STATE OF NEW YORK

10392

IN SENATE

May 15, 2026

Introduced by Sen. COONEY -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, in relation to establishing a deferred retirement option plan for certain municipal police and fire employees; and providing for the repeal of such provisions upon the expiration thereof

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

Section 1. The retirement and social security law is amended by adding a new section 384-f to read as follows:

§ 384-f. Deferred retirement option plan payable to any member of the retirement system who is a firefighter, police officer or officer of any organized fire department or organized police force or police department of any county, city, town, village, fire district, or police district. a. Deferred retirement option plan. Deferred Retirement Option Plan, (hereinafter referred to as "DROP"), is a retirement plan under which an eligible member may elect to participate, deferring receipt of retirement benefits while continuing employment with their municipal police or fire department or district. For the purposes of this section, an "eligible member" is any member of the retirement system who is a firefighter, police officer or officer of any organized fire department or organized police force or police department of any county, city, town, village, fire district, or police district. During the period of continued employment, the eligible member's monthly retirement benefit shall be deferred and held by the retirement system on behalf of the member plus interest at an effective rate of one-half percent for the specific period of participation in DROP as provided in subdivision c of this section. Upon completion of the DROP period, the eligible member shall receive the total amount of retirement benefits deferred under DROP without optional modification as permitted by subdivisions d and e of this section and shall begin to receive the previously determined normal service retirement benefit with optional modification as further provided in subdivision d of this section.

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

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b. Participation in DROP. Any eligible member who is currently employed by the division of state police and qualifies to retire pursuant to section three hundred eighty-four-d of this title by reason of completing twenty years of creditable service may elect to participate in DROP.

c. Election in DROP. Such election shall be on a form prepared by the comptroller and may be for any period of time not less than twelve months or more than thirty-six months duration. Any member who elects to participate in DROP shall be considered retired on the day following the expiration of the DROP period, provided, however, that all loans and excess contributions shall be resolved by the date of entry into DROP. Upon expiration of the time period selected by the eligible member, such member's participation in DROP shall terminate.

d. Benefits payable under DROP. (1) Effective with the date of participation in DROP, the eligible member's normal service retirement benefit shall be calculated, using creditable service and final average salary as if the effective date of retirement was the date of entry into DROP. The amount deferred pursuant to DROP shall be calculated based upon the eligible member's zero option retirement allowance until such member has obtained the applicable maximum service retirement limit based upon years of service. Any additional participation in DROP after a member has obtained the maximum service retirement limit based upon years of service shall be calculated based upon sixty percent of the member's full annual retirement allowance. In addition, for the purposes of this section, the annual retirement allowance for any member electing to participate in DROP shall be calculated using a three-year final average salary as defined elsewhere in this article. The eligible member shall, however, elect such member's optional retirement benefit at the completion of the DROP period.

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

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

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

(5) If an eligible member remains employed after such member's participation in DROP is terminated, such member shall forfeit all DROP benefits and continue employment as if such DROP election did not exist. Such member shall then be eligible to elect DROP consistent with the terms of this section.

(6) If an eligible member is approved for disability benefits after benefits payable pursuant to DROP have been paid, the eligible member may elect to receive the disability benefits in lieu of DROP benefits, but such disability benefits shall be actuarially adjusted for any benefits paid under DROP.

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

(1) Lump sum: all accrued DROP benefits, plus interest, less withholding as required by the Internal Revenue Service, shall be paid to the DROP participant or eligible beneficiary or as otherwise determined by operation of law;

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

(3) Partial lump sum: a portion of the DROP benefits shall be paid to the drop participant or eligible beneficiary, less withholding required by the Internal Revenue Service and the remaining DROP benefits may be rolled over as otherwise permitted by the internal revenue code.

For purposes of this subdivision, the term "eligible beneficiary" is one who qualifies to rollover benefits from a qualified benefit plan or account as provided by the internal revenue code. The forms of payment provided by this subdivision shall comply with the minimum distribution requirements of the internal revenue code.

f. Regulations. The comptroller shall prescribe such rules and regulations as may be necessary for the effective administration and implementation of the provisions of this section.

§ 2. This act shall take effect immediately and shall expire five years after it shall have become a law when upon such date the provisions of this act shall be deemed repealed; provided, however, that the expiration of this act shall not prevent a member who has duly elected to participate in DROP pursuant to the provisions of this act from completing the full period of DROP selected.