

# **Charles County Pension Plan**

**DEFERRED RETIREMENT OPTION PLAN**

**DRAFT PLAN SUMMARY**

**NON-PUBLIC SAFETY PARTICIPANTS**

# INTRODUCTION

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

## **What is it?**

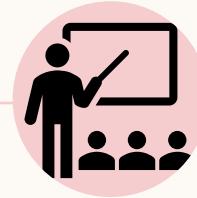
The DROP is a voluntary program that allows retirement eligible employees to have their monthly pension benefit deposited in an interest-bearing account while they continue to work for the County and receive their salary and benefits as an active employee.

# DROP GOALS



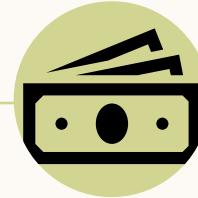
## RETAIN INSTITUTIONAL KNOWLEDGE

- Retiring of Baby-Boomers
- Ease recruitment strain



## PROVIDE FOR SUCCESSION PLANNING

- Identified retirement dates
- Planning for departure
- Training staff



## IMPROVE RETIREMENT OUTCOMES

- Additional income source
- Ease transition into retirement

# ELIGIBILITY

- Participation is optional
- Participant must have reached normal retirement eligibility
  - Age 60 with at least 20 years of service; or
  - Age 62 with at least 5 years of service

# PARTICIPATION START

## Election/Term

- Two (2) to five (5) years

## Application

- Due 3 months prior to participation
- Participation date
- Termination date

## Irrevocability of election

- May cancel participation prior to effective date
- May not “drop” the DROP as of effective date

# PARTICIPATION DURING

## Payment to DROP



- Monthly retirement benefit
- Credit for sick leave applied to monthly benefit
- Interest – 10-yr Treasury Bill

## Years of Service



- Participants will not earn credit for years of service while in the DROP

## Earnings



- Employee contributions adjust with salary
- Not used to increase Final Average Earnings

# PARTICIPATION DURING



## Benefits

- Remains eligible
- Health insurance
- Deferred compensation
- Any other benefits otherwise eligible



## Leave Accruals

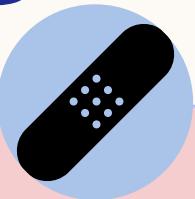
- Continue to accrue relevant leave
- Paid Time Off
- Annual
- Sick



## Policies

- Remains subject to all applicable policies, laws and regulations

# PARTICIPATION END



## DISABILITY

### Less than 1 year

- Forfeit DROP
- Benefits calculated as if never participated

### 1 or more years

- Retirement benefits based on FAE through DROP entry date
- Amount accrued in DROP account



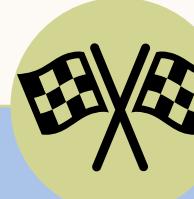
## DEATH

### Less than 1 year

- Forfeit DROP
- Benefits calculated as if never participated

### 1 or more years

- Beneficiary benefits based on FAE through DROP entry date
- Amount accrued in DROP account

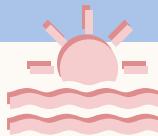


## COMPLETION

- Eligible rollover distribution or
- Lump sum distribution reduced by applicable taxes
- Monthly retirement income or optional form of payment selected by participant (excludes DROP funds)
- Adjust for accrued sick leave hours after termination

# SUNSET PROVISION

- After 5 years in effect, the plan will be evaluated for cost neutrality
- Current participants in the plan will be able to continue
- No new applicants until plan evaluation is completed and determination made



“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.“

# **REVISED TIMELINE**

AUGUST 2023

OCTOBER 2023

DEC 2023 –  
JAN 2024

FEBRUARY 2024

JULY 1, 2024

Vote by Committee

Produce Draft for Committee Review and Input

Finalize Plan Document

Request Commissioner Approval

Implementation

# SUMMARY

- Plan designed to be cost-neutral
- Eligible at normal retirement date
- Up to 1,988 sick leave hours can be applied
- Employee contributions continue into DROP
- Participation Period 2 - 5 years – may not change once elected
- COLAs not applied to DROP calculations
- Interest rate tied to 10-year Treasury Bill
- Early terminations outcome based on length of time in DROP
- At completion of DROP, must terminate and receive lump sum



**Presented By:**

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