IC 36-8-8.5
Chapter 8.5. Deferred Retirement Option Plan (DROP)

IC 36-8-8.5-1
Repealed
(As added by P.L.62-2002, SEC.5. Repealed by P.L.51-2006, SEC.5.)

IC 36-8-8.5-1.5
DROP expiration date
Sec. 1.5. This chapter expires for members of the 1925 fund, the 1937 fund, or the 1953 fund on the date the authority of the board of trustees of the Indiana public retirement system to distribute from the pension relief fund established under IC 5-10.3-11-1 to units of local government (described in IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.
As added by P.L.51-2006, SEC.1. Amended by P.L.35-2012, SEC.142.

IC 36-8-8.5-2
Applicability
Sec. 2. Except as provided in section 1.5 of this chapter, this chapter applies to a person who is a member of any of the following funds:
(1) 1925 Police Pension Fund (IC 36-8-6) (referred to in this chapter as the 1925 fund).
(2) 1937 Firefighters' Pension Fund (IC 36-8-7) (referred to in this chapter as the 1937 fund).
(3) 1953 Police Pension Fund (Indianapolis) (IC 36-8-7.5) (referred to in this chapter as the 1953 fund).
(4) 1977 Police Officers' and Firefighters' Pension and Disability Fund (IC 36-8-8) (referred to in this chapter as the 1977 fund).
As added by P.L.62-2002, SEC.5. Amended by P.L.51-2006, SEC.2.

IC 36-8-8.5-3
"Applicable fund"
Sec. 3. As used in this chapter, "applicable fund" means the following:
(1) For members of the 1925 fund, the 1925 fund.
(2) For members of the 1937 fund, the 1937 fund.
(3) For members of the 1953 fund, the 1953 fund.
(4) For members of the 1977 fund, the 1977 fund.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-4
"DROP"
Sec. 4. As used in this chapter, "DROP" means the deferred

retirement option plan established by this chapter.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-5
"DROP election"
Sec. 5. As used in this chapter, "DROP election" means a member's election to enter the DROP.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-6
"DROP entry date"
Sec. 6. As used in this chapter, "DROP entry date" means the date that a member's DROP election becomes effective.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-7
"DROP frozen benefit"
Sec. 7. As used in this chapter, "DROP frozen benefit" means a member's monthly retirement benefit calculated under the provisions of the applicable fund and based on:
>   (1) the salary of a first class officer or firefighter that is in effect on the member's DROP entry date; and
>   (2) the member's years of service accrued on the member's DROP entry date.

As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-8
"DROP retirement date"
Sec. 8. As used in this chapter, "DROP retirement date" means the future retirement date selected by a member at the time the member makes a DROP election.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-9
Eligibility
Sec. 9. A member may make a DROP election as provided in this chapter only if the member is eligible to receive an unreduced benefit under the provisions of the applicable fund on the member's DROP entry date.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-10
DROP election requirements
Sec. 10. A member who elects to enter the DROP shall agree to the following:
>   (1) The member shall execute an irrevocable election to retire on the DROP retirement date and shall remain in active service until that date.

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(2) While in the DROP, the member shall continue to make contributions to the applicable fund under the provisions of that fund.

(3) The member shall elect a DROP retirement date not less than twelve (12) months and not more than thirty-six (36) months after the member's DROP entry date.

(4) The member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply to the member.

(5) The member may make an election to enter the DROP only once in the member's lifetime.

As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-11
Employer contributions
Sec. 11. The employer of a 1977 fund member who elects to enter the DROP shall continue to make the employer contributions to the 1977 fund on behalf of that member under the provisions of the 1977 fund.
As added by P.L.62-2002, SEC.5.

IC 36-8-8.5-12
Calculation of retirement benefit
Sec. 12. (a) The retirement benefit for a member who enters the DROP and retires on:

(1) the member's DROP retirement date; or

(2) the date the member retires because of a disability as provided under section 16.5(d) of this chapter;

is determined under this chapter rather than under the provisions of the applicable fund.

(b) A member who retires on the member's DROP retirement date or on the date the member retires because of a disability as provided under section 16.5(d) of this chapter may elect to receive a retirement benefit in one of the following forms:

(1) A retirement benefit paid by and calculated under the provisions of the applicable fund as if the member had never entered the DROP.

(2) A retirement benefit paid by the applicable fund and consisting of:

(A) the DROP frozen benefit; plus

(B) an additional amount, paid as the member elects under subsection (c), calculated by multiplying:

(i) the amount of the DROP frozen benefit; by

(ii) the number of months that the member was in the DROP.

(c) A member who chooses the retirement benefit described in subdivision (b)(2) must elect to receive the additional amount described in subdivision (b)(2)(B) as:

(1) a lump sum paid on:
    (A) the member's DROP retirement date; or
    (B) the date the member retires because of a disability as provided under section 16.5(d) of this chapter; or
(2) three (3) equal annual payments:
    (A) commencing on:
        (i) the member's DROP retirement date; or
        (ii) the date the member retires because of a disability as provided under section 16.5(d) of this chapter; and
    (B) thereafter paid on the anniversary of:
        (i) the member's DROP retirement date; or
        (ii) the date the member retires because of a disability as provided under section 16.5(d) of this chapter.

(d) In calculating a member's retirement benefit under this chapter, the applicable fund must use the lesser of:
    (1) the member's actual years of service; or
    (2) thirty-two (32) years of service.

(e) Except as provided under section 16.5(d) of this chapter, the retirement benefits for a member who exits the DROP for any reason other than retirement on the member's DROP retirement date are calculated under the provisions of the applicable fund as if the member had never entered the DROP.
As added by P.L.62-2002, SEC.5. Amended by P.L.148-2007, SEC.3.

IC 36-8-8.5-13
Cost of living adjustment
    Sec. 13. (a) A cost of living adjustment to the monthly benefit of a member of the 1925 fund, 1937 fund, or 1953 fund is determined in STEP FOUR of the following formula:
    STEP ONE: Calculate a percentage by dividing:
        (A) the amount of any increase in the salary of a first class officer or firefighter, whichever is applicable; by
        (B) the prior year's salary of a first class officer or firefighter, whichever is applicable.
    STEP TWO: Add:
        (A) the member's DROP frozen benefit; and
        (B) the amount of any prior cost of living adjustments calculated under this section.
    STEP THREE: Multiply the percentage determined under STEP ONE by the sum determined under STEP TWO.
    STEP FOUR: Add the product determined under STEP THREE to the sum determined under STEP TWO.

    (b) A cost of living adjustment to the monthly benefit of a member of the 1977 fund is determined under the provisions of IC 36-8-8, as applied after:
    (1) the member's DROP retirement date; or
    (2) the date the member retires because of a disability as provided under section 16.5(d) of this chapter.

IC 36-8-8.5-14
DROP exit date
    Sec. 14. (a) Subject to subsection (b), a member who enters the DROP established by this chapter shall exit the DROP at the earliest of:
        (1) the member's DROP retirement date;
        (2) thirty-six (36) months after the member's DROP entry date;
        (3) the mandatory retirement age applicable to the member, if any;
        (4) the date the member retires because of a disability as provided under section 16.5(d) of this chapter; or
        (5) the date determined under IC 36-8-8-24.8.
    (b) A member of the 1925 fund, the 1937 fund, or the 1953 fund who enters the DROP established by this chapter must exit the DROP on the date the authority of the board of trustees of the Indiana public retirement system to distribute from the pension relief fund established under IC 5-10.3-11-1 to units of local government (described in IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.

IC 36-8-8.5-15
Survivor benefits
    Sec. 15. If a member dies:
        (1) in the line of duty; or
        (2) other than in the line of duty;
while the member is in the DROP, benefits for the member's survivors are calculated under the provisions of the applicable fund as if the member had never entered the DROP.

IC 36-8-8.5-16
Repealed
    (As added by P.L.62-2002, SEC.5. Repealed by P.L.148-2007, SEC.11.)

IC 36-8-8.5-16.5
Disability benefit
    Sec. 16.5. (a) This section applies to a member of the 1977 fund who becomes disabled after June 1, 2005, while the member is in the DROP, because of a disability that arose either in the line of duty or other than in the line of duty.
    (b) The retirement benefit for a member who retires because of a disability while in the DROP is determined under this chapter rather than under the provisions of the applicable fund. Determinations as

to whether:

    (1) the member is disabled; and

    (2) a disability is in the line of duty;

under this chapter are made under the provisions of the applicable fund.

    (c) If the member retires because of a disability less than twelve (12) months after the date the member enters the DROP, the benefits for the member are calculated under the provisions of the applicable fund as if the member had never entered the DROP.

    (d) If the member retires because of a disability at least twelve (12) months after the date the member enters the DROP, the benefits for the member are calculated under section 12 of this chapter, and the member's retirement date is the date the member retires because of a disability rather than the member's DROP retirement date.

As added by P.L.148-2007, SEC.6.

IC 36-8-8.5-17

Exemption from levy limits; taxes of civil taxing unit for pension benefits

    Sec. 17. (a) The ad valorem property tax levy limits imposed by IC 6-1.1-18.5 do not apply to ad valorem property taxes imposed by a civil taxing unit for a calendar year to pay pension benefits under section 12(c) of this chapter to the extent provided in subsection (b).

    (b) For purposes of determining the property tax levy limit imposed on a civil taxing unit under IC 6-1.1-18.5, the civil taxing unit's ad valorem property tax levy for a calendar year does not include an amount equal to the amounts paid by the civil taxing unit for pension benefits in that calendar year under section 12(c) of this chapter, minus:

        (1) the amount of pension relief distributions under IC 5-10.3-11-4, IC 5-10.3-11-4.5 (repealed effective January 1, 2009), and IC 5-10.3-11-4.7 to be received by the civil taxing unit in that calendar year that is attributable to pension benefits paid under section 12(c) of this chapter for that calendar year; and

        (2) an amount equal to the percentage of the civil taxing unit's pension distributions that were relieved under IC 5-13-12-4 in the preceding calendar year, multiplied by the amount of pension benefits paid under section 12(c) of this chapter in that calendar year.

As added by P.L.62-2002, SEC.5. Amended by P.L.1-2009, SEC.170.