

**FIREFIGHTERS' DEFERRED RETIREMENT**

**OPTION PLAN**

2006 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Mark W. Walker**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill modifies the Utah State Retirement and Insurance Benefit Act Code by authorizing a deferred retirement option plan for firefighters.

**Highlighted Provisions:**

This bill:

- provides definitions;
- authorizes a deferred retirement option plan (DROP) for firefighters; and
- provides and regulates DROP eligibility, application procedures, plan accounts, and plan limitations and conditions.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

ENACTS:

**49-16-801**, Utah Code Annotated 1953

**49-16-802**, Utah Code Annotated 1953

**49-16-803**, Utah Code Annotated 1953

**49-16-804**, Utah Code Annotated 1953



28           **49-16-805**, Utah Code Annotated 1953

29  
30       *Be it enacted by the Legislature of the state of Utah:*

31           Section 1. Section **49-16-801** is enacted to read:

32                           **Part 8. Deferred Retirement Option Plan**

33           **49-16-801. Definitions.**

34           As used in this part:

35           (1) "Account" means a member's DROP account created in accordance with Section  
36 49-16-804.

37           (2) "Date of the DROP retirement" means the date selected by the member on which  
38 the member's participation in DROP shall become effective, which date may only be the 1st or  
39 16th of a month.

40           (3) "DROP" means a deferred retirement option plan.

41           (4) "DROP period" means the period between the date of DROP retirement and actual  
42 retirement.

43           (5) "Participating member" means a member of this system who is eligible for, and has  
44 applied to participate in, the DROP.

45           Section 2. Section **49-16-802** is enacted to read:

46           **49-16-802. Eligibility.**

47           (1) Beginning on July 1, 2008, a member of this system is eligible to participate in the  
48 DROP if the member has at least 27 years of service credit in this system.

49           (2) A member may purchase retirement service credit, as allowed under this title, prior  
50 to participation in the DROP.

51           (3) Participation in the DROP is voluntary and at the discretion of the member.

52           (4) (a) A member with:

53           (i) 30 or more years of service credit may participate in the DROP for a period of  
54 between 12 and 61 months; or

55           (ii) less than 30 years of service credit may participate in the DROP for a period of  
56 between 36 and 61 months.

57           (b) A member may not elect to participate for partial months.

58           (5) (a) The member shall continue active firefighter employment after the date of the

DROP retirement until the member terminates active firefighter employment.

(b) The member's election to participate in the DROP is irrevocable after the date of the DROP retirement.

(6) At the end of the DROP period, the member shall terminate active employment and retire from the system.

Section 3. Section **49-16-803** is enacted to read:

**49-16-803. Application.**

(1) A member shall apply for participation in the DROP on a form provided by the office.

(2) (a) Upon application for participation in the DROP, a member shall also make application for a future retirement, including all necessary retirement elections.

(b) Changes may not be made to the elections made in accordance with Subsection (2)(a) except as provided under Section 49-16-805.

(3) The date of the DROP retirement may not be more than 90 days after the date the application is received by the office.

Section 4. Section **49-16-804** is enacted to read:

**49-16-804. Plan accounts.**

(1) Upon receipt of a member's application to participate in the DROP, the office shall create a DROP account for the participating member.

(2) An administrative fee equal to the first month's DROP benefit shall be charged at the time the first month's benefit is to be paid to the account.

(3) Each month the office shall credit the participating member's account with:

(a) the participating member's allowance calculated as if the member had retired on the date of the DROP retirement; and

(b) the member's system cost-of-living allowance adjustments as provided under this title.

(4) Interest may not be credited to the member's account.

(5) Within 60 days of the end of the DROP period, the participating member shall elect to take the balance of the account as:

(a) a lump sum payout;

(b) a direct rollover, as allowed by the Internal Revenue Code; or

90 (c) a combination of a lump sum payout and direct rollover.

91 (6) At the end of the DROP period and upon the actual retirement of the member, the  
92 allowance shall be paid directly to the member.

93 Section 5. Section **49-16-805** is enacted to read:

94 **49-16-805. Plan limitations and conditions.**

95 (1) If a participating member dies after the date of the DROP retirement, but prior to  
96 the retirement date selected in the DROP application, the death benefit is:

97 (a) the participating member's account balance paid to the designated beneficiary; and

98 (b) the system death benefit for retirees.

99 (2) If a participating member becomes unable to perform firefighter services during the  
100 DROP period due to a physical or mental condition, as determined in accordance with Section  
101 49-16-601, the account shall be paid in accordance with Subsection 49-16-804(5) and the  
102 allowance shall then be paid to the member.

103 (3) If a participating member leaves active employment during the DROP period other  
104 than on the date specified on the DROP application for any reason other than death or  
105 disability, an additional \$500 administrative fee shall be charged to the member's DROP  
106 account.

107 (4) If a participating member does not leave employment by the end of the member's  
108 maximum DROP period:

109 (a) the participating member's account shall be forfeited to this system;

110 (b) the participating member's benefit shall be calculated as though there were no  
111 election to participate in the DROP; and

112 (c) the participating member may not elect to participate in the DROP again.

113 (5) Nothing in this part shall allow a member to receive benefits in excess of those  
114 allowed by the Internal Revenue Code for qualified pension plans.

115 (6) At the end of the DROP period, the participating member:

116 (a) is subject to the employment restrictions in Section 49-11-504;

117 (b) may not accrue additional retirement service credit under this title; and

118 (c) may not participate in the DROP again.

119 (7) A participating member's account is subject to division with respect to domestic  
120 relations matters in accordance with Section 49-11-612.

121           (8) (a) During the DROP period, the participating member and the participating  
122   employer shall continue to pay required contributions to the office.  
123           (b) The contributions shall remain within the fund created under Section 49-16-104  
124   and may not be part of the member's account or retirement allowance.

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**Legislative Review Note**  
**as of 1-30-06 2:53 PM**

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

**Office of Legislative Research and General Counsel**

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**Fiscal Note****Firefighters' Deferred Retirement Option Plan***02-Feb-06***Bill Number HB0397***2:47 PM*

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**State Impact**

Though the Deferred Retirement Option Plan (DROP) that this bill creates is designed to be cost-neutral to the Utah Retirement System, the actual fiscal impact will depend on how the plan affects eligible employees' retirement decisions.

The fiscal impact for local governments and other agencies with employees covered under the Firefighters' Retirement System will be contingent on eligible employees' retirement decisions.

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**Individual and Business Impact**

Employees covered by the Firefighters' Retirement System who qualify for and participate in DROP would be eligible to receive a payout in addition to their regular retirement benefit at the time of retirement.

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**Office of the Legislative Fiscal Analyst**