

House Study Bill 666 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON BLOOMINGDALE)

A BILL FOR

1 An Act establishing a deferred retirement option plan
2 for members of the public safety peace officers'
3 retirement, accident, and disability system, and including
4 implementation provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 97A.6C Deferred retirement option
2 plan.

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

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

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

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

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

21 e. "*Participant retirement amount*" means the amount equal
22 to the monthly retirement allowance the eligible member would
23 have received under section 97A.6 if the member retired on the
24 date the eligible member commenced participation in the plan,
25 based on earnings through the previous full quarter of earnable
26 compensation earned by the member.

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

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

31 2. a. An eligible member may elect to participate in the
32 deferred retirement option plan as provided in this section.
33 To participate in the plan, the eligible member shall be
34 employed in a nonsupervisory position or shall be approved to
35 be employed in a nonsupervisory position upon participation in

1 the plan, notwithstanding any provision of law to the contrary,
2 by the department of public safety upon recommendation of the
3 state police officers council labor union for peace officers.
4 A decision by an eligible member to participate in the plan
5 is irrevocable. Upon commencing membership in the plan, the
6 member shall remain an active member of the system and employed
7 in a nonsupervisory position and shall have credited to a
8 participant account on behalf of the member from the retirement
9 fund as established in section 97A.8 for each month the member
10 participates in the plan the member's drop benefit. The
11 amounts credited shall be invested by the system in risk-free
12 assets of a short-term nature, and interest and earnings shall
13 not be credited to the member's participant account but shall
14 remain with the retirement fund established in section 97A.8.
15 In addition, the readjustment of pensions under section 97A.6,
16 subsection 14, shall not apply to a participant's drop benefit
17 or to amounts credited to the member's participant account.

18 *b.* Upon termination of an eligible member's participation
19 in the plan, the eligible member shall be deemed to be retired
20 under the system as of that date for purposes of the system
21 and shall begin receiving a retirement allowance equal to
22 the member's participant retirement amount or such optional
23 retirement benefits, based upon that amount, pursuant to
24 section 97A.6A. In addition, the eligible member shall receive
25 the moneys credited to the member's participant account while
26 participating in the plan. The eligible member shall select,
27 upon written application to the system, whether to receive
28 the amount in the member's participant account in the form
29 of a lump sum distribution or as a rollover to an eligible
30 retirement plan as defined in section 97A.6B.

31 *c.* If an eligible member terminates participation in the
32 plan prior to the date selected by the member upon commencing
33 membership in the plan and the termination is not due to the
34 death or disability of the member under this chapter, then
35 the system shall assess a twenty-five percent penalty on the

1 amount credited to the member's participant account prior to
2 distributing the amount to the member. The penalty amount
3 shall be transferred to and remain with the retirement fund.

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

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

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

18 c. Verification by the department that the eligible member
19 is in a nonsupervisory position or has been approved by the
20 department upon recommendation of the state police officers
21 council labor union for peace officers to be employed in a
22 nonsupervisory position upon participation in the plan.

23 4. Participation in the plan by an eligible member does not
24 guarantee continued employment. Contributions required from
25 members and participating cities shall continue based on the
26 earnable compensation of an eligible member participating in
27 the plan. However, contributions made while an eligible member
28 participates in the plan shall remain with the retirement fund
29 and shall not be subject to a withdrawal of contributions under
30 section 97A.16.

31 5. The system's actuary, while making the annual valuation
32 of the assets and liabilities of the retirement fund, shall
33 determine whether establishment and operation of the plan
34 created in this section has resulted in an increased actuarial
35 cost to the system. If the actuary determines that the plan

1 has resulted in an increased actuarial cost to the system,
2 then, notwithstanding any provision of section 97A.8 to the
3 contrary, the system shall increase the members' contribution
4 rate as necessary to cover the increased cost of the plan
5 created in this section.

6 6. This section shall not be implemented until the board of
7 trustees adopts rules providing for the administration of this
8 section which include the implementation date of the plan.

9 EXPLANATION

10 The inclusion of this explanation does not constitute agreement with
11 the explanation's substance by the members of the general assembly.

12 This bill establishes a deferred retirement option plan
13 (DROP plan) for members of the public safety peace officers'
14 retirement, accident, and disability system (PORS).

15 New Code section 97A.6C establishes a DROP plan for eligible
16 members of PORS.

17 The new Code section provides that members of PORS who are
18 at least 55 years of age, have at least 22 years of service,
19 and who are employed in a nonsupervisory position or have been
20 approved by the department of public safety upon recommendation
21 of the state police officers council labor union to be employed
22 in a nonsupervisory position are eligible to participate in the
23 DROP plan. The DROP plan provides that an eligible member can
24 delay retirement, continue working in a nonsupervisory position
25 for a set number of additional years, and have a portion of the
26 retirement allowance they otherwise would have received if they
27 had retired instead of participating in the DROP plan deposited
28 in an account that is then distributed to them when they
29 eventually retire. However, the member's retirement allowance
30 is set at the time the member enters the DROP plan.

31 Prior to participating in the DROP plan, a member shall
32 submit an application to the system indicating when they intend
33 to start participation in the DROP plan and when they intend
34 to terminate their participation in the plan and retire, and
35 verifying that the member is in a nonsupervisory position or

1 has been approved to be employed in a nonsupervisory position
2 upon participation in the DROP plan. The bill permits an
3 eligible member to elect to participate in the DROP plan for
4 three, four, or five years. However, for the two-year period
5 beginning on the implementation date of this Code section, an
6 eligible member between the ages of 62 and 64 can elect to
7 participate in the DROP plan and terminate their participation
8 in one or two years.

9 Upon electing to participate in the DROP plan, the eligible
10 member continues to work but has a portion of the retirement
11 allowance they would have received if they had decided to
12 retire credited to an account. The amount credited is equal
13 to a percentage of the retirement allowance they would have
14 received. The percentage rate is determined by starting with
15 52 percent and adding 2 percent per month, up to a maximum of
16 100 percent, based upon the number of months between the month
17 the member first became eligible to participate in the DROP
18 plan and the month the member actually participates. The bill
19 provides that the amount deposited in the member's account does
20 not accrue interest or dividends. Upon termination from the
21 DROP plan, the eligible member begins to receive a retirement
22 allowance based upon the amount the member would have received
23 when the member commenced participation in the DROP plan plus
24 the amount in the member's account. If the member terminates
25 participation in the plan prior to the date set by the member
26 and the termination is not due to the member's death or
27 disability, PORS shall withhold 25 percent of the amount in the
28 account as a penalty. The bill provides that participation in
29 the DROP plan does not guarantee continued employment.

30 The new Code section also provides that if the PORS actuary
31 determines that the DROP plan has increased the actuarial cost
32 of the system, the contribution rate paid by members shall be
33 increased to cover this increased cost. The new Code section
34 further provides that the DROP plan shall not be implemented
35 until the board of trustees adopts rules providing for the

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1 administration of this new Code section which include the
2 implementation date of the plan.