

DEFERRED RETIREMENT OPTION PROGRAM – SECTION 4A

4A.1 Definitions. In this section, the following words have the meanings indicated:

(A) “DROP” means the Deferred Retirement Option Program established pursuant to this Section.

(B) “DROP Account” means the account established for the DROP Participant in accordance with Section 4A.7.

(C) “DROP Effective Date” means July 1, 2024.

(D) “DROP Participant” means a Participant in the Plan who:

(1) is eligible to participate in DROP as provided in this Section 4A;  
and

(2) elects to participate in DROP as provided in this Section 4A,

4A.2 Eligibility

A Participant in the Plan is eligible to participate in DROP if the Participant:

(A) Is an Employee, excluding an elected official, and

(B) Either:

(1) Has attained the age and service requirement for the Participant’s Normal Retirement Date as of the DROP Effective Date, or

(2) Attains the age and service requirement for the Participant’s Normal Retirement Date after the DROP Effective Date.

4A.3 Election

An eligible Participant may elect to participate in DROP for a period of two (2), three (3), four (4), or five (5) years.

4A.4 Application

An eligible Participant who elects to participate in DROP shall:

(A) Complete a written election form to the employee designated by the Retirement Plan Committee (the “DROP Coordinator”) on a form approved by or acceptable to the Retirement Plan Committee, stating:

- (1) the Participant's intention to participate in DROP;
  - (2) the date, which shall be the first day of a month, when the Participant desires to begin participation in DROP; and
  - (3) such other information required by the Retirement Plan Committee to implement DROP with respect to the Participant, including a binding letter of resignation accepted by the Department Director, in accordance with the County's policies and procedures then in effect, setting forth the date the Participant intends to terminate employment following completion of the selected DROP period;
- and

(B) submit the application to the DROP Coordinator no later than the first day of the month that is three months prior to the first day of the month coincident with the date the Participant elects to begin participation in DROP. If the due date for the election falls on a Saturday, Sunday or day when the County's offices are closed, the due date shall be the next day during which the County's offices are open.

#### 4A.5 Irrevocability of Election

A Participant's election to participate in DROP is irrevocable as of the effective date of the Participant's participation in DROP.

#### 4A.6 Termination of Participation

Participation in DROP terminates when the DROP Participant reaches a Termination Date.

#### 4A.7 Payment of Retirement Benefit, Accrual of Service Credit, Disposition of Other Benefits During DROP Participation.

(A) As of the effective date of participation in DROP, the DROP Participant's normal retirement benefit as provided for in Section 4.1, with the adjustment for unused sick leave pursuant to Section 6.5, shall be determined.

(1) Unused sick leave applied to the DROP calculation will be removed from the Participant's sick leave balance.

(B) During the period of the DROP Participant's participation in DROP, the Trustees shall:

(1) Credit the DROP Participant's monthly retirement income determined pursuant to Section 4.1, with the adjustment for unused sick leave pursuant to Section 6.5

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determined as of the DROP Participant's date of participation in DROP, to a DROP Account for the benefit of the DROP Participant;

(2) Credit the County pick-up contributions made on behalf of the DROP Participant pursuant to Section 7.4(A) to a DROP Account for the benefit of the DROP Participant;

(3) Credit the DROP Participant's DROP Account with interest at a rate equal to the rate of return of no less than the rate of return for the 10-Year Treasury yield in effect on December 31 of the preceding year, compounded annually as of each July 1 following the DROP Participant's effective date of participation in DROP. The rate will be established upon the Participant's entry into DROP, shall be adjusted each July 1 throughout the term of the DROP, and shall not be less than 0%; and

(C) A DROP Participant will not accrue credit for Years of Service during the period of DROP participation.

(D) A DROP Participant's Earnings during the period of DROP participation:

(1) Shall be subject to the County pick up contributions provided for in Section 7.4(A); and

(2) Shall not be used to increase the DROP Participant's Final Average Earnings.

(E) Disability during DROP Participation:

(1) If during the period of a DROP Participant's participation in DROP, and after one full year of participation in the DROP, the Participant reaches a Termination Date by reason of disability, the Participant shall receive retirement benefits pursuant to Section 4 based on Final Average Earnings earned through the DROP entry date, and the amount accrued in the DROP account.

(2) If a DROP Participant reaches a Termination Date by reason of disability prior to one full year of participation, the DROP account will be forfeited, and the benefits will be calculated as if they had never entered the DROP.

(F) Death during DROP Participation:

(1) If during the period of a DROP Participant's participation in DROP, and after one full year of participation in the DROP, the Participant reaches a Termination Date by reason of death, the Participant's Beneficiary or surviving spouse or children, as applicable, will receive the benefit described in Section 8, and the amount accrued in the DROP account, based upon the Participant's entry into the DROP, if applicable, and Final Average Earnings earned through the DROP entry date.

(2) If a DROP Participant reaches a Termination Date by reason of death prior to one full year of participation, the DROP account will be forfeited, and the benefits will be calculated as if they had never entered the DROP.

#### **4A.8 Payment of Retirement Income and DROP Account at Termination Date**

(A) Upon the termination of a DROP Participant's employment with the County, for reasons other than death or disability, the Trustees shall pay to the Participant the amount accrued in the DROP Account for the DROP Participant, determined in accordance with Section 4A.7, as adjusted for interest determined pursuant to Section 4A.7(B)(3) through the last day of the month preceding the date of payment, as elected by the DROP Participant, in the form of:

- (1) An Eligible Rollover Distribution, pursuant to Section 10.3; or
- (2) A lump sum distribution, reduced by any withholding taxes.

(B) Upon the termination of a DROP Participant's employment with the County for reasons other than death or disability, upon completion of a minimum of one (1) full year of the DROP Participant's participation in DROP, the Participant will receive the monthly retirement income determined in accordance with Section 4.1, or in an optional form of payment as elected by the Participant pursuant to Section 10, as adjusted for hours of unused accrued sick leave, pursuant to Section 6.5, based upon the DROP Participant's unused sick leave as of the DROP Participant's Termination Date. The DROP Participant's DROP Account will not be affected by the changes in the DROP Participant's unused sick leave during the period of participation in DROP.

#### **4A.9 Limitations; Other Benefits of Employment; Segregation of Assets**

(A) The benefits payable pursuant to this Section 4A shall be adjusted, if necessary, to conform to the limitations on the accrual of benefits pursuant to Section 4.5.

(B) During the period of a DROP Participant's participation in DROP, the DROP Participant shall continue to be eligible to participate in any health and welfare plan and deferred compensation plan, and receive any other benefits otherwise available to Charles County Government employees who are Non-Public Safety Participants and shall continue to be subject to the personnel laws, regulations and policies applicable to an Employee.

(C) The DROP Account is maintained solely for purposes of accounting for the DROP Participant's benefit from DROP. The Trustees shall be under no obligation to segregate funds from the Plan assets for the Participant's DROP Account.

4A.10 Sunset Provision

No Participant shall be eligible to elect to participate in DROP after June 30, 2029. The Board of Trustees shall request that an actuarial study of the DROP be completed on or about December 31, 2029 to assess the effectiveness of the DROP in meeting the County's goals and the cost neutrality of the DROP in consideration of reinstating the DROP for periods after June 30, 2029.

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**Charles County Pension Plan  
Election to Participate in  
Deferred Retirement Option Program (DROP)**

Submit this form to elect participation in DROP. Fully completed forms are due to the DROP Coordinator in Human Resources no later than three (3) months *prior* to the date of participation.

Participant Full Name (First, MI, Last): \_\_\_\_\_

Home Address: \_\_\_\_\_

Telephone Number(s): \_\_\_\_\_

I have read and acknowledge the attached summary of the DROP offered under the Charles County Pension Plan (Plan). I acknowledge that it is my responsibility to seek clarification if I have questions about the Plan or my participation.

I elect to participate in the DROP as of: \_\_\_\_\_  
(Insert the *first day of the month* of my participation in the DROP.)

Attached is a binding letter of resignation from my employment with Charles County Government effective \_\_\_\_\_  
(Insert date of resignation: no earlier than two (2) years and no later than five (5) years, expressed in terms of whole years, after the date of election to participate in the DROP.)

I acknowledge and agree that this election may be revoked by me only in writing and is irrevocable following the effective date of my participation in the DROP.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Participant Signature

\_\_\_\_\_  
Date

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**Verification by DROP Coordinator**

Date Received: \_\_\_\_\_

Participant Date of Birth: \_\_\_\_\_

Date of CCPP Participation: \_\_\_\_\_  
(Including applicable transfer of service)

Normal Retirement Date: \_\_\_\_\_

This applicant is eligible to participate in the DROP: ☐ Yes ☐ No

DROP Coordinator Signature: \_\_\_\_\_