

*Option 4. Deferred retirement option program (DROP).* In general, and subject to the provisions of this section, the board 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 member shall accrue additional vacation and sick leave during participation in the DROP. However, any accrued vacation or sick leave balance at termination of the DROP period shall be forfeited, except in the case of the city manager whose contract shall supersede this provision. Upon termination of employment, the member shall begin to receive the previously determined normal retirement benefits. Participation in the DROP does not guarantee employment for the specified period of the 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 reaches the earliest eligibility for normal retirement based on years of service, or age and years of service, except as provided for in subparagraphs (2) a. 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 35 years of credited service with the city, whichever occurs first.

b. 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 subsection (1) and subsection (2) a. 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 subsection (2) a., 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 by the board.

4. A written election of form of pension payment, pursuant to [section 14-26](#) of this article.

5. Any other information required by the retirement system's board.

c. The DROP member shall be retired under the retirement system for all purposes except that payment of benefits shall be deferred until separation from city employment.

d. A re-employed DROP member with renewed membership shall not be eligible for DROP participation.

(3) *Benefits payable under the DROP.* The DROP account shall earn interest at a rate set quarterly by the board. Such interest shall be equal to the system's net rate of investment return for the year, but in no event shall be less than zero percent, and shall be credited to each individual account balance on a quarterly basis.

a. Effective with the date of DROP participation, the member's initial normal monthly benefit, including the value of accrued unused leave 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 member, shall be included in the calculations to determine said normal monthly benefit, with appropriate contributions being made on entry into the 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 the DROP, provided however, that the first installment shall be at least sufficient to cover the cost of the member's contribution to the member's pension, after all other deductions have been made. The city will, however, make a onetime payment at the entry into DROP to members 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 the 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 member's individual DROP account. The board shall administer these individual DROP accounts. DROP accounts shall accrue interest at a rate set quarterly by the board. These DROP accounts shall be subject to administrative fees or charges as established by the board.

b. The effective date of retirement of a DROP member shall be the first day of the month selected by the member to begin participation in the DROP. All members are encouraged to attend a city-sponsored employee education program prior to entering the DROP.

c. Normal retirement benefits shall continue to accrue in the DROP until the established termination date of the DROP or until the member terminates employment or dies prior to such date. A separate accounting of each member's accrued benefits under the DROP shall be calculated and be available to members annually.

d. At the conclusion of the member's participation in the DROP, the board shall direct that the member's total accumulated DROP benefits be distributed, subject to the following provisions:

1. The board shall receive verification from the city that the member has terminated employment.

2. The terminated DROP member or if deceased, such member's named beneficiary, shall elect on forms provided by the board to receive payment of the DROP benefits in accordance with one (1) of the options listed below. For a member or beneficiary who fails to elect a method of payment within 60 days of termination of the DROP, the board 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 member 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 member, 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 member or surviving beneficiary, 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 beneficiary of a deceased member, 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 member or surviving beneficiary.

3. The form of payment selected by the DROP member 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 member reaches age 70 years and six months. Regardless of the form of payout, a member's DROP account continues until the account balance is exhausted.

4. For a DROP member who fails to terminate city employment at the expiration of the 60-month maximum DROP participation period or the 35-year credited service maximum whichever occurs first unless authorized to do so pursuant to subparagraphs (2) a. 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 member 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 member, and any contributions accumulated under such program, shall not be subject to assignment, execution, attachment, or to any legal process whatsoever, except for income deduction orders as provided in F.S. § 61.1301, and federal income tax levies.

f. DROP member shall not be eligible for disability retirement benefits as provided in subsection [14-24\(c\)](#), and the member spouse and children shall not be eligible for the survivor benefits as provided in subsection [14-24\(d\)](#).

(4) *Death benefits under the DROP.*

- a. Upon the death of a DROP member, 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 member's death shall be the final monthly benefit credited for such DROP member.
- c. Eligibility to participate in the DROP terminates upon death of the member. If the member dies on or after the effective date of enrollment in the DROP, but prior to the first monthly benefit being credited to the DROP, retirement system benefits shall be paid as though the DROP election had not been made.

(5) *Contributions.* Neither city nor member pension contributions, shall be made, due, or payable during a member'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 members from the scope of Section 8(d), Art. II of the State Constitution, and F.S. § 112.3173. DROP members 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. Provided further that such retirement benefits in excess of the member's contributions may be suspended in the event a criminal prosecution is pending.

(7) *Administration of program.* The board shall make such rules as are necessary for the effective and efficient administration of this subsection and individual DROP accounts. The board 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(b) of the Internal Revenue Code and all regulations thereunder, which subsections and regulations are incorporated herein by reference.