

## **Deferred Retirement Option Program (DROP) Account Distribution**

Upon exiting the DROP the member must select one of two payment options for the distribution of their DROP account balance.

- **Lump Sum** – All accrued DROP monies, less federal and state withholding taxes, will be paid to the DROP participant via a physical check.
- **Direct Rollover** – All accrued DROP monies will be rolled over from the DROP account directly to the custodian of an eligible retirement plan as defined in section 401(a), 401(k), 403(b), or 457 of the Internal Revenue Service Code, an individual retirement account or an individual retirement annuity. The member must provide the Richmond Retirement System (RRS) directions from the custodian for the rollover monies from the DROP account before funds can be rolled over.

The member must make an election of distribution option within 31 days of exiting the DROP. If this election is not made within the 31 days, the RRS will mail a physical check for the amount of the member's DROP account, less applicable federal and state taxes, to the member's address on file with the RRS.

Some forms of distribution may be subject to tax penalties depending on the member's situation. It is advisable that the member read the **Special Tax Notice Regarding Plan Payments**, and consult a tax professional prior to making a decision on a distribution method.

All pension payments from the RRS, including DROP payments, are subject to applicable federal and state taxes; as well as IRS tax levies and child support payments.