



# MICHIGAN OFFICE OF RETIREMENT SERVICES

Big Plans. Small Steps.

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## Deferred Retirement Option Plan (DROP)

### For Michigan State Police

The Michigan Office of Retirement Services (ORS) administers a Deferred Retirement Option Plan (DROP) for the State Police Retirement System members hired before June 1, 2012. DROP is a supplemental benefit program available to members who are eligible to retire, but who agree to defer their retirement and continue working and receiving active employee wages.

Think carefully about your decision to participate in the DROP. Once your DROP application is accepted, **your participation in the program is irrevocable.**

### DROP Program Summary

If you enroll in the DROP, you will choose the length of time you wish to extend your employment and defer your pension benefits up to a maximum of six years. ORS calculates a DROP amount based on your pension value and credits this amount each month during the DROP period to an interest-bearing account in your name.

When you terminate employment, the DROP participation period ends, and normal monthly pension payments begin. At this point the accumulated DROP funds become available to you.

### Eligibility

If you have 25 or more years of credited service, you may elect to participate in the DROP. Your choice to enroll in the DROP is completely voluntary.

You may qualify for the DROP earlier in your career if you purchase credit for time you spent in the military, VISTA program, or the Peace Corps, or for reduction in hours or separations in service for maternity, paternity, or child-rearing. Service credit purchases must be completed before your DROP start date, which is the same as your retirement effective date. For more information about purchasing service credit, visit our website at [www.michigan.gov/orsmsp](http://www.michigan.gov/orsmsp).

### Computing DROP Benefits

Your pension is based on the average of your two final years of total earnings before the DROP, called Final Average Compensation (FAC), times 60% (0.60). This amount, divided by 12, is the monthly pension amount you will receive when your DROP period ends. This pension amount is also used to calculate the value of your DROP account, based on your length of participation in the DROP.

You can access your retirement account and estimate your pension when you log in to miAccount at [www.michigan.gov/orsmiaccount](http://www.michigan.gov/orsmiaccount).

DROP Period	% of Pension
Less than 1 year	30%
1 year but less than 2 years	50%
2 years but less than 3 years	60%
3 years but less than 4 years	70%
4 years but less than 5 years	80%
5 years but less than 6 years	90%
6 years	100%

**Note:** If your salary changes during your DROP period, ORS will not recalculate your DROP benefit or your pension amount. Your pension amount is an amount of money calculated when you entered DROP. It will only change with annual postretirement increases of 2 percent, not to exceed \$500 annually.

While you are participating in the DROP, a percentage of your monthly retirement pension is credited to your account, which earns interest. The percentage of your pension that you receive is based on the length of your participation. The corresponding percentages are to the left.

Your DROP account will earn 3 percent interest each year, prorated for any fraction of a year. At the end of your DROP period, you will have full access to your accumulated DROP balance, including the interest.

During your DROP period, your pension is not eligible for the annual postretirement increases of a fixed 2 percent annual increase, not to exceed \$500. Pension increases will begin the second October following your DROP termination; they are permanent and cumulative, but do not compound.

## Enrollment

To enroll in the DROP, you need to complete a *State Police Retirement or DROP Application (R0732H)*. This is the same form you will use to apply for retirement. It needs to be filed with ORS at least 30 but not more than 90 days before your retirement effective date. You would then cease being an active member of the retirement system and become a DROP participant. Your participation effective date is always the first day of the month.

## Working Through the DROP

While you participate in the DROP, you will be subject to the same employment rules and regulations as before you enrolled in the DROP. The Michigan State Police will continue to pay your wages as if you were an active employee.

Your seniority status will not be affected during the DROP. You can change jobs as long as the new position is included under the State Police Retirement System. However, you will not accrue any additional years of service toward retirement as a DROP participant.

Participation in the DROP does not guarantee your continued employment. If you leave before your DROP end date for any reason (disability, death, job termination, etc.), the value of your DROP account will be recalculated based on the number of months you actually worked. In addition, you cannot work beyond the DROP end date you selected.

You can contribute to the State of Michigan 401(k) and 457 Plans during the DROP, if you wish. If you did not contribute before, you can start at any time. If you had a 401(k) or 457 plan as an active Michigan State Police member, you can continue adding to your existing account(s).

## Benefits for You & Your Dependents

Insurance benefits, including health, prescription drug, dental, vision, and life, will continue to be available for you and your dependents. Contact your human resource department for information on insurance coverage, cost, participating plans, sick and annual leave accruals, and how leave balances will be handled at the end of your DROP period.

If you die while participating in the DROP, your pension beneficiary will receive your monthly pension benefit. In addition, your designated DROP beneficiary will receive the balance of your DROP account.

When you complete the *State Police Retirement or DROP Application (R0732H)*, you will name a beneficiary for your DROP account. You can designate any person as your DROP account beneficiary. The individual you name on this form will continue to be the beneficiary for your DROP account as long as it has a balance, or until you designate another person on a new *State Police Deferred Retirement Option Plan (DROP) Beneficiary Designation (R0626H)* available online at [www.michigan.gov/orsmsp](http://www.michigan.gov/orsmsp). If you did not name a separate beneficiary for your DROP account, your account balance will be paid first to your pension beneficiary, if alive, or secondarily to your estate.

## When Your DROP Period Ends

Before your DROP end date, whether scheduled or early, download the State Police Retirement or DROP Application (R0732H) at [www.michigan.gov/orsmsp](http://www.michigan.gov/orsmsp) in the Forms and Publications section, or contact ORS to have these forms mailed. You will use the application to set up postretirement insurances, tax withholding, direct deposit, and DROP account distribution options. Complete and return these forms with all additional proofs to ORS 30-90 days before your end date so you can have a smooth transition into your retirement. Your retirement effective date will be the first of the month after your DROP termination.

## Distribution of Your DROP Account

When your DROP participation ends, you will have several options to draw from your account. You can:

- Take a total lump-sum distribution.

- Take a partial lump-sum distribution and leave the balance in your DROP account to draw from later.

- Transfer the balance to another qualified plan.

- Leave the balance in your DROP account. Money left on deposit in the DROP account can be withdrawn up to four times per calendar year. (See [www.michigan.gov/orsmsp](http://www.michigan.gov/orsmsp) for more information.)

**Your DROP account earns 3 percent interest annually as long as you maintain a balance. All money remaining in the DROP account must be withdrawn no later than April 1 of the calendar year after you are 70 years, 6 months of age.**