



## **DROP Rollover to the Investment Plan FAQs**

FRS Pension Plan members are permitted to roll over some or all of their DROP accumulation to the FRS Investment Plan. This option allows DROP participants to keep their money in the FRS and take advantage of the low cost investment products offered in the Investment Plan.

Applicable Publications:

- [Keep Your DROP in the FRS](#)
- [DROP Rollover Flyer](#)

Below are answers to some of the questions you might have:

**1. Who can I call to get answers about rolling my DROP accumulations into the FRS Investment Plan?**

You can call the toll-free MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711), and speak to one of the unbiased financial planners.

**2. Do I have to roll my DROP accumulation to the Investment Plan?**

No. You may rollover your accumulation to any eligible retirement plan as defined in section 402(c)(8)(b) of the Internal Revenue Code. (See the Division of Retirement's [DROP Guide](#) for more information.) You should carefully compare fees, penalties, investment options, restrictions and services before choosing where to rollover your DROP accumulation.

**3. Are all DROP participants eligible for the rollover?**

Yes. All DROP participants are eligible to roll their DROP accumulation over to the FRS Investment Plan so long as they do not take their accumulation as a cash lump sum payment, or they convert the cash payment to a lump sum rollover prior to the end of the 60-day rollover window after the date of their distribution check.

**4. Are former DROP participants who took their DROP distribution as a rollover eligible for a rollover to the Investment Plan?**

Yes. All former DROP participants are eligible to roll over their DROP accumulation to the FRS Investment Plan. Rollovers from former DROP participants may be transferred to the FRS Investment Plan so long as they come into the Plan from a qualified retirement account, such as an IRA, 403(b), 457, 401(a), 401(k), etc.

**5. Are former DROP participants who took their DROP distribution as a cash lump sum payment eligible for a rollover to the Investment Plan?**

No. If a former participant took their DROP accumulation as a cash lump sum payment, they are not eligible to roll the payment to the Investment Plan.

**6. If I roll my DROP accumulation into the Investment Plan, will I pay account management fees?**

Yes. You will pay the investment management fees for the fund(s) in which you choose to invest, plus a quarterly plan administrative fee of \$6 (\$24 annually). These fees will be reflected on your quarterly statement from the Investment Plan. Total fees paid in the Investment Plan are likely to be less than those paid in other plans, but you should review all fees carefully.

**7. Is there a minimum amount I can roll over to the Investment Plan?**

Yes. Your DROP rollover must be greater than \$1,000. There is no maximum amount that may be rolled over.

**8. Is there a minimum account balance I must keep in my Investment Plan account?**

Yes. If your account value falls below \$1,000, you will receive a mandatory distribution of your full balance in the plan.

**9. If I roll my DROP accumulation into the Investment Plan, will I have to pay any taxes?**

Your DROP accumulation will not be taxed at the time you roll it over to the Investment Plan. It will only be taxed when you decide to take a distribution from the Investment Plan, and then only on the amount you take as a distribution.

**10. A portion of my DROP accumulation was based on contributions I made for the purchase of additional service in the Pension Plan prior to entering DROP. As such, I will be receiving two checks when I take my DROP distribution from the Pension Plan. Can I roll over both of my distribution amounts?**

No. Any DROP accumulations you receive which are based on your after-tax personal contributions are not eligible to roll over to the Investment Plan. These accumulations will be paid to you as a tax-free, lump sum payment, as computed using the Simplified General Rule under the Internal Revenue Code. Only the DROP accumulation you receive based on pre-tax funds is eligible to be rolled over to the Investment Plan.

**11. If I retire from the Pension Plan, I know I will be subject to the reemployment-after-retirement restrictions of the Pension Plan. But if I roll my DROP accumulation into the Investment Plan, will I also be subject to the reemployment-after-retirement restrictions of the Investment Plan?**

No. You will only be subject to the reemployment-after-retirement restrictions of the FRS Pension Plan, which may affect your monthly Pension Plan benefit if you return to work. You will have immediate access to your DROP accumulation from the Investment Plan whether you are retired or return to FRS-covered employment.

**12. If I roll my DROP accumulation into the Investment Plan, am I eligible to also roll other retirement monies I have from other sources to the Investment Plan?**

Yes. You may roll other retirement monies into the Investment Plan if they are from a qualified retirement plan that is an eligible plan as provided by the IRS (includes IRA, 401(k), 401(a), 403, and 457 retirement plans, and the Federal Thrift Savings Plan). An [FRS Investment Plan Employee Rollover Deposit Form \("IP-Rollover"\)](#) must be completed in order to facilitate the transfer. This form is also available by calling the MyFRS Financial Guidance Line and selecting Option 4.

**13. If I roll my DROP accumulation into the Investment Plan, will those funds be subject to the minimum required distribution rules of the IRS (i.e., minimum payments beginning at age 70 1/2)?**

Yes.

**14. How many funds are in the Investment Plan and what are the fees?**

There are 21 funds available in the Investment Plan with annual fees as low as 0.02%. There are also 10 retirement date funds that are a mixture of various asset classes. Information on the [funds and fees](#) is available online or by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711), and speaking to one of the financial planners. They can talk with you about all the funds and help you choose funds you feel best fit your goals and circumstances.

**15. If I am completing my DROP participation prior to age 59 1/2, will I be subject to the 10% penalty assessed by the IRS for early withdrawals?**

The answer is generally yes, but there are important exceptions. Since the FRS Investment Plan is an employer sponsored plan, you will be eligible to take distributions from the Investment Plan without the 10% IRS early withdrawal penalty if payments are paid to you after you separate from service with your FRS employer during or after the year you reach age 55, or if payments are made over your life or joint life expectancies. You should consult your tax advisor or one of the financial planners at the MyFRS Financial Guidance Line about your specific circumstances. There is also additional information online on [taxability of benefits](#).

**16. What paperwork will I have to complete in order to roll my DROP accumulation in to the FRS Investment Plan?**

Three months before your DROP end date, you will receive a [flyer](#) in your DROP termination kit provided by the Division of Retirement informing you that you can roll over your DROP lump sum into the FRS Investment Plan and the availability to receive free guidance from Ernst & Young financial planners in determining what to do with your DROP payout.

If you are a current DROP participant, you should complete the Division of Retirement's Deferred Retirement Option Program Selected Payout Method, Form DP-PAYT, (it will be provided to you in the DROP termination kit) and send it to the *Investment Plan Administrator*, who will sign and forward the completed form to the Division of Retirement. You must also complete an [Investment Plan DROP Accumulation Direct Rollover Form for Current DROP Members, Form IPDROP-AD-1](#), and send it to the Investment Plan Administrator to set up your Investment Plan account. The Investment Plan Administrator will send you a confirmation letter and personal PIN for accessing your account under separate cover after processing your completed form.

If you are a former DROP participant who received your DROP distribution as a rollover, you should complete the [Investment Plan's DROP Direct Rollover Form for Former DROP Members, IPDROP-RO-](#)

[1](#), and send it to the Investment Plan Administrator, for processing. The Investment Plan Administrator will send you a confirmation letter and personal PIN for accessing your account under separate cover.

**17. If I choose to roll my DROP accumulation to the Investment Plan, but fail to designate an investment fund for its deposit what will happen to my money?**

If you do not choose one of the investment options listed on the rollover enrollment form, your DROP accumulation will be initially invested in the FRS Money Market Fund. After your account has been established you will then have access to move your money to any of the 20 available funds offered in the Investment Plan.

**18. How do I take a distribution from the FRS Investment Plan?**

To take a distribution, you can either log onto MyFRS.com or call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711), and speak to an Investment Plan Administrator representative. Be sure to have your PIN number available prior to calling. If you do not have a PIN, you may request a PIN reminder online or by calling the MyFRS Financial Guidance Line and selecting Option 4. You do not need to complete any paper forms in order to request a distribution.

**19. If I roll my DROP accumulation into the Investment Plan, will the beneficiary I named under the Pension Plan when I entered DROP automatically become my beneficiary for my money invested into the Investment Plan?**

No. The beneficiary you named to receive your DROP accumulation and Pension Plan benefit are only applicable under that plan. If you roll over your DROP accumulation to the Investment Plan, you will need to name new beneficiaries to receive any benefits due at your death. You can designate a beneficiary(ies) for your Investment Plan account by completing and returning a [Beneficiary Designation Form \(IPBEN-1\)](#). If you do not name a beneficiary, your benefits will be paid out according to Florida Law. The beneficiary you named under the Pension Plan will continue in effect for that plan.

**20. If I roll my DROP accumulation into the Investment Plan and later return to FRS-covered employment as a renewed member (only applicable if you retired and were initially reemployed prior to July 1, 2010), and join the Investment Plan as my retirement option, can I name a different beneficiary than the beneficiary I named for my DROP rollover?**

No. Your named beneficiary under the Investment Plan will pertain to all investment accounts you have under the plan. You may, however, have a different beneficiary named under the Pension Plan to receive any benefits due from that plan.

**21. If I roll some or all of my DROP accumulation into the Investment Plan, what services will I get from the FRS?**

You will continue to have access to the toll-free MyFRS Financial Guidance Line at 1-866-446-9377, where you can talk to experienced and unbiased financial planners from Ernst & Young. They can help you manage your retirement benefits and help you with any financial questions you may have. You will also have access to the MyFRS.com website where you can log in to your account to make asset allocation changes.

**22. Can the FRS Investment Plan receive rollovers from Roth IRA's?**

No.

**23. I am a Special Risk member considering rolling my DROP accumulation to the Investment Plan. Will I be subject to a 10% early distribution tax penalty if I take a lump sum distribution from the Investment Plan before I am age 55?**

Yes. You may be subject to the 10% penalty (i.e., excise tax). It will be your responsibility to pay the 10% penalty when you file your tax return. You will also be responsible for any other taxes you may owe for this payment above the 20% that was withheld. Note: the 10% excise tax triggered by lump sum distributions before you are age 59½ is applicable for distributions from the Investment Plan, tax-deferred annuities and traditional IRAs (some exceptions apply - see the following three questions for examples).

**24. If I am age 50 when I terminate DROP and roll my DROP accumulation to the Investment Plan, could I be subject to the 10% tax penalty if I wait to take a lump sum distribution at age 55?**

Yes. You cannot age into penalty exemptions. You are subject to the 10% tax penalty for plans like the FRS based on your age at FRS-covered employment termination. You would need to wait until age 59½, unless you qualify for an exemption as defined under IRS section 72(t). For example, taking distributions as substantial and equal periodic payments over your lifetime; this method would allow you to avoid the 10% penalty.

**25. If I rollover my DROP accumulation to the Investment Plan and begin taking equal installments over my lifetime prior to age 55, say age 54, to avoid the 10% tax penalty, can I change my payment amount after 2 years?**

Since these payments are complicated in nature and need to be set up by a qualified professional to be considered acceptable by the IRS, please consult your tax professional or accountant. If the payments are not set up properly or altered during the period of the payments, you may be subject to tax claims by the IRS.

**26. I am a 50 year old Special Risk member and I would like to take a partial distribution from the DROP, and roll over the balance to the Investment Plan. Is it true that Special Risk members may be able to receive distributions and avoid the 10% excise tax?**

On August 17, 2006, President Bush signed into law the 2006 Pension Protection Act (PPA). One of the Act's provisions was to allow qualified public safety employees (QPSEs) to receive distributions from a qualified defined benefit plan without 10% excise tax if separating from service after age 50 (IRC Section 72(t)(10)). However, the IRS defines QPSEs as those who provide police protection, fire fighting services, or emergency medical services for a State or municipality. Not all Special Risk members meet the definition of QPSEs.

Note: The FRS Investment Plan is a qualified defined contribution plan, and the PPA did not provide that distributions from such plans for QPSEs aged 50 and over would be exempt from the 10% excise tax. If you are a QPSE over the age of 50 when DROP ends, and would like to take distribution of some or all of the DROP accumulation, you will need to do so prior to rolling over the assets into the FRS Investment Plan.

**27. If I roll my DROP balance into the Investment Plan and the beneficiary I named is not my spouse, how will the payments be treated if I die?**

If you had not begun taking distributions from the Investment Plan, the non-spouse beneficiary has the choice of taking distributions over 5 years, or the beneficiary can elect to take lifetime installments over

the beneficiary's life expectancy. The decision on the method of payment has to be made within 1 year of your death. If no choice is made, the distribution will be subject to the 5-year rule.

A non-spouse beneficiary may now roll over a balance in the Investment Plan to an inherited IRA (only a spouse has the ability to treat the IRA like his or her own or as an inherited IRA). The inherited IRA is subject to the rules that apply to any beneficiary and, as such, has the choice of taking distributions over 5 years, or the beneficiary can elect to take lifetime installments over the beneficiary's life expectancy. The decision on the method of payment has to be made within 1 year of your death. If no choice is made, the distribution will be subject to the 5-year rule.

**28. Are members of the Teachers' Retirement System (TRS) and State County Officers Employees Retirement System (SCOERS) eligible to roll their DROP accumulations into the Investment Plan?**

Yes. Current and former TRS and SCOERS members are eligible to roll their DROP accumulations to the Investment Plan.

If you have additional questions, please call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).