



CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Frequently Asked Questions About the DROP

1. When will the DROP go into effect?

The DROP is effective on July 1, 2025. CMERS members who are eligible to participate in the DROP as described above, may submit an application to participate in the DROP on or after this date.

2. How long can I participate in the DROP?

The maximum period of participation in the DROP is 60 months. You may elect to participate for a specified period of months that is less than 60 months. However, to voluntarily exit the DROP, you must terminate employment with your participating municipality.

3. May I terminate employment but stay in the DROP?

No. Termination of employment automatically terminates your participation in the DROP.

4. Does participation in the DROP guarantee employment for the DROP period?

No. Your election to participate in the DROP does not guarantee employment nor does it affect your employment relationship with your employer.

5. What happens if I decide I don't want to be in the DROP any longer (for example, I receive a pay raise and want to increase my retirement benefits)?

Your election to participate in the DROP is irrevocable as of the DROP effective date described above.

You can only voluntarily exit the DROP by terminating employment with your participating municipality. Once you enter the DROP, your monthly retirement benefit amount cannot change during the DROP period, including because of a pay raise. You also will not earn any additional service credit during the DROP period.

6. Will my monthly retirement benefits be increased by the cost-of-living adjustment (COLA) while I am in the DROP?

No. However, once you exit the DROP and commence receiving monthly retirement benefits, such benefits will be increased by the COLA in accordance with the CMERS rules in effect at the time you entered the DROP.

7. Will I continue to contribute to the retirement plan while in the DROP? Will my employer still contribute to the retirement plan?

Both you and your employer will continue to contribute to the retirement plan during your DROP period. You will contribute 100% of the required contribution amount during your DROP period. Your DROP account will be credited with your contributions as previously described. Your employer will contribute 100% of the required contribution amount during your DROP period, and such contributions will be credited to the CMERS Fund.

8. What interest will I earn on my DROP account?

Your DROP account will be credited with interest only on the second, third, fourth and fifth anniversary of your DROP effective date, if you are still participant in the DROP on those dates. The interest rate is based on a specific U.S. Treasury rate as described above. Such rate will not exceed 4% or be less than 0%.

9. If I select a retirement survivor option that provides for continued payments to be made to a designated individual after my death, and if that designated individual dies while I'm in the DROP, will I get the chance to choose a different form of payment or a different designated survivor?

No. Your choice of a retirement survivor option must be made at the time you enter the DROP, and it cannot be changed at any time after that.

10. What happens if I die while I am in the DROP?

In such circumstances, monthly retirement benefits may be payable to your surviving beneficiary, if you elected a form of payment with survivor benefits. In any case, your DROP account balance will be paid to your named beneficiary.

11. What is I become disabled while I am in the DROP?

If you become eligible for disability benefits from the retirement during your DROP period, you can elect to commence receiving your monthly retirement allowance and your DROP account balance or you can elect to commence receiving disability retirement benefits from CMERS.

12. Can I contribute my own money into my DROP account?

No.

13. Is my DROP account balance taxable?

Yes, your DROP account balance is taxable when you receive a distribution of the account. A lump sum distribution of your DROP account is subject to 20% mandatory withholding. You may elect to withhold more taxes than that but not less than that amount. However, any portion of your account balance that you elect to rollover directly into an IRA or your employer's eligible retirement plan is not taxable until you receive a distribution from the IRA or retirement plan.

14. Can I rollover my entire DROP account balance into an IRA?

Yes, you can rollover your entire DROP account into an IRA or an eligible retirement plan. CMERS will provide a notice of your right to perform a rollover when you apply to receive a distribution of your DROP account.

15. What happens if I return to work after I exit the DROP? Can I return to work full-time or part-time?

Once you terminate employment and exit the DROP, you may return to work either full-time or part-time. You will be subject to the Plan's rules on reemployment after retirement as described in the CMERS Summary Plan Description. However, once you exit the DROP, you are not eligible to participate in the DROP again.

16. Can the DROP rules change during my DROP period?

Generally, changes to the DROP rules will only apply to future participants in the DROP. However, CMERS may change the rate of interest earnings credited to all DROP accounts on a prospective basis.

The information in this publication is intended to provide CMERS members an accurate summary of the terms of the DROP. However, it is not a legal document. If any information in this publication conflicts with the DROP regulations, the DROP regulations control the terms of the DROP.