

Deferred Retirement Option Plan (DROP)

1066.1 PURPOSE AND SCOPE

The purpose of this policy is to provide guidance to Public Safety Personnel Retirement System (PSPRS) Tier 1 employees who participate in Deferred Retirement Option Plan (DROP).

This policy applies to all eligible PSPRS Tier 1 employees.

1066.2 POLICY

It is the policy of Northwest Fire District to inform PSPRS Tier 1 employees, who attain 20 years of credited service, that they may participate in the DROP.

The DROP is a voluntary and irrevocable benefit program that allows PSPRS Tier 1 employees to receive a one-time lump sum payment at the time of their retirement, in addition to their monthly retirement benefit distributions.

1066.3 GUIDELINES

When entering the DROP, a monthly retirement benefit is calculated based on the salary and credited service earned prior to the time the PSPRS Tier 1 employee elects to participate. That amount is deferred each month and generates interest while the PSPRS Tier 1 employee continues to work for their employer for up to 60 months. Under certain conditions, PSPRS Tier 1 employees are able to extend their participation in the DROP to up to 84 months under the provisions of Senate Bill 1268 (Laws 2022, Chapter 351). Please note that wage increases while in the DROP will not apply to a PSPRS Tier 1 employee's monthly pension benefit upon exiting the DROP.

No pension contributions are made by the employee or the employer after entering the DROP.

To exit DROP, PSPRS Tier 1 employees must terminate employment with the District and officially retire.

For additional information on DROP please visit: <https://www.psprs.com/public-safety-personnel/member/deferred-retirement-option-plan-drop>

Employees may also contact Human Resource Services for additional assistance.

1066.4 DROP MATCH INCENTIVE

Per the Memorandum of Understanding (MOU), the District offers a 7.65% DROP match incentive for eligible employees. The District will match the employee's contribution up to 7.65% into a deferred compensation plan.

The eligibility for the 7.65% DROP match is defined as PSPRS Tier 1 employees who officially enter the DROP program. The match will not be available to any other employees.

Enrollment is optional, and employee contributions shall occur bi-weekly through payroll deductions from the employee's wages.

Northwest Fire District

Policy Manual

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