)*

**This DROP EXIT handbook is for members of  
the Fairfax County Retirement System.**

If you should need a sign language interpreter or any type of special accommodation, auxiliary aid, or translation assistance, please call the Retirement Systems office at 703-279-8200 or the Virginia Relay Service at 1-800-828-1120 (TDD) or 1-800-828-1140 (voice).

### ***How to exit DROP? (it is easy as 1, 2, 3... )***

1. Complete a DROP Exit Notification form – select what you want to do with your DROP account
2. Complete the Authorized Payroll Deductions form – sets up the Federal and Virginia tax withholdings
3. Complete the Direct Deposit form – This is where the monthly retirement benefit will be sent

\*In the absence of completed forms, taxes will be withheld at the married with three exemptions rate for federal taxes (one exemption for Virginia state taxes)

## **What happens to my Drop account**

You must exit the Drop program three years after you enter and you must submit a Drop exit application packet. The packet will contain the DROP exit application, the direct deposit form, the tax deduction form, and one insurance form. **The insurance form and insurance questions should be directed to the Department of Human Resources.**

One of the most important decisions you have is how to receive your Drop account.

You have one of five options:

1. Take the money as a lump sum refund and pay the necessary taxes
2. Roll all the money into an IRA
3. Roll a portion of the money into an IRA and take the rest as a lump sum owning the taxes
4. 50 % of your Drop account is used to increase your monthly benefit for life and the remaining balance can be paid directly to you or can be forwarded to an IRA
5. 100% of your Drop account is used to increase your monthly benefit.

You would indicate the option you have selected on the Drop exit application form. If you elect to roll your Drop account to an IRA, you would have the third-party administrator provide information on the back side of the Drop exit application. If you elect the annuity increase a Retirement Counselor would be able to provide you with the estimated calculations.

## **Your First Retirement Payment**

Retirement benefits are paid once a month on the last business day of the month. Since your first payment will include all retirement benefits earned from your date of retirement, it is often larger than subsequent payments. For instance, if your last day of employment is September 10th, you will receive your first retirement payment the last working day of October. The payment, however, will include your retirement annuity for October and a payment for September 11th to September 30th. Monthly benefit payment information can be found on the Retirement Systems website: [www.fairfaxcounty.gov/retirement](http://www.fairfaxcounty.gov/retirement). Click on Retirement Account, establish an account by choosing a Username and Password. Go to “Benefit Payroll History” to see your pay advice.

## **Direct Deposit**

All benefit payments are made via Direct Deposit. You may have your funds deposited in nearly any bank, savings and loan or credit union. To sign up for Direct Deposit, complete the Retirement Systems Direct Deposit Authorization Agreement. To change banks or account

numbers, visit our website under “Forms A-Z” and download a blank Direct Deposit form. Once completed, please mail or fax the form to the Retirement Systems office.

## **Refunds and Taxes**

If you select a refund of the DROP account, you will receive your lump sum refund by direct deposit. You may also choose to have all or part of your refund rolled over via a check into an Individual Retirement Account (IRA) or to an employer’s Plan that will accept the funds. The amount or percentage of any lump sum refund is subject to a mandatory 20% federal tax-withholding

In addition, it is subject to Virginia state tax withholding at the rate of 4% unless:

(1) you are not a resident of Virginia; (2) you incurred no income tax liability for last year and do not expect to incur a liability for this year; or (3) you expect your Virginia adjusted gross income to be less than \$5,000 if single; \$8,000 if married filing a joint return; or \$4,000 if married filing a separate return. If under the age of 55, you may also be subject to a penalty from the IRS.

## **Changes**

It is important for you to keep abreast of changes in the laws and provisions that could affect your retirement and other benefits. All information affecting your benefits can be found on the Retirement Systems website at [www.fairfaxcounty.gov/retirement](http://www.fairfaxcounty.gov/retirement). By creating an account within Web Member Services, retirees can view their benefit payroll history, tax withholding, deductions and more. Retiree information in WMS is updated at the end each month. In addition, WMS provides a link to fairfaxNET so retirees can access Fairfax County news articles as well as Benefits and Open Enrollment information. Information in fairfaxNET is CURRENT.

To visit Web Member Services, go to [www.fairfaxcounty.gov/retirement](http://www.fairfaxcounty.gov/retirement) and click on Retirement Account Log In in the left navigation bar. Establish an account by choosing a Username and Password. Log in and proceed.

## **Leave Payoff**

When you retire, you are paid for your accumulated annual and compensatory leave. Sick leave was not paid, but is used in the calculation of your retirement benefit when you entered DROP. Employees retiring from the county may elect to defer their annual leave and compensatory time payoff up to the annual limits into the deferred compensation plan. Please see the section on Deferred Compensation for more information.

There are several things to consider with regard to your leave payoff.

- Social Security Benefits – If you are eligible to receive Social Security benefits, your leave payoff could affect those benefits. This is because Social Security benefits are subject to an earnings cap and your leave payoff is considered earnings. We recommend that you contact the Department of Human Resources, Payroll Division regarding this matter.
- Federal and State Tax Withholding – Federal tax withholding is 25% on leave payoffs. State tax withholding is 5.75%.
- Social Security and Medicare Tax Withholding – If you receive your leave payoff before the end of the tax year in which you retire, and you have reached the maximum

earnings subject to Social Security earnings for that tax year, you may not have Social Security tax withheld from your leave payoff. Medicare tax will be withheld.

- Timing – Routinely, your leave payoff is processed in the next applicable payroll period after all remaining base/normal/regular pay has been processed.

For information and assistance with regards to leave payoff, call the Department of Human Resources, Payroll Division at 703-324-3412.

### **Miscellaneous Notes**

- If you plan to move when you retire, remember to notify your payroll clerk of your new address so your W-2 Form will not be delayed.
- All employees must complete appropriate agency paperwork before retiring. Ask your payroll clerk about this.

***What Happens If I Return to Work For Fairfax County After I Retire?*** If you are hired to a position under your former appointing authority covered by the retirement system you left, your benefits will cease and you must again become a contributing member of the System. In essence you must “unretire.” Then, when you re-apply for retirement, your new benefit will be the higher of either your previous benefit including applicable cost-of-living increases or a new benefit calculation which includes the creditable service and compensation received from the new position.

If you are hired by another county department which is not part of the hiring authority from where you retired, you keep your retirement benefit but do participate in the retirement system. In addition, your combined monthly salary and retirement benefits may not exceed 115% of the then current maximum monthly salary for a Deputy County Executive in the County’s Compensation Plan. If you exceed that cap, your retirement benefit will be reduced.

***Can My Benefits Be Assigned, Attached or Garnished?*** No, except to the extent permitted by Virginia law for spousal and/or child support or for Internal Revenue Service (IRS) tax levy or Chapter 13 bankruptcy court orders.

***Will I Receive Cost-of-Living Adjustments (COLAs) as a Retiree?*** Yes. Retirees and DROP participants receive COLAs based on the lower of 4% or the Consumer Price Index increase for the Washington, D.C. area each year on July 1. COLAs are pro-rated in your first year of retirement and DROP participation.

***Are My Benefits Taxed?*** Retirement benefits are generally taxable. Contributions you made prior to January 1, 1985, however, have already been taxed and are not taxable again. According to IRS regulations, a small portion of these already-taxed contributions will be included in each of your retirement payments. At the end of each year, you will be sent a IRS Form 1099-R showing the taxable and previously taxed benefits paid to you that year along with the amount of any taxes you have had withheld.

### **Prohibition Regarding Future Employment Activities**

For one year after your employment with Fairfax County ends, you may not be involved in

certain activities in your subsequent employment. You may not assist anyone (other than another governmental agency) with respect to any matter you participated in while in County service, if your participation as a County employee involved a decision, approval, or recommendation with respect to the matter. For more information or a copy of the policy, contact the Department of Human Resources.

## **Additional Information**

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### **HR Benefits**

If you have a spouse who also retired from Fairfax County and had continuous health insurance coverage with the County, they may qualify for a health insurance subsidy after age 55. Please check with Dept. of Human Resources with questions.

For information and assistance with regards to leave payoff, health insurance, dental insurance, life insurance, call the Department of Human Resources, Payroll Division at 703-324-4917.

### **Deferment of Leave Payoff into Deferred Compensation Plan**

Employees terminating or retiring from the county may elect to defer their annual leave and compensatory time payoff, up to the annual limits, into the deferred compensation plan. To do so, the employee must submit an enrollment form or a change form to the Department of Human Resources (DHR) in the month prior to the month that the leave payoff will be processed.

DHR generally processes annual and compensatory leave payoff in the pay period immediately following the pay period of your final paycheck.

Employees who do not submit a new form for their leave payoff will have the amount on record in FOCUS taken from their leave payoff. If you have questions about deferring your leave payoff amount to the plan, contact the Deferred Compensation Help Desk at 703-324-4995, TTY 703-222-7314.

### **Social Security and Medicare**

**Social Security:** Most retirees born before 1938 are eligible to receive unreduced Social Security retirement benefits at age 65 (increasing to age 67 for those born in 1960 or after). Reduced benefits are available as early as age 62). You may be eligible to receive those benefits based on your own earnings or on the earnings of your current or former spouse. In addition, Social Security provides benefits for those who are disabled and for surviving spouses and children. Surviving spouses (including divorced spouses) may be eligible to receive survivor benefits as early as age 60 or earlier if they are disabled or caring for eligible children. Social Security also provides Supplemental Security Income (SSI) benefits for those with low incomes and limited assets who are blind, disabled or over age 65.

For more information or to apply for benefits call Social Security at 1-800-772-1213. For retirement benefits, its best to call up to three months before the month you plan to begin receiving benefits.

During the first calendar year in which you collect Social Security benefits you will be paid for each month in which your earnings do not exceed a limit based on your age. After the first year, if your annual earnings exceed certain limits, your benefits will be reduced. Therefore, if you retire late in one calendar year and you receive payment for your annual leave and compensatory time in the next calendar year, your benefits could be affected since your leave pay off may cause you to exceed your annual earnings cap. In that case you may request a letter from the Department of Human Resources, Payroll Division at 703-324-3339 that informs the Social Security Administration that the leave was earned in a prior year (see section on Leave Payoff).

**Medicare:** If you are age 65 or receive Social Security disability benefits you may be eligible for Medicare. (*Fairfax County retirees covered by one of the County's health insurance plans are not covered by an employer's health plan but are in a retiree's health plan.*) Medicare has two parts. Part A is premium-free for most County retirees and pays for covered inpatient hospital care. Part B costs \$104.90 each month for most people in 2014. Please check with Medicare directly for your expected cost as there are higher premiums for recipients in higher income brackets – i.e. \$85,000 or more (or \$170,000 or more for joint filers). The Part B amount is deducted from your Social Security check **if you receive Social Security benefits**, and covers doctors' services, outpatient hospital care and other medical services. Those enrolled in one of the County health insurance plans as a retiree are required to sign up for both Part A and Part B Medicare when first eligible.

If you receive Social Security benefits, you will automatically be enrolled in Medicare when you become eligible. If you are not receiving Social Security benefits, you must contact the Social Security Administration at 1-800-772-1213 up to three months before the month in which you turn age 65 to sign up for Medicare. If you do not sign up for Medicare Part B when first eligible you may be assessed a penalty for each year that you are not enrolled. However, **if you are over age 65 when you retire**, you can avoid the penalty by requesting a form from Social Security Administration to be filled out by the Department of Human Resources, Benefits Division which informs Medicare that you were enrolled in an "employer's" health plan until the date of your retirement.

Medicare Part A pays most costs for inpatient hospital, skilled nursing facilities, home health and hospice care. Part B pays many of the costs for doctors' services; outpatient hospital services; home health visits; diagnostic X-rays, laboratory and other tests; certain ambulance services; and some other medical services and supplies. Both Part A and B require you to pay deductibles and some portion of the cost of covered services. Currently, Medicare provides no coverage for prescription drugs, dental care, and long-term custodial or nursing home care. Medicare Part D may cover prescription drugs.

Many companies offer supplemental "Medigap" policies to cover some or all of your "out-of-pocket" expenses that Medicare does not pay. Most provide little or no coverage for prescription drugs. Make sure you research any plan you consider participating with.

The County's health insurance plans are not Medigap plans but still pay many of your out-of-pocket and prescription drug expenses. Generally, you will still be required to pay the same deductibles and co-payments for your medical care that you paid before you had Medicare but

in most cases, your monthly premium costs are reduced significantly. Also, if you are covered by a County health insurance plan you may not be eligible to be covered by a Medigap plan.

**Rules, premiums and information regarding Medicare and Social Security change yearly so please make sure to review current information directly from Medicare and Social Security.** For additional information, you may want to contact Medicare for the publication entitled Medicare and You 2011 Handbook available from Medicare Publications, 1-800-MEDICARE (1-800-633-4227) or visit the Medicare website to review that publication and other resources they have available. You can access Social Security and Medicare information by visiting their websites at [www.saa.gov](http://www.saa.gov) and [www.medicare.gov](http://www.medicare.gov) respectively.

*Note:* Medicare should not be confused with Medicaid. Medicaid is the health plan for low-income individuals with limited assets and is usually operated by State welfare or human service agencies.

## **LiveWell**

The LiveWell Workforce Wellness Program focuses on improving employees' and retirees' health and well-being, while serving to curb rising healthcare costs. The LiveWell Program encourages retirees to stay active, educate themselves on various health topics, and take charge of their own health. Some of the ways LiveWell supports these goals is by providing:

- Reduced membership fees at Fairfax County RECenters
- Weight Watchers membership discounts and on-site meetings
- Free on-site Flu vaccination clinics
- Annual Employee Health and Fitness Day
- Administers MotivateMe Wellness Incentive Rewards program for participants in any of the County health plans.

For more information on LiveWell and a full list of upcoming LiveWell sponsored events, visit the LiveWell home page on FairfaxNet.

## **Fitness Center**

Retirees are eligible to use the exercise equipment in the Fitness Center in the Government Center. Hours and cost are the same as for active employees. In addition, there are aerobics and other exercise classes offered at the Fitness Center for minimal fees. For more information, stop by the Fitness Center.

## **Services for Older Adults and Volunteer Opportunities**

Fairfax County has a reputation of being one of the best places in the country to find any type of service for the elderly. These include senior centers throughout the County where classes and activities are held; many publications geared to the needs of the elderly; home based care programs providing meals, regular visits and other care for the homebound; help with housing, medical forms, and other needs; as well as many opportunities for volunteering and recreation tailored to seniors.

The Fairfax Area Agency on Aging, publishes The Golden Gazette, a FREE 24-page monthly newspaper covering news to use for older adults in the Fairfax area. Each month, the Golden Gazette features senior center highlights, a community calendar, a gardening column and



articles on important and timely health, legal, financial and consumer issues. The Golden Gazette is available in print, large print and electronic format. Visit [www.fairfaxcounty.gov/dfs/olderadultservices/goldengazette.htm](http://www.fairfaxcounty.gov/dfs/olderadultservices/goldengazette.htm) for information on how to subscribe.

The volunteer programs operated by the Area Agency on Aging (AAA) encompass many distinct aspects of service to the older population in the Fairfax area. Many of these programs involve volunteers over the age of 18 in direct service with clients 60 years old and over. A wish list of volunteer opportunities working with older adults is available by calling the Volunteer Solutions Intake number at 703-324-5406; TTY 711.

Most communities are served by their own Area Agencies on Aging or other government agency providing similar services. Consult your phone directory for more information. The Fairfax County Department of Family Services has a Division that provides services to older adults and adults with disabilities. Information can be found at [www.fairfaxcounty.gov/dfs/olderadultservices/](http://www.fairfaxcounty.gov/dfs/olderadultservices/). Family Services also offers a wide array of volunteer opportunities that provide you with the opportunity to make a difference in your community. You can find additional information at [www.fairfaxcounty.gov/dfs/About/VolOps.htm](http://www.fairfaxcounty.gov/dfs/About/VolOps.htm).