

Q9 What happens if I terminate employment before the end of the DROP Period?

A If your MPORS-covered employment is terminated during the DROP Period, your DROP Benefit will be distributed as you direct and payment of your monthly service retirement benefit will begin. The DROP Period ends on the last day of the last full month of active service.

Q10 What if I decide to continue working following the DROP Period?

A You may continue to work after the DROP Period ends and remain vested in MPORS. You will not receive your service retirement benefit or your DROP Benefit during the time you continue to work. The balance of your DROP Account will continue to earn interest. Upon termination of employment, you will receive your initial MPORS monthly retirement benefit; an additional benefit based on your service credit and final average compensation earned after DROP participation; and your DROP Benefit (see Q6).

Q11 How much interest will my DROP Account earn?

A The interest rate will equal the actuarial assumed rate of return for the trust fund at the end of each fiscal year (June 30). Currently the rate of return is 8%.

Q12 Does my DROP Account receive guaranteed annual benefit adjustments (GABA) while I am working?

A Yes, if you are eligible for GABA, your DROP Account will receive GABA increases while you participate in the DROP. Otherwise, you will receive the appropriate minimum benefit increases.

If you continue to work after the DROP Period, you will not receive any increases to your DROP Account as you will not be receiving a monthly retirement benefit.

Q13 Are there any disadvantages to the DROP?

A There are some potential disadvantages.

DROP participation makes you **ineligible** for:

- disability retirement
- purchasing service
- service credit
- a refund of your accumulated contributions
- an increased benefit based on salary increases during your DROP Period

You should also be aware that:

- Your retirement benefit is based on your final average compensation **prior** to the start of the DROP Period; and
- There are tax implications if you receive the DROP Benefit as a lump sum at the end of the DROP Period.

Should any information in this publication conflict with statute or rules, the statute or rules will apply.

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**Municipal Police
Officers'
Retirement System**

**DEFERRED
RETIREMENT
OPTION
PLAN**

June 2009

Montana Public Employee
Retirement Administration



The Deferred Retirement Option Plan (DROP) provides eligible active members of the Municipal Police Officers' Retirement System (MPORS) an alternative method for payment of benefits. Participation in the DROP is optional, however, it cannot be terminated or changed once you choose to participate. This publication will answer some of your questions regarding the DROP.

Q1 What is the DROP?

A The DROP allows active MPORS members to begin accumulating their retirement benefit, without terminating employment, for up to 60 months. If you choose to join the DROP, your monthly retirement benefit remains in the MPORS trust fund.

Q2 Who is eligible to participate in the DROP?

A You may participate in the DROP if you are an active member of MPORS with at least 20 years of membership service.

Q3 How do I apply for the DROP?

A You must request DROP information from the Montana Public Employee Retirement Administration (MPERA). The request must include your:

- Full name
- Social Security number
- Mailing address
- Date of birth
- Anticipated date to start the DROP

MPERA will send you a DROP estimate and a DROP application. The completed DROP application must be filed with MPERA at least **two weeks** before the first day of the month you want to start the DROP.

Q4 What happens after I elect to participate in the DROP?

A When you elect to participate in the DROP, the following are established:

- A) Your **DROP Period** - is the number of months you choose to participate in the DROP. It may be from one month up to a maximum of 60 months (five years). The DROP Period must begin on the **first** day of a month and end on the last day of a month. You will choose the beginning and ending date of your DROP Period on your DROP application.
- B) Your **DROP Accrual** - is the monthly benefit, including any post retirement adjustments, you would have received if you had terminated employment and retired. This amount remains in the MPORS trust fund, but is credited to your DROP Account.
- C) Your **DROP Account** - will grow, on a tax-deferred basis, based on your DROP Accruals while you continue to work and receive your regular pay.
- D) Your **DROP Benefit** - is the lump sum benefit you will receive from your DROP Account upon termination of employment.

Q5 What happens while I am working during my DROP Period?

A While you are working, you and your employer must pay the regular contributions to MPORS. However, you will not earn additional membership service or service credit.

Q6 What happens when I terminate employment at the end of my DROP Period?

A You will begin receiving your MPORS monthly retirement benefit. At this time, your DROP Benefit must be distributed. You will receive your DROP Benefit as a lump sum payment or a direct rollover to another eligible retirement plan as allowed by the IRS. If you do not designate a distribution method within 60 days after termination of employment, the DROP Benefit will be paid in a taxable lump sum.

Q7 What happens if I become disabled during the DROP Period?

A You will not be eligible for MPORS disability benefits. If you must terminate your service, your service retirement benefit will be paid to you rather than to your monthly DROP Account. You will also be eligible to receive your DROP Benefit.

Q8 What happens if I die before the end of my DROP Period?

A Your surviving spouse or dependent children are entitled to your DROP Benefit. Your surviving spouse or dependent children are also entitled to your monthly retirement benefit. If you do not have a surviving spouse or dependent children, then your designated beneficiary may receive the balance of your retirement account and a lump-sum payment of the DROP Benefit.