

(f) *Deferred retirement option program (DROP)*. In general, and subject to the provisions of this section, the board of trustees of the police officer's pension plan is authorized to establish and maintain a deferred retirement option program, hereinafter referred to as DROP. The DROP is a program under which an eligible member of the retirement system may elect to participate by deferring receipt of retirement benefits while continuing employment with the city. Upon entry into DROP a member's accrued vacation and sick leave balances not used in calculation of normal retirement benefits shall be carried forward and the DROP participant shall accrue additional vacation and sick leave during participation in DROP. However, any accrued vacation or sick leave balance at termination of the DROP period shall be forfeited. Upon termination of employment, the participant shall begin to receive the previously determined normal retirement benefits. Participation in the DROP does not guarantee employment for the specified period of DROP.

(1) *Eligibility of member to participate in the DROP*. All retirement system members are eligible to elect participation in the DROP on or after attaining their normal retirement date or age provided that election to participate is made within five years after the member first reaches his or her normal retirement date or age, except as provided for in subparagraphs (2) a. or (2) b., below. The member shall advise the city and the retirement system in writing at least 30 days in advance of the date on which the DROP shall begin.

(2) *Participation in the DROP*.

a. An eligible member may elect to participate in the DROP for a period not to exceed a maximum of 60 consecutive months nor beyond a total of 30 years of credited service with the city. Any member who has exceeded the 60-month or 30-year limitations shall not be eligible to continue participation in the DROP.

b. Any member who has more than 25 years of credited service at the effective date of the ordinance from which this subsection (f) derives will have 90 days to make an election to participate in the DROP. If such member makes such an election within the 90-day period the member will be permitted to remain in the DROP for the entire 60 months, regardless of years of service. Any member with more than 25 years of service who does not make an election within the 90-day period may do so at a later date, however, the member's DROP will be limited to the period remaining until their thirtieth year.

c. Upon deciding to participate in the DROP, the member shall submit on forms required by the retirement system:

1. A written election to participate in the DROP.

2. Selection of the DROP participation and termination dates, which satisfy the limitations stated in paragraph (1) and subparagraphs (2) a. or (2) b. Such termination date shall be in an irrevocable and binding letter of resignation with the city, establishing a deferred termination date. The member may terminate before the termination date within the limitations of subparagraphs (2) a. or (2) b., but only with not less than 30 days advance written notice to the city from the new termination date.

3. A properly completed DROP application for service retirement as provided in this section.

4. A written election of form of pension payment, pursuant to [section 14-77](#) of this article.

5. Any other information required by the pension plan's board of trustees.

d. The DROP participant shall be retired under the pension plan for all purposes except that payment of benefits shall be deferred until separation from city employment.

e. A re-employed DROP participant with renewed membership shall not be eligible for DROP participation.

(3) *Benefits payable under the DROP.* The DROP account shall, unless a member elects a self-directed DROP, earn interest at a rate set quarterly by the board of trustees. Such interest shall be equal to the system's net rate of investment return for the year and shall be credited to each individual account balance on a quarterly basis. Members selecting a self-directed DROP shall select from one or more providers selected by the board of trustees and shall be subject to all fees provided in such self-directed DROP. Self-directed investments shall be invested as permitted in the self-directed DROP agreement.

a. Effective with the date of DROP participation, the member's initial normal monthly benefit, including the value of accrued unused leave (per city policy as amended from time to time), credited service, and final average compensation, shall be fixed. The value of accrued unused leave, whether or not payment for such is actually received by the participant, shall be included in the calculations to determine said normal monthly benefit, with appropriate contributions being made on entry into DROP. However, actual payment for such accrued unused leave shall be made in no more than five equal installments, paid no less frequently than annually on the anniversary of the member's entry into DROP, provided however, that the first installment shall be at least sufficient to cover the cost of the employee's contribution to the employee's pension, after all other deductions have been made. The city will, however, make a one-time payment at the entry into DROP to employees who have no more than 12 days leave remaining. Interest on any unpaid portion of such accrued leave payment shall be calculated annually at simple interest at the rate earned by the city's largest investment fund (excluding pension investment funds). Termination from DROP prior to the maximum DROP period shall result in a lump sum payment of any remaining balance of said accrued leave installments with interest calculated for each completed calendar quarter.

Such retirement benefit shall accrue monthly to the participant's individual DROP account. The board of trustees shall administer these individual DROP accounts. DROP accounts shall accrue interest at a rate set quarterly by the board of trustees. These DROP accounts shall be subject to administrative fees or charges as established by the board of trustees.

b. The effective date of retirement of a DROP participant shall be the first day of the month selected by the member to begin participation in the DROP. No person may enter DROP prior to attending a city sponsored employee education program. Such program shall be in addition to any education program sponsored by the pension plan.

c. Normal retirement benefits shall continue to accrue in the DROP until the established termination date of the DROP or until the participant terminates

employment or dies prior to such date. A separate accounting of each participant's accrued benefits under the DROP shall be calculated and be available to participants annually.

d. At the conclusion of the participant's DROP, the pension plan shall direct that the participant's total accumulated DROP benefits be distributed, subject to the following provisions:

1. The retirement system shall receive verification from the city that the participant has terminated employment.

2. The terminated DROP participant or if deceased, such participant's named beneficiary, shall elect on forms provided by the pension plan to receive payment of the DROP benefits in accordance with one of the options listed below. For a participant or beneficiary who fails to elect a method of payment within 60 days of termination of the DROP, the retirement system shall direct that a lump sum be distributed as provided in subsection I. below.

I. *Lump sum:* All accrued DROP benefits, plus interest, less withholding taxes remitted to the Internal Revenue Service, shall be paid to the DROP participant or surviving beneficiary.

ii. *Direct rollover:* All accrued DROP benefits, plus interest, shall be paid from the DROP directly to the custodian of an eligible retirement plan as defined in Section 402(c)(8)(B) of the Internal Revenue Code. However, in the case of an eligible rollover distribution to the surviving spouse of a deceased participant, an eligible retirement plan is an individual retirement account or an individual retirement annuity as described in Section 402(c)(9) of the Internal Revenue Code.

iii. *Partial lump sum:* A portion of the accrued DROP benefits shall be paid to the DROP participant or surviving spouse, less withholding taxes remitted to the Internal Revenue Service, and the remaining DROP benefits shall be transferred directly to the custodian of an eligible retirement plan as defined in Section 402(c)(8)(B) of the Internal Revenue Code. However, in the case of an eligible rollover distribution to the surviving spouse of a deceased participant, an eligible retirement plan is an individual retirement account or an individual retirement annuity as described in Section 402(c)(9) of the Internal Revenue Code. The proportions shall be specified by the DROP participant or surviving beneficiary.

3. The form of payment selected by the DROP participant or surviving beneficiary shall comply with the minimum distribution requirements of the Internal Revenue Code and payments shall begin no later than the date on which the participant reaches age 70 years and six months. Regardless of the form of payout, a participant's DROP account continues until the account balance is exhausted.

4. For a DROP participant who fails to terminate city employment at the expiration of the 60-month maximum DROP participation period or the 30-year credited service maximum, unless authorized to do so pursuant to subparagraphs (2) a. and (2) b.; the member shall be deemed not to be retired, the DROP election shall be null and void, and the member shall have no accumulated DROP benefits. Retirement system membership shall be reestablished retroactively to the date of the commencement of the DROP, and the member shall be required to pay to the retirement system the member contributions as if the participant had continued service to the city, and the city contributions during the period the member participated in the DROP, plus an interest rate equal to the annual assumed investment return during each year the member participated in the DROP.

e. The accrued benefits of any DROP participant, and any contributions accumulated under such program, shall not be subject to assignment, execution, attachment, or to any legal process whatsoever, except for an income deduction order of a court of competent jurisdiction, income deduction orders as provided in F.S. § 61.1301, and federal income tax levies.

f. DROP participants shall not be eligible for disability retirement benefits as provided in sections [14-79](#) and [14-80](#) of this article, and the participant's beneficiaries and survivors shall not be eligible for the automatic survivor pension, death in the line of duty pension, or survivor pension as provided respectively in sections [14-83](#) of this article.

(4) *Death benefits under the DROP.*

a. Upon the death of a DROP participant, the named beneficiary shall be entitled to apply for and receive the accrued benefits in the DROP as provided in this section.

b. The normal retirement benefit accrued to the DROP during the month of a participant's death shall be the final monthly benefit credited for such DROP participant.

c. Eligibility to participate in the DROP terminates upon death of the participant. If the participant dies on or after the effective date of enrollment in the DROP, but prior to the first monthly benefit being credited to the DROP, pension plan benefits shall be paid as though the DROP election had not been made.

(5) *Contributions.* Neither city nor member contributions shall be made, due, or payable during a participant's DROP participation, notwithstanding any other section of this article.

(6) *Forfeiture of retirement benefits.* Nothing in this section shall be construed to remove DROP participants from the scope of Section 8(d). Art. II of the State Constitution, and F.S. § 112.3173. DROP participants who commit a specified felony offense while employed will be subject to forfeiture of all retirement benefits, including DROP benefits, pursuant to those provisions of law.

(7) *Administration of program.* The board of trustees shall make such rules as are necessary for the effective and efficient administration of this subsection and individual DROP accounts. The retirement system shall not be required to advise members of the federal tax consequences of an election related to the DROP but may advise members to seek independent advice.

(8) *415 Limitations.* All benefit payments and accruals under the DROP shall be in accordance with Subsection 415(c) of the Internal Revenue Code and all regulations thereunder, which subsections and regulations are incorporated herein by reference.

