



INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

# DEFERRED RETIREMENT OPTION PLAN

Mar 30, 2026





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**TO D.R.O.P. OR NOT TO D.R.O.P.  
THAT IS THE QUESTION**

**WHAT IS IT?**

# HOW IT ALL WORKS

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- You and your employer agree that the employee will stop accruing pension credits but will continue to work
- Your monthly pension payments will be invested with your pension fund.
- Payments will not be sent to the DROP participant until exiting the DROP



# BENEFITS TO THE RETIREE

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- Planned retirement date
- Lump sum distribution or investment at retirement
- Begin regular pension payments in addition to DROP
- Provides additional financial flexibility
- May enable further catch up to other deferred comp funds depending on a variety of plan specifics of DROP rules
- Allows member to maximize plan provisions



# RISKS TO THE EMPLOYEE

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- Primary risk is to outlive the ACTUARIAL VALUE of the DROP
- Smaller monthly pension payments
- DROP governance erodes value over regular benefit accrual
- Poor financial decisions surrounding use of DROP Funds
- Financial Industry sales
- Lack of participant financial education



# EMPLOYER BENEFITS

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- Powerful Human Resource Tool
- Forecasting Recruitment and Recruit Training
- Forecasting Promotional Training and Testing
- Transfer of Institutional Knowledge
- Budget Forecasting
- Monetary Savings



# EMPLOYER RISKS

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- DIFFICULT TO VALUE/COST FOR ACTUARY
- POTENTIAL COSTLY DROP GOVERNANCE
- EMPLOYEE CHOICE TYPICALLY INCREASES EMPLOYER COSTS
- RETAINING EMPLOYEES PAST AGE APPROPRIATE MARK FOR PHYSICALITY of PROFESSION
- INVESTMENT RISK



# DROP GOVERNANCE

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Will the rules surrounding a DROP program make it cost

INCREASED?

NEUTRAL? or

COST SAVINGS?



# RETIREMENT GOVERNANCE

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- Full Distribution or Roll Over
- Partial distribution and partial roll
- Pension Fund retention and co-investment
- Pension Fund retention and co-investment will have its own set of governance rules pertaining to interest rate accrual and/or term





**THANK YOU!**  
**ANY QUESTIONS?**

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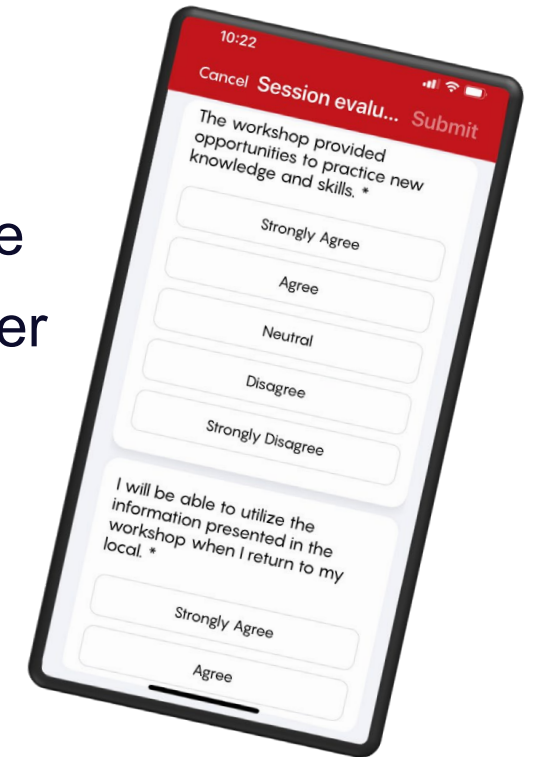
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