

# STATE OF NEW YORK

8038--A

2025-2026 Regular Sessions

## IN SENATE

May 15, 2025

Introduced by Sen. C. RYAN -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to enacting the "State Police Retention act"; and providing for the repeal of such provisions upon expiration thereof

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

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "State Police Retention act".

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

5 § 381-c. Deferred retirement option plan payable to members and offi-  
6 cers of the division of state police. a. Deferred retirement option  
7 plan. Deferred retirement option plan, (hereinafter referred to as  
8 "DROP"), is a retirement plan under which an eligible member may elect  
9 to participate, deferring receipt of retirement benefits while continu-  
10 ing employment with the division of state police. For the purposes of  
11 this section, an "eligible member" is any member or officer employed by  
12 the division of state police. During the period of continued employment,  
13 the eligible member's monthly retirement benefit shall be deferred and  
14 held by the retirement system on behalf of the member plus interest at  
15 an effective rate of one and one-half percent for the specific period of  
16 participation in DROP as provided in subdivision c of this section. Upon  
17 completion of the DROP period, the eligible member shall receive the  
18 total amount of retirement benefits deferred under DROP without optional  
19 modification as permitted by subdivisions d and e of this section and  
20 shall begin to receive the previously determined normal service retire-  
21 ment benefit with optional modification as further provided in subdivi-  
22 sion d of this section.

23 b. Participation in DROP. Any eligible member who is currently  
24 employed by the division of state police and qualifies to retire pursu-  
25 ant to section three hundred eighty-one-b of this title by reason of

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

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1 completing twenty years of creditable service may elect to participate  
2 in DROP.

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

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

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

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

41 (4) If an eligible member otherwise fails to complete such member's  
42 period of service as elected pursuant to subdivision c of this section,  
43 the eligible member shall be treated as if such DROP election did not  
44 exist. In lieu of the DROP payment, the normal service retirement 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 service  
48 retirement benefit.

49 (5) If an eligible member remains employed after such member's partic-  
50 ipation in DROP is terminated, such member shall forfeit all DROP bene-  
51 fits and continue employment as if such DROP election did not exist.  
52 Such member shall then be eligible to elect DROP consistent with the  
53 terms of this section.

54 (6) If an eligible member is approved for disability benefits after  
55 benefits payable pursuant to DROP have been paid, the eligible member  
56 may elect to receive the disability benefits in lieu of DROP benefits,

1 but such disability benefits shall be actuarially adjusted for any bene-  
2 fits paid under DROP.

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

6 (1) Lump sum: All accrued DROP benefits, plus interest, less withhold-  
7 ing as required by the internal revenue service, shall be paid to the  
8 DROP participant or eligible beneficiary or as otherwise determined by  
9 operation of law;

10 (2) Direct rollover: All accrued DROP benefits, plus interest, shall  
11 be paid from the retirement system to a custodian of the eligible  
12 retirement plan or other eligible plan or account as provided pursuant  
13 to the internal revenue code as directed by the member or eligible bene-  
14 ficiary;

15 (3) Partial lump sum: A portion of the DROP benefits shall be paid to  
16 the DROP participant or eligible beneficiary, less withholding required  
17 by the internal revenue service and the remaining DROP benefits may be  
18 rolled over as otherwise permitted by the internal revenue code.

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

24 f. Regulations. The comptroller shall prescribe such rules and regu-  
25 lations as may be necessary for the effective administration and imple-  
26 mentation of the provisions of this section.

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

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

This bill would allow police officers employed by the New York State  
Division of State Police to elect to participate in a Deferred Retirement  
Option Plan (DROP), deferring receipt of retirement benefits while  
continuing their current employment. The main 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 New York State and Local Police and Fire Retirement System  
(NYSLPFRS) shall consider DROP participants active members, and annual  
employer contributions shall continue to be made by the State of New  
York to the NYSLPFRS on behalf of such members. All loans and excess  
contributions shall be resolved by the date of entry into DROP.

4. The length of participation in the DROP must be specified at the  
time of election, and may not be less than one year, nor exceed three  
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 pension 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 would be treated as though there were no DROP election.

7. Upon termination from 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 three 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 2025 Legislative Session, there will be an immediate past service cost of approximately \$205 million which will be borne by the State of New York as a one-time payment. This estimate assumes that payment will be made on March 1, 2026.

This bill would be deemed to be repealed five years after it became a law and is therefore not expected to increase the future annual contributions of the State of New York. However, if the anticipated retirement experience of members who are eligible for this benefit changes significantly, there would be additional increases in employer costs.

We anticipate significant administrative costs to implement the provisions of this legislation.

These estimated costs are based on 1,958 affected members employed by the New York State Division of State Police, with annual salary of approximately \$333 million as of March 31, 2024.

Summary of relevant resources:

Membership data as of March 31, 2024 was used in measuring the impact of the proposed change, the same data used in the April 1, 2024 actuarial valuation. Distributions and other statistics can be found in the 2024 Report of the Actuary and the 2024 Annual Comprehensive Financial Report. The actuarial assumptions and methods used are described in the 2024 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, 2024 New York State and Local Retirement System Financial Statements and Supplementary Information.

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 May 16, 2025, and intended for use only during the 2025 Legislative Session, is Fiscal Note No. 2025-51. As Chief Actuary of the New York State and Local Retirement System, I, Aaron Schottin Young, hereby certify that this analysis complies with applicable Actuarial Standards of Practice as well as the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion of the American Academy of Actuaries, of which I am a member.