

# STATE OF NEW YORK

6679

2023-2024 Regular Sessions

## IN ASSEMBLY

April 28, 2023

Introduced by M. of A. SANTABARBARA -- read once and referred to the  
Committee on Governmental Employees

AN ACT to amend the retirement and social security law, in relation to  
enacting the "police and fire employees retention act"

The People of the State of New York, represented in Senate and Assem-  
bly, do enact as follows:

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "police and fire employees retention act".

3 § 2. Legislative findings. Over the past several years, increased  
4 workloads on our police and fire employees throughout the state has  
5 resulted in a large reduction in personnel resources due to retirement  
6 and separation from service. The loss of talented and experienced  
7 personnel in these important job titles further results in a structural  
8 deficit of experienced trainers for our next generation of dedicated  
9 police and fire personnel actively entering their public service lives.  
10 This legislation seeks to induce talented and experienced personnel to  
11 remain in service to the public while allowing their pension payments to  
12 be deferred during a specific period of time while they continue employ-  
13 ment.

14 § 3. The retirement and social security law is amended by adding a new  
15 section 381-c to read as follows:

16 § 381-c. Deferred retirement option plan payable to members of  
17 optional twenty-year retirement plan. A participating employer which has  
18 elected or which elects, pursuant to section three hundred eighty-one or  
19 any sections under this article, who participates in a twenty-year  
20 retirement plan may provide for a deferred retirement option plan.

21 a. Deferred retirement option plan, (hereinafter referred to as  
22 "DROP"), is a retirement plan under which an eligible member of a  
23 participating employer may elect to participate, deferring receipt of  
24 retirement benefits while continuing employment. For the purposes of  
25 this section, an "eligible member" is any member or officer employed by

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 the state, local, municipal, county, village, authority or division  
2 within the state electing to provide this option. During the period of  
3 continued employment, the eligible member's monthly retirement benefit  
4 shall be deferred and held by the retirement system on behalf of the  
5 member plus interest at an effective rate of one and one-half percent  
6 for the specific period of participation in DROP as provided in subdivi-  
7 sion c of this section. Upon completion of the DROP period, the eligible  
8 member shall receive the total amount of retirement benefits deferred  
9 under DROP without optional modification as permitted by subdivisions d  
10 and e of this section and shall begin to receive the previously deter-  
11 mined normal service retirement benefit with optional modification as  
12 further provided in subdivision d of this section.

13 b. Any eligible member who is currently employed by a participating  
14 employer electing to participate under this article and who qualifies to  
15 retire pursuant to this title by reason of completing twenty years of  
16 creditable service may elect to participate in DROP.

17 c. Such election must be on a form supplied by the retirement system  
18 and may be for any period of time not less than twelve months or more  
19 than sixty months duration. Any eligible member who elects to partic-  
20 ipate in DROP is considered retired on the day following the expiration  
21 of the DROP period. Provided, however, that all loans and excess  
22 contributions must be resolved by the date of entry into DROP and no  
23 additional loans or excess contributions shall be permitted after the  
24 date of entry into DROP. Upon expiration of the time period selected by  
25 the eligible member, such member's participation in DROP shall termi-  
26 nate.

27 d. (1) Effective with the date of participation in DROP, the eligible  
28 member's normal service retirement benefit shall be calculated, using  
29 creditable service and final average salary as if the effective date of  
30 retirement was the date of entry into DROP. The amount deferred pursuant  
31 to DROP shall be calculated based upon the eligible member's zero option  
32 retirement allowance until such member has obtained the applicable maxi-  
33 mum service retirement limit based upon years of service. Any additional  
34 participation in DROP after a member has obtained the maximum service  
35 retirement limit based upon years of service shall be calculated based  
36 upon sixty percent of the member's full annual retirement allowance. In  
37 addition, for the purposes of this section, the annual retirement allow-  
38 ance for any member electing DROP shall be calculated using a three-year  
39 final average salary as defined elsewhere in this article. The eligible  
40 member shall, however, elect his or her optional retirement benefit at  
41 the completion of the DROP period.

42 (2) If the eligible member dies prior to completion of the period of  
43 participation in DROP, the eligible member shall be treated as if such  
44 DROP election did not exist. In lieu of the DROP payment, a death bene-  
45 fit shall be payable consistent with the terms of this chapter and all  
46 salary and service reported for such eligible member during the DROP  
47 period shall be considered in calculating the eligible member's death  
48 benefit.

49 (3) If the eligible member is approved for disability benefits  
50 provided in this chapter during the DROP period, the eligible member  
51 shall be treated as if the DROP election did not exist. In lieu of the  
52 DROP payment, a disability retirement benefit shall be payable consist-  
53 ent with the terms of this chapter and all salary and service reported  
54 for such eligible member during the DROP period shall be considered in  
55 calculating the eligible member's disability retirement benefit.

1 (4) If an eligible member otherwise fails to complete his or her peri-  
2 od of service as elected pursuant to subdivision c of this section, the  
3 eligible member shall be treated as if such DROP election did not exist.  
4 In lieu of the DROP payment, the normal service retirement benefit shall  
5 be payable consistent with the terms of this chapter and all salary and  
6 service reported for such eligible member during the DROP period shall  
7 be considered in calculating the eligible member's service retirement  
8 benefit.

9 (5) If an eligible member remains employed after his or her partic-  
10 ipation in DROP is terminated, such member shall forfeit all DROP bene-  
11 fits and continue employment as if such DROP election did not exist.  
12 Such member shall then be eligible to elect DROP consistent with the  
13 terms of this section.

14 (6) If an eligible member is approved for disability benefits after  
15 benefits payable pursuant to DROP have been paid, the eligible member  
16 may elect to receive the disability benefits in lieu of DROP benefits,  
17 but such disability benefits must be actuarially adjusted for any bene-  
18 fits paid under DROP.

19 e. At the conclusion of the member's participation in DROP, the  
20 retirement system shall pay the deferred service retirement benefits in  
21 one of the following methods as elected by the member:

22 (1) All accrued DROP benefits, plus interest, less withholding as  
23 required by the internal revenue service, shall be paid to the DROP  
24 participant or eligible beneficiary or as otherwise determined by opera-  
25 tion of law;

26 (2) All accrued DROP benefits, plus interest, shall be paid from the  
27 retirement system to a custodian of the eligible retirement plan or  
28 other eligible plan or account as provided pursuant to the internal  
29 revenue code as directed by the member or eligible beneficiary;

30 (3) A portion of the DROP benefits shall be paid to the DROP partic-  
31 ipant or eligible beneficiary, less withholding required by the internal  
32 revenue service and the remaining DROP benefits may be rolled over as  
33 otherwise permitted by the internal revenue code. For purposes of this  
34 subdivision, the term "eligible beneficiary" is one who qualifies to  
35 roll over benefits from a qualified benefit plan or account as provided  
36 by the internal revenue code.

37 The DROP benefit cost contained in this subdivision shall be paid by  
38 any participating employer, for all eligible members specific to such  
39 employer, that has elected to provide this benefit.

40 The forms of payment provided by this subdivision must comply with the  
41 minimum distribution requirements of the internal revenue code.

42 f. The comptroller shall prescribe such regulations as may be required  
43 for the effective administration and implementation of the provisions of  
44 this section.

45 § 4. This act shall take effect immediately.

FISCAL NOTE.--Pursuant to Legislative Law, Section 50:

This bill would allow employers in the New York State and Local Police and Fire Retirement System (NYSLPFRS) who participate in twenty-year retirement plans to provide their members with the option to elect to participate in a Deferred Retirement Option Plan (DROP), deferring receipt of retirement benefits while continuing their current employment. The features of this DROP are:

1. Members may elect to participate in the DROP upon the attainment of retirement eligibility.

2. The service retirement benefit shall be the single life allowance determined based on the service and final average salary at the

commencement of DROP participation. However, once a member's total service credit (including service during the DROP period) exceeds 32 years, the monthly payment into the DROP account will be limited to 60% of the single life allowance.

3. The NYSLPFRS shall consider DROP participants active members, and annual employer contributions shall continue to be made by the participating employers on behalf of such members.

4. The length of participation in the DROP must be specified at the time of election and may not be less than 1 year nor exceed 5 years. However, if the affected member should leave employment before or after the scheduled DROP termination date, such member shall forfeit all DROP benefits, and shall be treated as though there were no DROP election.

5. During the DROP period, the monthly pensions of such affected members will be deferred and held by the NYSLPFRS on their behalf and shall accrue interest at 1.5%. Such account, with interest accumulation, must be distributed in full at the end of the specified DROP period.

6. If an affected member should die or become disabled during the DROP period, such member shall be treated as though there were no DROP election.

7. Upon termination from the DROP, such affected members shall receive their deferred payments, and shall also begin to receive their previously determined pensions.

Section 212 of the Retirement and Social Security Law generally prevents service retirees from receiving salaries of more than \$35,000 for public employment before attaining age 65. This proposal would allow members to receive a full salary and retirement benefits simultaneously for up to 5 years.

The Partial Lump Sum program currently allows NYSLPFRS members to receive lump sums up to 25% of the present value of their pensions. In combination with this proposal, an affected member could potentially receive a lump sum exceeding 65% of the present value of their pension. This significantly reduces the value of ongoing pension payments over the member's remaining lifetime.

If this bill is enacted during the 2023 legislative session, it is estimated there would be an increase in the annual contributions of an electing employer in the NYSLPFRS for the fiscal year ending March 31, 2024 of approximately:

Retirement Plan	Increase in Annual Contributions
20-year	5.0% of salary
20-year with additional 60ths, non-State	2.5% of salary
20-year with additional 60ths, State Police	1.4% of salary

In addition to the annual contributions discussed above, there would be past service costs which would depend on the current salary, age, and length of service of the affected members. It is estimated that the past service cost per member of an electing employer in the NYSLPFRS that would be due on February 1, 2024 for local employers or March 1, 2024 for the State, would average approximately:

Retirement Plan	Increase in Annual Contributions
20-year	100% of salary
20-year with additional 60ths, non-State	85% of salary
20-year with additional 60ths, State Police	75% of salary

If the anticipated retirement experience of members who are eligible for this benefit changes significantly in the future, there would be additional increases in employer costs.

Summary of relevant resources:

Membership data as of March 31, 2022 was used in measuring the impact of the proposed change, the same data used in the April 1, 2022 actuarial valuation. Distributions and other statistics can be found in the 2022 Report of the Actuary and the 2022 Annual Comprehensive Financial Report.

The actuarial assumptions and methods used are described in the 2020, 2021, and 2022 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes, Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2022 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This fiscal note does not constitute a legal opinion on the viability of the proposed change nor is it intended to serve as a substitute for the professional judgment of an attorney.

This estimate, dated April 17, 2023, and intended for use only during the 2023 Legislative Session, is Fiscal Note No. 2023-123, prepared by the Actuary for the New York State and Local Retirement System.