STATE *of* CONNECTICUT

RETIREMENT SERVICES DIVISION

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OFFICE *of the* STATE COMPTROLLER
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CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFERRED RETIREMENT OPTION PROGRAM (DROP) SUMMARY
Effective **July 1, 2025**

I. **What is the DROP:** The Deferred Retirement Option Program (DROP) is a plan that allows members of the Connecticut Municipal Employees' Retirement System (CMERS) who are eligible to retire to elect to defer their retirement allowance while continuing their employment for up to 60 months. The member's retirement allowance is credited to their own separate DROP account instead of being paid to them directly.

II. **Who is eligible to participate:**

1. **General Employees:** The DROP is available to regular members of participating municipalities who are eligible for retirement at:
   - the age of 62 with five years of continuous service, or
   - the age of 60 with 30 years of aggregate service.

2. **Police Officers and Firefighters:** The DROP is also available to public safety members who are police officers or firefighters who are eligible for retirement at:
   - the age of 57 with five years of continuous service,
   - the age of 55 with 25 years of aggregate service, or
   - with 30 years of aggregate service regardless of age.

III. **How to elect to participate in the DROP:** A member must submit a DROP application to CMERS which includes:

1. Retirement allowance payment option election,
2. Designation of beneficiary, and
3. Spousal consent, if applicable.

The member's election to participate in the DROP is irrevocable and requires an agreement to resign from permanent employment at the end of the DROP period, as elected by the member. The effective date of the DROP election is the first of the month after the DROP application is approved by CMERS or the date of the member becomes eligible to participate, if later. The DROP period elected by the member must end no later than 60 months after the DROP effective date.

IV. **How the DROP affects the retirement benefits:** A member's monthly retirement allowance is calculated as of their DROP effective date, based on their final average pay, benefit formula, and service credit on such date. No additional benefits or cost-of-living adjustments accrue during the DROP period.

V. **How the DROP affects the contributions to CMERS:** Upon entry into the DROP, members continue to pay 100% of their required contributions until they terminate employment and exit the DROP. An amount equal to 50% of the member's contribution is credited to the member's DROP account each payroll period for 24 months from the DROP effective date or until the member terminates employment, if earlier. For members who remain in the DROP for more than 24 months, 100% of their required contributions will be contributed to their DROP account until they terminate employment and exit the DROP.

VI. **How the DROP account is funded:** CMERS establishes a DROP account for each participant. A member's DROP account is credited with the following amounts:

1. Member's monthly retirement allowance, calculated as of the DROP effective date,
2. Fifty percent (50%) or one hundred percent (100%), as applicable, of the member's required contributions, and
3. Interest earnings credited to the member's DROP account on the 2nd, 3rd, 4th and 5th anniversary of the member's DROP effective date, so long as the member remains in the DROP on such anniversary dates.

Interest on the DROP account is calculated based on the five-year U.S. Treasury Note Day Series rate, as published by the U.S. Federal Reserve on the last day prior to the crediting anniversary date, capped at 4% and with a floor of 0%.

VII. **How to exit the DROP:** A member cannot access their DROP account funds until they terminate their permanent employment with the participating municipality. The maximum period of participation in the DROP is 60 months, and after the end of the member's DROP period, the member must terminate employment with their participating municipality. However, if a member terminates employment prior to the end of the 60-month period, their participation ends upon termination. No further amounts are deposited into their DROP account as of the end of the DROP period.

VIII. **Distribution of the DROP account balance:** Upon termination of employment, the member can receive their DROP account balance as a lump sum, a rollover, or a combination of both. The member can also defer the distribution of their DROP account until they start receiving their monthly retirement allowance from CMERS. DROP account balances that are not rolled over may be subject to federal income taxes.

IX. **The impact of life events on the DROP participation:**

Leave of absence - An approved leave of absence cannot extend a member's DROP participation for longer than the maximum period of 60 months.

Divorce – A member's DROP account is part of their retirement allowance and subject to claims under a court-ordered, plan-approved, qualified domestic relations order issued in connection with a member's divorce.

Disability - If a member participating in the DROP becomes eligible for a disability retirement benefit from CMERS, such member may elect to commence receiving a retirement allowance, including their DROP account balance, or forfeit their DROP account balance and commence receiving a disability retirement benefit.

Death - If a member participating in the DROP dies prior to termination of employment, monthly retirement benefits will be paid in accordance with the survivor option elected by the member, if any, and the deceased member's DROP account balance will be paid to their named beneficiary.

Participation in the DROP does not affect other employee benefits, such as health insurance coverage, paid leave accruals, or deferred compensation plan contributions.

X. **How the DROP is governed:** CMERS has the authority to amend the terms of the DROP at any time.