



RETIREMENT

Tier I

Deferred Retirement Option Plan (DROP)

Key Facts

- DROP is a way to accrue benefits while remaining on the job.
- Members in the DROP do not earn additional service credit.

Eligibility for Benefits

A member must have 28 years of credited service and be eligible to receive a service retirement pension. (See the Retirement Benefits fact sheet for more information about retirement eligibility.)

Your FAC is calculated by the average of your compensation for the five (5) highest-earning fiscal years of your employment.

Credited Service

As public safety service, your Tier One ASPRS service is credited at the rate of 1.5 months of service for every month of actual service.

If you have not yet attained age 62, an additional temporary annuity is payable, calculated by multiplying your FAC by 0.322% and your years of credited service.

Example:

Below is a sample benefit calculation.

Beneficiaries

If you die while in the DROP, your family may be eligible for survivor annuities. See the Pre-Retirement Death Benefits fact sheet for more information.

<i>Straight Life Annuity</i>	<i>Temporary Annuity</i>
\$63,116	\$63,116
X 1.66%	X 0.322%
X 28 years _____	X 28 years _____
\$29,336 annually or \$2,444 monthly	\$5,690 annually or \$474 monthly

Benefit Calculation

Your straight life annuity benefit is calculated by multiplying your Final Average Compensation (FAC) by 1.66% and your years of credited service. It is then adjusted downward if you choose an annuity option.

Tier One DROP participants have 100% of their calculated benefit deposited into their account monthly. Whenever you retire (but not before), you will be able to access your accrued DROP balance.

Maximum Participation

You may participate in the DROP for a maximum of seven (7) years. After seven years in the DROP, you must terminate employment and retire.

DROP Payout Methods

At retirement, you may receive your DROP payout as a lump sum paid to you, a direct rollover to another retirement plan, or as a monthly annuity. You may also receive your DROP payout as a combination of these

Annuity Options

Before the effective date of DROP entry, a noncontributory Tier One member may elect to have his or her annuity reduced and designate a beneficiary under the annuity options for Tier Two members. This option should only be considered if the automatic survivor benefits for Tier One members do not meet the member's personal or financial circumstances.

COLA

Under current law, once you have been active in the DROP for 12 months, your annual benefit will increase by 3% every July 1st.

Considerations

If you are eligible to enter the DROP, you should consider a few factors:

- You no longer earn service credit after you enter the DROP. Your benefit will only increase after DROP Entry through annual Cost of Living Adjustments (COLA).
- Because your benefit is calculated as of when you enter the DROP, any increases in compensation after you enter the DROP will not affect your benefit.
- Because the maximum participation is seven (7) years, you must be prepared to retire no later than seven years after DROP entry.

Additional Information

If you have any questions about the DROP, please contact our Education Services section at ASPRS@arkansas.gov.

Reference: A.C.A. § 24-6-301 et seq.