



Retirement Services Division

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT FUND

Deferred Retirement Option Plan Regulations

Effective July 1, 2025

On April 18, 2024, pursuant to Conn. Gen. Stat. § 7-459b, the Connecticut State Employees Retirement Commission voted to create a deferred retirement option plan and adopted the following rules governing the administration of the plan:

SEC. 1. DEFERRED RETIREMENT OPTION PLAN

(a) Effective July 1, 2025, the Connecticut Municipal Employees' Retirement System ("CMERS") shall offer a deferred retirement option plan ("DROP") to eligible members of CMERS. The execution of the directives and regulations of the retirement commission charged with the administration of CMERS (the "Commission") are delegated to the Retirement Services Division in the Office of the State Comptroller. The Retirement Services Division maintains records and processes transactions in connection with CMERS.

(b) The terms used in these rules shall have the meaning as set forth in Conn. Gen. Stat. Sec. 7-425.

SEC. 2. ELIGIBLE MEMBERS

(a) The DROP shall permit certain members of CMERS who are eligible for a retirement allowance to elect participation in such plan.

(1) Members who are employed by participating municipalities in public safety positions, as police officers or firefighters, may elect to participate in the DROP if they are eligible for retirement and to receive a retirement allowance, and if (A) they have attained the age of fifty-seven years, provided such members have had five years of continuous service in a participating municipality, or (B) they have attained the age of fifty-five years, provided such members have had twenty-five years of aggregate service in a participating municipality, or (C) they are at any age, provided such members have had thirty years of aggregate service in a participating municipality.

(2) Other members who are employed by participating municipalities may elect to participate in the DROP if they are eligible for retirement and to receive a retirement allowance, and if (A) they have attained the age of sixty-two years, provided such members have had five years of continuous service in a participating municipality, or (B) they have attained the age of sixty years, provided such members have had thirty years of aggregate service.

SEC 3. DEFERRED RETIREMENT OPTION PLAN ELECTION

(a) Election to participate in the DROP is an agreement between an eligible member and the member's participating municipality to delay retirement and convert a portion of the member's retirement benefit into a lump sum. From and after the effective date of the member's election to participate in the DROP (the "DROP effective date"), the member will not receive a monthly retirement allowance, the member will continue to be employed by his or her participating municipality, the member will continue to receive a salary from the employing municipality, and the member will have an amount equal to the

member's service retirement allowance credited to the member's DROP account in the manner set forth in Sec. 4 herein.

(b) A member's election to participate in the DROP shall constitute an irrevocable election to resign from permanent employment with the member's participating municipality at the end of a period of time elected by the member (the last day of which shall be known as the "Drop termination date"), but which shall not exceed sixty months from the DROP effective date.

(c) An eligible member's DROP effective date shall be the first day of the month following the later of either the date on which the member's agreement to participate in the DROP is accepted by the Commission or the date on which the member first becomes eligible to participate in the DROP, as determined by the Commission.

(d) A member's election to participate in the DROP must be made in writing in a manner prescribed by the Commission, and such agreement must include the member's election of a benefit payment option for the member's service retirement allowance. Such election shall include the designation of a contingent annuitant, if applicable, the designation of a beneficiary, and a written consent of the member's spouse if such consent is required under the terms of CMERS.

(e) A member's election to participate in the DROP shall include the member's election of his or her DROP effective date, as well as the election of a DROP termination date, which shall be no later than the date that is sixty months after the member's DROP effective date. A member who has begun to participate in the DROP may thereafter elect a new DROP termination date, provided that such new date is on or before the date that is sixty months after the member's DROP effective date.

SEC. 4. DETERMINATION OF DROP BENEFITS

(a) A DROP account shall be established for each member who elects to participate in the DROP, which shall be a nominal account within the Connecticut Municipal Employees Retirement Fund, with separate accounting for each plan participant.

(b) A DROP participant's monthly retirement allowance will be calculated in accordance with Conn. Gen. Stat., Title 7, Chapter 113, Part II, as of the member's DROP effective date. Such calculation shall include calculation of the member's final average pay, the determination of the applicable benefit formula, and the calculation of all types of service credit as of such effective date. The amount so determined will be credited to the member's DROP account on the last day of each month, beginning with the month of the member's DROP effective date.

(c) Members participating in the DROP will not accrue any additional benefits towards their service retirement allowance from CMERS as of their DROP effective date. Any subsequent changes to the member's pay or service with a participating municipality, and any subsequent changes to the benefit formula under CMERS, shall not affect the amount of the retirement allowance that the member will receive after termination of employment.

(d) An eligible member's DROP account will consist of: (1) monthly amounts credited in accordance with paragraph (b) above; (2) fifty percent of the member's required contributions to CMERS for a period of

twenty-four months from the member's DROP effective date, or, if earlier, until the member terminates employment with the participating municipality; (3) for members who remain in the DROP for more than twenty-four months, one-hundred percent of the member's required contributions for the balance of the period such members remain in the DROP; and (4) interest earnings. Interest earnings shall be credited to the member's DROP account only on the second, third, fourth and fifth anniversary of the member's DROP effective date (the "crediting anniversary date"), so long as the member is still participating in the DROP on such anniversary dates.

(e) Interest in the DROP account shall be credited at the five-year U.S. Treasury Note Business Day Series rate, as published by the United States Federal Reserve on the last day before each crediting anniversary date. In no event, however, shall the rate of interest exceed four percent or be less than zero.

(f) Upon the member's DROP exit date, as determined in accordance with Sec. 7 below, no further amounts will be deposited into the member's DROP account.

(f) Members who elect to participate in the DROP shall not receive a cost-of-living adjustment (COLA) during the period of such participation. Any future COLAs paid to eligible members of CMERS shall be determined in accordance with the CMERS terms applicable to members who retire on or before the date of the member's entry into the DROP.

SEC. 5. CONTRIBUTIONS TO THE MUNICIPAL EMPLOYEES' RETIREMENT FUND

(a) Upon entry into the DROP, each member shall pay the member's required contributions to CMERS at the rate in effect at the member's DROP effective date until the member terminates employment with the participating municipality.

(b) Upon entry of a member into the DROP, such member's participating municipality shall pay required contributions to the Fund on behalf of such member at the employer contribution rate applicable to the participating municipality as set forth in the plan's annual actuarial valuation report.

SEC. 6. IMPACT OF LIFE EVENTS ON A MEMBER'S DROP PARTICIPATION

(a) A member's DROP account shall be considered to be retirement payments for the support of the member, the member's contingent annuitant, and/or the member's beneficiary, and, as such, the account shall be exempt from the claims of creditors, with the exception of:

(1) claims under a court-ordered, plan-approved, qualified domestic relations order issued in connection with a member's divorce;

(2) claims for the recovery of costs of incarceration; and

(3) claims for the recovery of damages by a victim of crime, as specifically described in Conn. Gen. Stat. Sec. 52-321a(b), and as determined or entered by a court of competent jurisdiction.

(b) An approved leave of absence shall not extend a member's DROP participation past the date that is sixty months after the member's DROP effective date.

(c) If a member participating in the DROP becomes eligible for, and is awarded, a disability retirement benefit from the Fund, then such member may elect to:

(1) begin to receive a voluntary retirement allowance and also receive a distribution of the member's DROP account balance; or

(2) forfeit the member's DROP account balance and begin to receive a disability retirement benefit.

(d) Each member must select an income payment option at the time of entry into the DROP, making the designations prescribed in section 3(d) above. If a member dies while participating in the DROP, any continuing monthly retirement benefits will be paid in accordance with that survivor option election. In addition to any survivor benefits that may be payable, the amount of the deceased member's DROP account balance, determined as of the member's date of death, will be payable to the member's named beneficiary.

SEC. 7. DEFERRED RETIREMENT OPTION PLAN EXIT

A member may not receive a distribution of DROP account funds before the earlier of (a) the date the member designated as his or her DROP effective date or (b) the date on which the member's employment with the participating municipality is otherwise terminated. The maximum period of participation in the DROP is sixty months, and once the maximum participation has been achieved, the member must terminate permanent employment with the participating municipality. If a member terminates employment before the end of the sixty-month period, the member's participation ends upon termination as a permanent employee with the municipality.

SEC 8. DEFERRED RETIREMENT OPTION PLAN DISTRIBUTIONS

(a) Upon conclusion of the DROP period of participation, not to exceed the maximum set forth in Sec. 3(b) above, the member shall terminate permanent employment and exit the DROP. Upon termination of employment, such member may receive a distribution from the DROP account in any of the following ways:

(1) a single lump sum distribution;

(2) a rollover of the balance of the DROP account to another retirement plan, as permitted under Internal Revenue Code section 401(a)(31); or

(3) a combination of (1) and (2).

(b) A member may elect to receive a distribution from the member's DROP account immediately upon exiting the DROP or may elect to defer distribution until a date that is not later than the date the member begins to receive a retirement allowance from CMERS. If a member elects such a deferral of the distribution, no further amounts shall be credited to the member's DROP account after the earlier of the termination of the member's employment or the end of the DROP period.

SEC. 9. PENSION REVOCATION

The DROP shall be construed, regulated, and administered under the laws of the State, except where other applicable law controls. The provisions of the pension revocation law under Conn. Gen. Stat. Sec. 1-110a shall apply to DROP accounts as a part of a member's retirement allowance.

SEC. 10. RIGHT TO AMEND

The terms of the DROP may be amended by the Commission at any time and from time to time, in whole or in part. Except as otherwise provided by law, no amendment shall make it possible for any part of the DROP accounts to be used for, or diverted to, purposes other than for the exclusive benefit of persons entitled to benefits under the DROP.