

# **DEFERRED RETIREMENT OPTION PLAN**

**PROPOSAL FOR**

**NON-PUBLIC SAFETY  
PARTICIPANTS**

**Charles County Pension Plan**

August 3, 2023

# INTRODUCTION

Propose consideration of a voluntary Deferred Retirement Option Plan (DROP) for non-public safety staff who participate in the Charles County Pension Plan.

## **What is it?**

The DROP is a voluntary program that allows retirement eligible employees to have their monthly pension benefit deposited in an interest-bearing account while they continue to work for the County and receive their salary and benefits as an active employee.

# ELIGIBILITY

- Participation is optional
- Participant must have reached normal retirement eligibility

# APPROVAL

Applications must be approved by the County Administrator or designee

Applications may not be arbitrarily denied

Denials may be appealed to the Director of Human Resources within 15 days of receiving notice of the denial

Applicant may revoke application within 90 days of submission

If revoked, applicant must wait one full year before re-applying

# SICK LEAVE

Must have 580 – 2580  
hours of sick leave to  
apply sick leave towards  
DROP



Participant must have a  
balance of at least 80  
hours remaining



Maximum sick leave to  
apply towards DROP  
calculation is 2500 and  
minimum is 500 hours.



Applied sick leave will  
be removed from the  
employee's sick leave  
balance.



Employees will continue  
to accrue sick leave

# DROP PARTICIPATION



## PARTICIPATION PERIOD

Two Options

- 3-years
- 5-years



## RETIREMENT ACCRUALS

- Benefit accruals under retirement plan stop



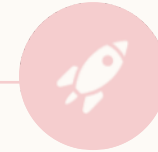
## EMPLOYEE CONTRIBUTIONS

- Continue and go into DROP account



## COLAS & MERITS

- COLA not applied to DROP
- COLA & Merit applied to salary



## INTEREST RATE

- 10-Yr Treasury Bill adjusted annually
- Cost-neutral review every 3 years

# TERMINATION OF DROP PARTICIPATION

## Disability or Death

- DROP account is deleted as if they had not ever entered the DROP
- Participant or their beneficiary may be eligible to receive a retirement benefit
- Benefits calculated based on the date of separation

## Voluntary or Involuntary Termination

- DROP account is deleted as if they had not ever entered the DROP
- Participant or beneficiary may be eligible for a retirement benefit at termination

## Completion of DROP Participation Period

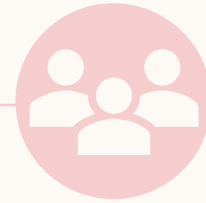
- Participants must end employment
- DROP benefit must be taken as a lump sum

# OTHER CONSIDERATIONS



## EXTENDED ABSENCES

- Continue participation until separation
- Expected to continue contributions while receiving pay



## RE-EMPLOYMENT

- May not participate if participation period was completed
- May not participate if receiving pension benefits



# TIMELINE



# SUMMARY

- Plan designed to be cost-neutral
- Eligible at normal retirement date
- 500-2500 sick leave hours can be applied
- Employee contributions continue into DROP
- Participation Period 3 or 5 years – may not change once elected
- COLAs not applied to DROP calculations
- Interest rate tied to 10-year Treasury Bill
- Early terminations for all reasons treated as non-participant
- At completion of DROP, must terminate and receive lump sum

# REQUEST

Motion to approve development of a Deferred Retirement Option Plan (DROP) which is designed to be cost neutral using the parameters described with appropriate changes as needed in collaboration with Legal and Actuarial support for presentation to and approval of Commissioners.



**Presented By:**  
**Charles County Government**  
**Department of Human Resources**

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