

Section 5 explains DROP and the employer's role in the DROP process. The member should contact FPPA 90 days prior to the date he/she plans to enter DROP so we can review the DROP process and service records with the member.

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**A. FPPA Pension Plans that Offer DROP**

The following pension plans administered by FPPA offer the DROP provision:

SWDB	Statewide Defined Benefit Plan
SWH-DB&MP	Statewide Hybrid Plan – Defined Benefit and Money Purchase Component
SWDB-SS	Social Security Supplemental Retirement Plan
CoSprgs Police	Colorado Springs New Hire Pension Plan – Police Components
CoSprgs Fire	Colorado Springs New Hire Pension Plan – Police Components

**B. Eligibility for DROP**

SWDB	For members in the SWDB Plan, the SWH – DB and MP Plan or the SWDB – SS Plan, a member must meet one of the following criteria:
SWH-DB&MP	<ul style="list-style-type: none"><li>• be eligible for normal retirement (at least 25 years of service and age 55), or</li></ul>
SWDB-SS	<ul style="list-style-type: none"><li>• be vested (5-24 years of service and age 55), or</li><li>• be eligible for early retirement (at least 30 years of service or age 50)</li></ul>
CoSprgs Police	For members in the CSNHPP – Police Component, the member must be eligible for normal retirement.
CoSprgs Fire	For members in the CSNHPP – Fire Component, the member must meet one of the following criteria: <ul style="list-style-type: none"><li>• Be eligible for normal retirement</li><li>• Be at least age 50, and the sum of the member’s age and the years of service equal at least 75.</li></ul>

**C. Explanation of DROP**

Instead of terminating employment and receiving retirement benefits, a member could choose to participate in DROP and continue employment for a specified period of time, not to exceed five years. When a member enters DROP, his/her retirement benefits are calculated and the member does not earn any further service credits.

A written irrevocable agreement (DROP Participation Agreement) between the member and employer is required. The DROP Participation Agreement specifies the date the member wishes to

enter DROP. The member may continue employment for a maximum of five years from this date, but may terminate employment earlier if they wish.

While participating in DROP:

- the member's retirement benefits are paid into the DROP account
- the member's pension contributions are paid into the DROP account, instead of the pension plan
- the employer's pension contribution stops on the date the member enters DROP
- there are no further contributions made to a member's SRA

At the end of DROP, the member terminates employment, the pension benefit is now paid directly to the member and the member may receive the amount accumulated in the DROP account.

#### D. At a Glance - The Employer's Role in DROP

When A Member Enters DROP	
FORMS	EMPLOYER'S ROLE
<b><i>FPPA Defined Benefit System Retirement Application</i></b>  (For members in the CSNHPP use the <b><i>Colorado Springs New Hire Plan - Police Component Application for Retirement Benefits or - Fire Component Application for Retirement Benefits</i></b> )	Complete and Sign the Employer Section
<b><i>Irrevocable Election to Participate in the Deferred Retirement Option Plan (DROP) and Resignation from Employment (DROP Participation Agreement) *</i></b>	Signed by the Employer
Once A Member Begins DROP	
<ul style="list-style-type: none"> <li>• The employer reports the member contributions in a separate account so that earnings/losses can be posted accordingly by FPPA/Fidelity.</li> <li>• The employer's pension contribution stops on the date the member enters DROP</li> </ul>	
When A Member Exits DROP	
FORMS	EMPLOYER'S ROLE
FPPA Defined Benefit System Termination of DROP Participation	Signed by the Employer

\* There are plan specific Irrevocable DROP Participation Agreements for the SWDB Plan, the SWH Plan, and the Colorado Springs New Hire Pension Plan Police and Fire Components.

## E. Explanation of Forms

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For members in the SWDB Plan, the SWH – DB and MP Plan or the SWDB – SS Plan use

### FPPA Defined Benefit System Retirement Application

SWDB

SWH-DB&MP

SWDB-SS

The form is titled 'FPPA Defined Benefit System Retirement Application'. It includes sections for 'SWDB', 'SWH-DB&MP', and 'SWDB-SS'. The form is designed for members to apply for retirement benefits. It includes a 'PART A - GENERAL APPLICANT INFORMATION' section with fields for name, address, and contact information. There are also checkboxes for various options and a section for the employer to complete.

For members in the Colorado Springs New Hire Plan - Police Component use

### Colorado Springs New Hire Plan - Police Component Application for Retirement Benefits

CoSprgs Police

The form is titled 'Colorado Springs New Hire Plan - Police Component Application for Retirement Benefits'. It includes a 'PART A - GENERAL APPLICANT INFORMATION' section with fields for name, address, and contact information. There are also checkboxes for various options and a section for the employer to complete.

For members in the Colorado Springs New Hire Plan - Fire Component use

### Colorado Springs New Hire Plan - Fire Component Application for Retirement Benefits

CoSprgs Fire

The form is titled 'Colorado Springs New Hire Plan - Fire Component Application for Retirement Benefits'. It includes a 'PART A - GENERAL APPLICANT INFORMATION' section with fields for name, address, and contact information. There are also checkboxes for various options and a section for the employer to complete.

This is the form the member will use to apply for retirement and indicate that he/she plans to enter DROP.

This form is to be completed and signed by both the member and employer. The entire application and documentation must then be submitted to FPPA for approval. If the member had multiple employers, each employer must complete the employer section of the application.

The application is available from either FPPA's office or website. It is important that the member contact FPPA directly before completing the application so we can review the retirement process and service records with the member.

**2 Irrevocable Election to Participate in the Deferred Retirement Option Plan (DROP) and Resignation from Employment (DROP Participation Agreement)**

This is an agreement between the member and the employer for the member to participate in DROP.

The agreement must be completed by the member and signed by both the member and the employer prior to submission to FPPA for approval. By signing this agreement, the member acknowledges that the duration of DROP is a maximum of five years. The member and the employer also state the agreed upon effective date to enter DROP on this form. Both the member and employer should understand that the election to enter DROP is irrevocable.

When signing this agreement, the member is also acknowledging that he/she has been advised in writing and has had ample opportunity to seek independent legal and other professional counsel.

## **F. Processing DROP Forms**

The completed and signed DROP Participation Agreement is submitted to FPPA along with the FPPA Defined Benefit System Retirement Application.

FPPA will process the application and calculate the member's retirement benefit and payment options. Once the application is approved, FPPA will mail written notice of the approval to both the member and the employer.

In addition, the member will also receive the FPPA Defined Benefit System Retirement Option Selection Form. On this form, the member chooses his/her retirement pension Payment Option. Once completed, the member returns this form to FPPA. This will determine the pension amount deposited into the member's DROP account each month.

Once a member begins DROP, the employer reports the member contributions in a separate account so that earnings/losses can be posted accordingly by FPPA/Fidelity.

Employer contributions will cease on the same date.

### **G. The Date a Member Enters DROP is an Important Consideration**

The date the member enters DROP will be designated on the Retirement Application and the DROP Participation Agreement Form. As the employer, it is important to consider the date the member begins DROP, especially if it falls in the middle of a payroll cycle. If the DROP date does fall in the middle of a payroll cycle, can your payroll system account for a pro-rata split in the member contributions? If for any reason it cannot split the contribution, please advise your members of any limitations within your department regarding the effective date of entering DROP. You must report the contributions properly to FPPA via the Employer Reporting System web site.

The following is an example concerning the date of entry into DROP:

Assume the member considers entering DROP on the 25th of the month. Your payroll cycle runs from the 17th through the 30th. Is your payroll system capable of splitting the member contribution for 8 days of participation in the plan with the remainder going into DROP?

Let's continue our example above where the member elects to begin DROP on June 25th and assume that FPPA receives the member's FPPA Defined Benefit System Retirement Payment Option Selection Form after the June payroll deadline, June 10th. The member contribution will be transmitted to the DROP account after the employer submits the contribution to FPPA. However, the pension contribution will be transmitted to the DROP account on the next payroll cycle, which would be July 21st, in this example.

Finally, please be advised that the DROP account shall accrue a fund balance (from the retirement pension and employee contribution) effective the date the member elected to enter DROP. However, earnings/losses cannot begin to accrue on that balance or be posted to that account until the DROP funds are actually received into the account.

### **G. When a Member Terminates Employment and Exits DROP**

The member should complete the DROP Termination Packet approximately 30 days prior to terminating employment.

This packet will include the FPPA Defined Benefit System Termination of DROP Participation Form, which must be signed by both the member and the employer.

#### **IMPORTANT**

The termination date cannot exceed five years from the "Effective date to enter DROP" on the DROP Participation Agreement, even if it is the middle of the pay period.

This form, along with the employer monthly payroll reporting, notifies FPPA that the member is no longer an active member and is therefore eligible to take distribution of the retirement pension, DROP, SRA and 457 Deferred Compensation funds, if applicable.

All other forms and information necessary for the member to exit DROP and begin receiving benefits will be included in the packet.

Distributions will be made according to the retired member's elections and within the regular payroll cycles and deadlines established by FPPA and Fidelity, whichever is applicable.

If you have any questions related to this process, please call FPPA at (303) 770-3772 or (800) 332-3772.

This document is intended to be a plain language overview of FPPA administered plans and procedures. It should be used in conjunction with the applicable FPPA Rules and Regulations, plan documents and the Colorado Revised Statutes. Alone, this guide can only be considered a summary and not a comprehensive reference to retirement, disability and survivor benefits provided by FPPA. This plain language document is intended for informational purposes only. Official interpretations or determinations are based upon the applicable plan documents, the Colorado Revised Statutes, and FPPA Rules and Regulations that govern the plan.