



# DROP into Retirement With ERFC

Deferred Retirement Option Program

## The Fairfax County School Board approved the Deferred Retirement Option Program (DROP) effective July 1, 2024.

DROP allows ERFC Legacy members who are eligible for an unreduced retirement the option to retire from their ERFC pension plan while continuing to work full time for FCPS and receive a salary for a maximum of five years.

Once you enter DROP, your monthly ERFC pension benefits will go to a DROP account that's payable to you at the end of the DROP period. When you exit DROP, you'll receive the funds in your DROP account and your monthly ERFC pension will start being direct deposited into your bank account.



### Eligibility

**ERFC Legacy Members (Hire Date: Before July 1, 2001) who are eligible for an unreduced retirement.**

- Age 55 with 25 or more years of service
- Age 65 with at least 5 years of service

## DROP Scenario

DROP STEPS	EXAMPLE
Legacy member is eligible for an unreduced retirement.	Olivia is a Legacy member who's eligible for an unreduced retirement.
Member picks a DROP entry date.	Olivia picks July 1, 2024.
ERFC calculates member's retirement benefit as of the DROP entry date.	Olivia's monthly benefit equals \$1,800.
Member keeps working and receiving a salary.	Olivia keeps working at her FCPS position and receiving her FCPS salary.
Deferred monthly ERFC retirement benefit amounts accumulate in a DROP account and earn an annual 4% interest rate compounded monthly.	\$1,800 (this amount will change each year because of annual COLAs) is credited to Olivia's DROP account each month, in addition to monthly interest.
Member exits DROP (no more than 5 years after entry), begins receiving monthly benefit payments, and receives DROP account balance in a lump sum payment, rollover, or a combination of the two.	After 5 years in DROP, Olivia's employment with FCPS ends June 30, 2029, and her monthly ERFC pension (which will be higher than \$1,800 because of annual COLAs) starts being direct deposited in her bank account.  Olivia chooses a lump sum payment of the funds in her DROP account, which equals the total of her monthly ERFC pension for the past 5 years plus interest.

## WHAT YOU NEED TO KNOW

- \* During DROP, you'll no longer contribute to your ERFC pension or add additional years of service for ERFC, but you will continue contributing to your VRS pension.
- \* You may participate in DROP only once. Your election to enter DROP becomes permanent and cannot be reversed as of your DROP entry date. You can only rescind your election prior to your DROP entry date.
- \* DROP amounts may be subject to federal and state income taxes when you exit DROP. You can continue deferring taxes by doing a rollover to a tax-deferred retirement plan, such as a traditional IRA.
- \* Your supervisor must be informed of your participation in DROP when you elect to enter DROP. Participation does not guarantee continued employment.





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## Common Questions

### When can I begin DROP?

You can choose the first day of any month, as long as you're eligible for an unreduced retirement and your supervisor signs your DROP application.

To help ensure a smooth process, we encourage you to submit your Application to Enter DROP (ERFC 41A) six months in advance if possible. However, ERFC must receive your application at least 60 days before the date you want to enter DROP.

### How long can I participate in DROP?

A maximum of five years, but you can exit DROP anytime without facing penalties.

### Will I be covered by group benefits during the DROP period?

Your health, life, and long-term disability insurance benefits continue during DROP and you're subject to the same provisions and cost-sharing arrangements as other employees.

### What happens to my sick leave?

You can convert all of your sick leave balance at the time you enter DROP to service credit or hold back up to 40 hours to allow you to begin the DROP period with sick leave available. Any sick leave accrued during DROP is "use it or lose it." You will not be able to apply any unused sick leave accrued during DROP or any unused sick leave carried over from before the DROP period

toward years of service credit. Your retirement benefit will not be re-calculated when you leave DROP.

### What if I become disabled during DROP?

Upon approval of your disability, your participation in DROP ends.

### What if I pass away during DROP?

Your designated beneficiary will be eligible to receive the balance credited to your DROP account at the time of your death.

### How much interest will my DROP account earn?

Your DROP account will earn an annual 4% interest rate compounded monthly unless the Board of Trustees adopts a lower rate for a particular fiscal year.

### Will my ERFC pension benefit receive COLAs during DROP?

Your ERFC pension benefit will receive annual retiree cost-of-living adjustment (COLA) increases.

### How are DROP benefits taxed?

In general, ERFC benefits are subject to federal and state taxes. Benefits accumulate tax-deferred in your DROP account. At the end of the DROP period, you can choose to receive your DROP account balance as a lump sum payment, a rollover, or a combination lump sum payment/rollover.

## IS DROP RIGHT FOR ME?

To help you decide, it's a good idea to run DROP estimates in [ERFCDirect](#) comparing these two scenarios:

- ★ The benefits you would receive under DROP without earning additional service credit.
- ★ The benefits you would receive if you continued working and earning service credit for the same time period, and then retired without participating in DROP.

## ONLINE ACCOUNT ACCESS

Log in to your [ERFCDirect](#) account to track your DROP balance.

## QUESTIONS?

Email: [erfcretirement@fcps.edu](mailto:erfcretirement@fcps.edu)

Phone: 703-426-3900  
M-F, 8 a.m. to 4:30 p.m.

