



## Applying for Retirement: A Guide to DROP

- Audience:** Active Norfolk Employees' Retirement System (NERS) Members
- Description:** Summarizes the NERS Deferred Retirement Option Program (DROP).

**DISCLAIMER:** This pamphlet summarizes parts of Chapter 37 of the Code of the City of Norfolk. The summaries are intended to provide simplified and meaningful information that is relevant to the member. Any information that is inconsistent with, or contradicts, Chapter 37 must be disregarded.



The NERS "Know 2 Ask" series provides basic information needed to empower you to ask important retirement-related questions. Knowing who and what to ask is key.

## Overview

Effective January 1, 2023, the Deferred Retirement Option Program (DROP), a program unique to NERS, became available to all eligible NERS members applying for a Normal Service Retirement (NSR). Participants are retired by NERS and accrue a NERS deferred benefit while continuing to work for the City as an active employee for up to five (5) years.

## Know Before Applying

- **Eligibility**

You must be an active NERS member and eligible for a NERS NSR. Retirement eligibility depends on when you were last hired with the City and your age and/or years of creditable service.

- **Filing Window**

Submit a completed NSR application to NERS between 30 and 90 days before your desired NSR effective date/DROP entrance date. You will specify your DROP exit date at the time you complete your application for retirement (See Participation below).

- **Participation**

DROP participants are considered retirees for all retirement-related purposes. Once you are a NERS retiree and simultaneously enter the DROP, participation is irrevocable and you **cannot extend your DROP exit date**, however, early exit from the DROP is allowable. You are able to participate in the DROP for up to five (5) years if you do not exceed any age restrictions (*e.g.*, Sworn Public Safety Officers have a mandatory retirement age).

## Know the Benefits

- **Retirement Benefit Calculation**

NERS will calculate your retirement allowance using your average final compensation (salary information), creditable service years and a retirement multiplier as of your NSR/DROP entrance date. Any future salary increases and sick leave accrued during your DROP period are not included in your NSR benefit calculation. Your NSR benefit allowance will not be recalculated upon your exit from DROP. Participation in the DROP does **not** cause a reduction of your monthly retirement benefit.

- **DROP Account Balance**

While participating in the DROP your DROP account balance will accrue 70% of your NSR allowance each month. Upon exiting the DROP, the DROP account balance is payable as a lump sum payment and your full monthly retirement benefit will begin.

- **Employee Benefits**

During your continued employment while participating in the DROP, active employee benefits are available, including health and life insurance coverage. Contact the Department of Human Resources should you have any questions about your active employee benefits.

- **NERS Mandatory Employee Contributions**

DROP participants are retirees and are exempt from NERS employee mandatory contributions (currently 5% of earnable compensation).

- **Death Benefit**

If you pass away while in the DROP, NERS Death After Retirement benefits will apply and your DROP account balance will be paid to your estate.

- **Work-related Injury**

If you suffer a work-related injury as a DROP participant, you may apply for Accidental Disability Retirement (ADR). However, if an Accidental Disability Retirement is approved you will no longer be a DROP participant, and you will forfeit your DROP account balance.

## **Important Deadlines**

- **Rescission Deadline**

You may be eligible to rescind your retirement application with the DROP election **before** your NSR/DROP entrance date. Contact the Retirement Office immediately if you are thinking of rescinding your retirement application.

- **Optional Allowance Deadline**

You may choose or modify a retirement optional allowance election until the first benefit payment becomes normally due.

## **Exiting DROP**

- **DROP Exit Certification**

Contact the Finance Retirement Office at least 30 days before your desired DROP exit date to ensure completion of required paperwork and prompt payment of benefits.

**Exiting DROP (continued)**

- **Important Paperwork**

You are required to confirm your direct deposit and tax withholdings information prior to exiting the DROP.

- **402(f) Election Request**

Submit the 402(f) Election Request form to the Finance Retirement Office. You may elect to have the DROP account balance paid directly to you, rollover the DROP account balance into an qualified retirement plan, or a combination of a partial payment and partial rollover. Understand the tax implications covered in the 402(f) notice before making your election.

**You have spent your career serving the citizens of Norfolk, protect your interests in retirement by being fully informed about your retirement benefit.**

**Finance Retirement Office**

Key Areas:

- Retirement Benefits
- DROP

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Norfolk, VA 23510**

**Human Resources**

Key Areas:

- Active Employee Benefits

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