

Tier II

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 actual service and be eligible to receive a service retirement pension. (See the Retirement Benefits fact sheet for more information about retirement eligibility.)

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.

Whenever you die after retirement, benefits may be payable to a beneficiary. See the Post-Retirement Death Benefits fact sheet for information about the annuity options available to you.

Benefit Calculation

Your straight life annuity benefit is calculated by multiplying your Final Average Compensation (FAC) by 2.65% and your years of credited service. It is then adjusted downward if you choose an annuity option other than straight life.

Your FAC is calculated by the average of your compensation for the four (4) highest-earning fiscal years of your employment.

If you have not yet attained age 62, an additional temporary annuity is payable, calculated by multiplying your FAC by 0.513% and your years of credited service.

Example:

Below is a sample benefit calculation.

Straight Life Annuity

\$63,116
X 2.65%
X 28 years
**\$46,382 annually or
\$3,902 monthly**

Temporary Annuity

\$63,116
X 0.513%
X 28 years
**\$9,065 annually or
\$755 monthly**

DROP participants receive 100% of their annuity benefit for each month they participate in the DROP.

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 options.

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. § 24-6-501 et seq.