

411.6C Deferred retirement option plan.

1. For purposes of this section, unless the context otherwise requires:

a. *"Applicable percentage"* means that percentage, not greater than one hundred percentage points, equal to fifty-two percentage points plus two percentage points for each month for the period between the eligible member's plan eligibility month and the month the eligible member commences membership in the plan.

b. *"Drop benefit"* means, for a participant, an amount credited to the participant's account each applicable month equal to the member's applicable percentage multiplied by the member's participant retirement amount.

c. *"Eligible member"* means a member who has attained fifty-five years of age with at least twenty-two years of membership service.

d. *"Participant account"* means an administrative record maintained by the system reflecting the participant's accumulated drop benefit.

e. *"Participant retirement amount"* means the amount equal to the monthly retirement allowance the eligible member would have received under section 411.6 if the member retired on the date the eligible member commenced participation in the plan, based on earnings through the previous full quarter of earnable compensation earned by the member.

f. *"Plan"* means the deferred retirement option plan established by this section.

g. *"Plan eligibility month"* means the first full calendar month in which the participant is an eligible member.

2. a. An eligible member may elect to participate in the deferred retirement option plan as provided in this section. A decision by an eligible member to participate in the plan is irrevocable. Upon commencing membership in the plan, the member shall remain an active member of the system and shall have credited to a participant account on behalf of the member from the fire and police retirement fund for each month the member participates in the plan the member's drop benefit. The amounts credited shall be invested by the system in risk-free assets of a short-term nature and interest and earnings shall not be credited to the member's participant account but shall remain with the fire and police retirement fund established in section 411.8. In addition, the annual readjustment of pensions under section 411.6, subsection 12, shall not apply to a participant's drop benefit or to amounts credited to the member's participant account.

b. Upon termination of an eligible member's participation in the plan, the eligible member shall be deemed to be retired under the system as of that date for purposes of the system and shall begin receiving a retirement allowance equal to the member's participant retirement amount or such optional retirement benefits, based upon that amount, pursuant to section 411.6A. In addition, the eligible member shall receive the moneys credited to the member's participant account while participating in the plan. The eligible member shall select, upon written application to the system, whether to receive the amount in the member's participant account in the form of a lump sum distribution or as a rollover to an eligible retirement plan as defined in section 411.6B.

c. If an eligible member terminates participation in the plan prior to the date selected by the member upon commencing membership in the plan and the termination is not due to the death or disability of the member under this chapter, then the system shall assess a twenty-five percent penalty on the amount credited to the member's participant account prior to distributing the amount to the member. The penalty amount shall be transferred to and remain with the fire and police retirement fund.

3. To participate in the plan, an eligible member shall make written application to the system. The application shall include the following:

a. The month the eligible member intends to commence participation in the plan.

b. The eligible member's selection of a plan termination date. The plan termination date shall be either three, four, or five years after the date the eligible member commences membership in the plan. However, for the two-year period beginning with the first of the month following the implementation date of this section, an eligible member between sixty-two and sixty-four years of age may also select a plan termination date that is one or two years after the date the eligible member commences membership in the plan.

4. Participation in the plan by an eligible member does not guarantee continued

employment. Contributions required from members and participating cities shall continue based on the earnable compensation of an eligible member participating in the plan. However, contributions made while an eligible member participates in the plan shall remain with the retirement fund and shall not be subject to a withdrawal of contributions under section 411.23.

5. The system's actuary, while making the annual valuation of the assets and liabilities of the fire and police retirement fund, shall determine whether establishment and operation of the plan created in this section has resulted in an increased actuarial cost to the system. If the actuary determines that the plan has resulted in an increased actuarial cost to the system, then, notwithstanding any provision of section 411.8 to the contrary, the system shall increase the members' contribution rate as necessary to cover the increased cost of the plan created in this section.

6. This section shall not be implemented until the system has received a favorable ruling from the internal revenue service regarding the plan as provided in this section. Upon receiving the favorable ruling, the board shall establish the implementation date of the plan.

2006 Acts, ch 1073, §1