

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:

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

3 § 384-f. Deferred retirement option plan payable to any member of the
4 retirement system who is a firefighter, police officer or officer of any
5 organized fire department or organized police force or police department
6 of any county, city, town, village, fire district, or police district.
7 a. Deferred retirement option plan. Deferred Retirement Option Plan,
8 (hereinafter referred to as "DROP"), is a retirement plan under which an
9 eligible member may elect to participate, deferring receipt of retire-
10 ment benefits while continuing employment with their municipal police or
11 fire department or district. For the purposes of this section, an
12 "eligible member" is any member of the retirement system who is a fire-
13 fighter, police officer or officer of any organized fire department or
14 organized police force or police department of any county, city, town,
15 village, fire district, or police district. During the period of contin-
16 ued employment, the eligible member's monthly retirement benefit shall
17 be deferred and held by the retirement system on behalf of the member
18 plus interest at an effective rate of one-half percent for the specific
19 period of participation in DROP as provided in subdivision c of this
20 section. Upon completion of the DROP period, the eligible member shall
21 receive the total amount of retirement benefits deferred under DROP
22 without optional modification as permitted by subdivisions d and e of
23 this section and shall begin to receive the previously determined normal
24 service retirement benefit with optional modification as further
25 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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1 b. Participation in DROP. Any eligible member who is currently
2 employed by the division of state police and qualifies to retire pursu-
3 ant to section three hundred eighty-four-d of this title by reason of
4 completing twenty years of creditable service may elect to participate
5 in DROP.

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

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

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

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

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

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

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

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

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

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

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

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

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

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