Who is eligible for DROP?

All eligible members of retirement Group E may elect to participate in DROP if they are:

- At least 46 years old and have at least 25 years of credited service
  OR
- At least 55 years old and have at least 15 years of credited service.

Eligible members include:

**Uniformed Correctional Officer:** Correctional Officer I, II & III, Correctional Dietary Officer I & II; Correctional Dietary Supervisor; Correctional Supervisor-Sergeant; Correctional Shift Commander-Lieutenant; Correctional Unit Commander-Captain; Deputy Warden; Warden; Director of the Department of Corrections

**Sworn Deputy Sheriff:** Deputy Sheriff I, II & III; Deputy Sheriff Sergeant; Deputy Sheriff Lieutenant; Deputy Sheriff Captain; Assistant Sheriff; Chief Deputy Sheriff (Colonel)

What is DROP?

DROP stands for Deferred Retirement Option Plan. DROP is a voluntary program that where you elect for your monthly retirement pension to be deposited in a self-directed investment account held at Fidelity while you continue to work. At the end of participation, you separate from County service and receive the account balance.

A key feature of DROP is the individual account that will be established for you at Fidelity Investments when you enter the program. Your DROP account will receive:

- The monthly retirement benefits that you would have received if you had retired instead of entering DROP.
- Gains or losses on the funds you elect for investment of your monthly retirement benefit.

Once you elect to participate:

- You must retire no later than three years after entry.
- Your election is irrevocable unless you withdraw from DROP during the 2-week period immediately following the date you submit your application.
- Your bi-weekly retirement contributions will stop.

What is my employment status while I am in DROP?

You remain a County employee and are eligible for promotions, pay increases and benefits, such as annual and sick leave. However, DROP participation is not a guarantee of continued employment. You are subject to all laws and regulations regarding employment.
All sick leave in excess of 80 hours will be credited towards your eligibility to participate in DROP, up to the two-year maximum.

You must satisfy the eligibility requirements before you apply.

If you are in an employee group eligible to transfer from the Employees’ Retirement System into the Retirement Savings Plan (RSP), you are no longer eligible to transfer after you enter DROP.

If you have transferred to the RSP, you are not eligible to enter DROP.

**How long can I participate in DROP?**

For a maximum of three years. You may end your participation in DROP and retire on the first of any month during those three years.

**How does DROP work?**

You apply to participate in DROP at any time after you are eligible, but before you actually retire. You can elect to begin participating as soon as the first day of the month 60 days after applying but no later than 90 days after applying. If you elect DROP participation, you:

- Agree to end your County employment when DROP participation ends which is no later than three years after your participation begins.

- Stop earning retirement benefits under the ERS, except for a final adjustment after exiting DROP to the monthly retirement benefit due to applying unused eligible sick leave accrued during DROP participation and applying retiree cost of living adjustments (COLAs).

- Select the investment options where your monthly retirement benefit will be invested.

- Stop making retirement plan contributions to the ERS.

- Make an irrevocable election of payment option for your monthly retirement benefits.

- When you begin DROP participation, the County calculates your monthly retirement benefit and begins to contribute this amount to your DROP account.

- Receive your DROP account, in the form elected at DROP entry, when you exit DROP.

**What is the DROP benefit?**

During your participation in DROP, your account receives:

- An amount equal to your monthly retirement benefit under the ERS, calculated at the time you enter DROP and without any COLA.

- Gains or losses on the funds you elected for investment of your monthly retirement benefit.

You are always fully vested in your DROP account.
How is my DROP account invested? How much will it earn?

The Board of Investment Trustees will provide you with a selection of investment fund options from which to choose (this material is available separately). You choose one or more of these funds into which your DROP account will be invested. Your account will be credited with the gains or losses earned by those funds.

You are responsible for making the investment decisions for your account. You may choose one or more fund option depending on your investment objectives. You should note that you bear all investment risk and that earnings on your account balance are determined solely by your investment elections. No plan fiduciary is liable for any loss resulting from your investment decisions.

The Board of Investment Trustees offers a diversified slate of investment options that:

- cover a risk and return spectrum of appropriate investment classes
- are distinguishable and have distinct risk and return characteristics
- are well-diversified and professionally managed
- charge fees that are reasonable for the asset class and investment style

Recognizing that some individuals consider themselves experienced investors who want more variety, independence, and greater control in managing their account, the Board permits these individuals to select any mutual fund, unless otherwise prohibited, through a Self-Directed Brokerage Account (SDBA). The Board does not monitor or evaluate the mutual funds available within the SDBA. If you would like to open an SDBA, you must sign an agreement acknowledging your understanding that you exercise exclusive control over the SDBA and that the Board does not select or monitor the mutual funds traded in the SDBA.

You may change your investment elections at any time by calling Fidelity Investments at 1-800-430-2363 or visiting https://nb.fidelity.com/public/nb/MCG/home. Your direction of investment remains in effect until you change it. Trade restrictions and fees on redemptions may be initiated by a particular investment option or by the record keeper at any time.

You may also contact the onsite Fidelity representative at 240-777-8228 or Fidelityonsite@montgomerycountymd.gov to discuss your investment options.

What do I get when I leave DROP?

When you exit DROP, you will receive:

The monthly retirement benefit calculated at the time of your entry into DROP adjusted for (1) any eligible sick leave credits (up to the two year maximum) that were not converted into credited service at the time of DROP entry, and (2) COLA adjustments as if you had retired when you entered DROP.

- However, effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to a 2.5% post retirement adjustment limit.

- The payment option for your monthly benefit must be elected before you enter DROP and once elected your choice is irrevocable.
Your DROP account (1) in a lump sum, (2) as a direct rollover to an IRA or another eligible tax-qualified plan (any amounts in your DROP account that are non-taxable may not be rolled over – these amounts will be paid directly to you in a lump sum), or (3) an annuity.

Before you decide whether to take your DROP benefit as a lump sum, direct rollover or annuity, be sure to consider the tax consequences. **We recommend that you seek the advice of a tax professional to determine what is best for you and how you will be impacted.**

Your DROP distribution will be made within 60 days of your exit from DROP. You elect the distribution option for your DROP account before you enter DROP.

**Is my DROP benefit taxable?**

Any after-tax contributions allocated to your DROP account (calculated when you exit DROP) are not taxable to you. Non-taxable amounts are **not eligible for direct rollover**. The remaining amounts in your DROP account are taxed as ordinary income in the year received. To defer taxes, you may roll the taxable portion of your DROP account into an IRA or another eligible retirement plan.

**What happens if I get married or divorced during DROP?**

If you were unmarried when you entered DROP and marry while you are in DROP, you may change your beneficiary for your DROP account. You may **not** change the payment option for your monthly retirement benefit or your Joint Annuitant.

If you become divorced while you are in DROP, you may **not** change the payment option for your monthly retirement benefit. Your beneficiary for your DROP account can be changed.

**How do I apply for DROP?**

You must apply 60-90 days before you want your participation to begin by accessing our portal [https://eportal.montgomerycountymd.gov/goto/ERSRetiree/](https://eportal.montgomerycountymd.gov/goto/ERSRetiree/). You may withdraw your application in writing at any time during the 2-week period following the date on which the application was submitted. Participation always begins on the first of a month. Contact MCERP at Retirement@montgomerycountymd.gov or call 240-777-8230 to set up a retirement counseling appointment.

**How does DROP affect retirement benefits?**

Credited service (except sick leave credits) and average final earnings (12-month period if you became a member before July 1, 1978; 36-month period if you became a member after June 30, 1978) are frozen at DROP entry. A salary increase while in DROP (e.g., a promotion or general wage adjustment) will not affect your monthly retirement benefits.

Your monthly retirement benefit going into your DROP account will not reflect COLAs. However, your monthly retirement benefits received after DROP participation ends include the COLAs as if you had retired when you entered DROP. However, effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to the 2.5% post retirement adjustment limit.
COLAs are paid only on your monthly retirement benefit. COLAs do not apply to any part of your DROP distribution.

**How does DROP affect the following other benefits?**

**Group Insurance (Health, Life, LTD)**
Your group insurance benefits continue during DROP as they would for any other active employee. You are subject to the same provisions and cost sharing arrangements as any other active employee. Your time spent in DROP will count towards your years and months of service for the County cost sharing into retirement.

When you exit DROP, you are eligible for the same group insurance benefits as if you were an active employee retiring on the same date.

Please contact the Office of Human Resources Health Insurance team at 240-777-0311 for additional information.

**Sick Leave**
Sick leave in excess of 80 hours will be converted to retirement service credit at DROP entry (up to the two-year maximum) and used to calculate the monthly retirement benefit that will go into your DROP account. Sick leave that is converted to retirement service credit cannot be used in any other manner. You will continue to earn sick leave while in DROP at the same rate as if you had not entered DROP. At the end of DROP, if you have not already been credited with the maximum two years of sick leave credit, each 176 hours of any remaining sick leave will be converted to retirement service credit (up to the two-year maximum) and used to increase the post-DROP monthly retirement benefit. Effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to the 2.5% post retirement adjustment limit.

**Retirement Savings Plan**
If you are in an employee group eligible to transfer from the Employees’ Retirement System into the Retirement Savings Plan (RSP), you are no longer eligible to transfer after you enter DROP.

If you have transferred to the RSP, you are not eligible to enter DROP.

**How does DROP affect the 457 (deferred compensation) plan?**

DROP has no effect on the 457 plan. Your actual retirement date (when you exit DROP) is your retirement date for 457 purposes. You cannot receive 457 benefits until you exit DROP. You can continue to contribute to the 457 plan while in DROP. You are eligible for catch-up during the three consecutive years preceding the year that (1) you are eligible for normal retirement, or (2) you exit DROP, whichever is later.

**What are some considerations when deciding on DROP participation?**

- Whether you are ready to make an irrevocable choice enter DROP and to retire at the end of the DROP period.

- Whether your total retirement benefits might be higher without DROP, (e.g., significant pay increase while in DROP).
• Whether you have completed the purchase of any prior service credit before you enter DROP. Any outstanding balance of purchased service must be paid in full before you enter DROP.

• Whether you are ready to make an irrevocable choice of the payment option for your monthly retirement benefit.

• Whether you are ready to choose the distribution option for your DROP account when your participation in DROP ends.

• Whether you should you retire instead of entering DROP.

        All sick leave hours except 80 are converted to retirement service credit when you enter DROP or whether to maintain part of your balance for later use while in DROP.
• However, effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to the 2.5% post retirement adjustment limit.

• Whether you are ready to or have consulted an attorney, tax professional or financial planner before making these decisions.

**Can I revoke my DROP decision?**

Yes, but only during the two-week period following submission of your application.

**What if I leave DROP early?**

• Your DROP account may be smaller.

• Your employment will end as of the date you leave DROP.

**What if I die during DROP, including being killed in the line of duty?**

Your beneficiary will receive any death benefit they would have received as if you had retired on the date of death and the DROP account balance. The benefit will be adjusted to include:

• Sick leave credit not already converted to service credit (up to the two-year maximum). However, effective July 1, 2011, any additional sick leave credited as years and months of service is subject to the 2.5% post retirement adjustment limit

• COLA changes to the amount of your monthly retirement benefit at DROP entry.

If you do not designate a beneficiary, your surviving spouse or eligible domestic partner is your beneficiary. If you do not have a surviving spouse or eligible domestic partner, your surviving children share equally in any benefit. If you do not have a surviving spouse, eligible domestic partner or any surviving children, your estate is your beneficiary.

You may change your beneficiary at any time by filling out and returning a new form to MCERP. MCERP recommends updating your beneficiary form at least every two years or when a life change occurs such as marriage, divorce, death of a spouse or dependent, etc.
Examples:

If you elect a 10-year certain and continuous payment option for your monthly retirement benefit at DROP entry and die a year later, your beneficiary will receive monthly retirement benefit payments for 9 years. Your beneficiary will also receive the balance in your DROP account.

If you elect the modified cash refund payment option for your monthly retirement benefit and then die while in DROP, your beneficiary will receive your DROP account balance. In addition, if the total of the monthly retirement benefit payments deposited into your DROP account do not equal your accumulated employee contributions, plus interest, the difference will be paid to your beneficiary.

Note: Different death benefits are provided to spouses, eligible domestic partners and children. If you do not designate a spouse, eligible domestic partner or child as your beneficiary, they will not receive any death benefit. Only designated beneficiaries will receive a death benefit.

What if I become disabled during DROP?

For a non-service-connected disability, you would receive a monthly pension benefit calculated as if you had retired with a non-service-connected disability on the date you enter DROP. You will also receive your DROP account. You will not receive any sick leave credit accrued during DROP participation.

For a service-connected disability, you may elect to receive either (1) the benefit as if you had retired from DROP without a disability which includes your DROP account or (2) the service-connected disability benefit as if you had never entered DROP which does not include your DROP account. You should consider consulting an advisor to discuss the tax implications of your decision.

Is there a deadline to apply for DROP?

Yes, you must apply 60-90 days before actually entering DROP after becoming eligible.

Where can I get more information?

You may contact MCERP at Retirement@montgomerycountymd.gov or at (240) 777-8230. Application forms are available in MCERP on the 15th floor of the EOB or online at www.montgomerycountymd.gov/retirement.