

Deferred Retirement Option Program

DROP

Questions & Responses

11/2/2023

Thank you for all of the excellent questions that have been submitted regarding the Deferred Retirement Option Plan. This document provides responses to the questions and comments that were submitted. This is a living document, so please continue to submit your questions. You can find the question portal on ICG and it will be sent via email. **NOTE: Remember the plan is in draft form. As the plan draft is adjusted some responses to these questions could change.**

#	Question	Response
1	How will this benefit me? Can you provide an example during your presentation how the program will work if we enroll in it? Based on someone making 80K	Examples of someone with final average earnings of \$60k and \$80k are provided in the Charles County Pension Plan agenda. Please review those examples.
2	Why is the 10-year Treasury Bill being considered as the interest rate? Although it is fairly good at the moment, it could drop to historic lows (.318%). It would be better to have a consistent rate that won't change.	The T-Bill was chosen to ensure the plan is cost-neutral which means it does not negatively impact the financial health and funding level of the plan or its participants. Because it is intended to be cost neutral, an interest rate can not be guaranteed or it could jeopardize the plan.
3	a) In the slides it says the program will be "cost neutral" and that it will be reviewed every 3 years. b) What does "cost neutral" mean, and c) if it is found to no longer be cost neutral, will the program be terminated? d) What if people are in the middle of the DROP and it's no longer cost neutral--are those people out of luck?	a) The review is changed to 5 years. b) Cost neutral means that the DROP does not negatively impact the financial health and funding level of the pension plan or its participants. c) If the plan as designed is found not to be cost neutral, there is a provision, a sunset provision, to discontinue the plan. The Committee can review and redesign so that it could regain cost neutral status. The sunset provision provides that no new elections to participate can be made after the sunset date. d) Anyone who elected before the sunset date would continue their participation uninterrupted.
4	Is there a normal reason why an application is denied? Other than if they simply do not qualify (age), I cannot think of another reason.	Reasons for denial include but are not limited to ineligibility to participate, and incomplete/incorrect paperwork. An explanation for denial would be provided.
5	Even if you have 35 years and not 60 years old, can you participate because within the timeframe you choose on the drop program you will turn 60 years old?	Participants must be eligible for normal retirement at the point in which they enter the DROP.

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6	a) How are funds dispersed when I retire? Lump sum? b) Or are there other options?	a) Funds are dispersed in a lump sum at the point of separation of employment. b) Staff may choose to rollover their lump sum benefit.
7	Is there a guaranteed rate of return?	There is no guaranteed rate of return. The proposal is to tie the rate of return to the 10-year treasury bill. Having a guaranteed rate of return could negatively impact the cost neutral aspect of the plan.
8	a) May I speak with someone in HR to find out if/when I have, or will, max out my benefits in the current pension plan and b) can I wait until I have maxed out to enroll in the DROP?	a) Staff discontinue employee contributions at 31 years of service. Kim Pelczar can be contacted if you have questions about your individual benefits. NOTE: This plan has not been finalized. Until such time as the plan is approved and adopted, HR may not have the ability to answer certain questions. b) Staff may participate in the DROP at any point in which they are eligible for normal retirement, so if someone waits until they've maxed out or enters as soon as they're eligible, or any time in between, it's up to the participant.
9	Is there a limited enrollment window, and if so, what is it?	The only limitation to the enrollment window is that the person has to be eligible for normal retirement.
10	Would this reduce my retirement in the future?	Examples are provided for DROP participating and non-participating employees with a \$60,000 and \$80,000 Final Average Earnings. Please review those examples.
11	Will retiree be responsible for paying all health insurance costs if they have elected to keep County coverage or will County still contribute? Would Carefirst be primary or secondary coverage?	An employee who chooses to participate in the DROP will continue to receive all of the benefits of an active non-public safety employee while they remain actively employed. The DROP has no impact on health insurance benefits post retirement - when the participant terminates employment.
12	If employee participates and has 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 is it included on W9 each year as income or as deferred income until it is paid out at employee retirement?	An employee who enters the DROP does not deposit their DROP money anywhere nor does the County. It stays within County plan assets until such time the employee leaves the DROP. While in the DROP, there is nothing the employee receives from CCG except for an annual statement that shows the balance of their DROP account.
13	What are the risks of putting my pension benefit into this interest-earning account?	The interest bearing account is in name only. The funds remain in the larger pension fund. The contributions to the nominal account are tracked, but there is no separate account.

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14	"Participant must have reached normal retirement eligibility" does this mean you have to be of Age 60, because in our retirement documents it states "Normal retirement is defined as the earlier of age 60 with 20 years of service, or age 62 with 5 years of service."	Applicants must have reached at least age 60 and have 20 years of service or at least 62 years of age with 5 years of service to be eligible to participate.
15	Sick leave applied towards the drop, Does that mean we can apply sick leave towards years of service "in" the drop?	Sick leave does not extend years of service, sick leave adds to the dollar amount of the benefit. Ex. A person with 6 months of sick leave will not be able to retire 6 months sooner. They can, however, add the 6 months of sick leave and get credit for that time which will impact their monthly benefit.
16	"COLA not applied to the DROP" does this mean that in retirement we will not receive COLA's ?	The COLA is not applied to the DROP benefit while the person is in the DROP. During that period of time any COLA's approved by the Commissioners is applied to the person's salary. This produces an increase in how much the participant contributes. Once the DROP participant separates employment, they will be eligible to have the COLA applied to their retirement benefits once they meet the requirements of at least 12 months collecting benefits as a retiree (no longer employed by the County) by May 1.
17	"Produce Draft for Committee Review and Input" How do we get on this Committee? Why does CCSO not have someone on this Committee?	Any employee may review the draft and submit comments and questions via our survey form which will be sent out to staff. There are employee representatives on the Committee.
18	"Plan Document" can we get a copy of this? It must be in the works, this PowerPoint doesn't get into the nitty gritty!	The DROP Plan Document is being developed. This is an opportunity for people to ask questions and give input to help ensure the plan document covers employee questions. The drafted document can be found in the Charles County Pension Plan agenda. The Charles County Pension Plan Document can be found here: Charles County Pension Plan Document
19	When do I stop contributing to the pension plan? When do I max out?	When an employee has contributed 4% for 31 years, they stop contributing the 4% from their paycheck because they are max'd out of the pension.
20	At age 54 I will be at 31 years of service. Could the plan allow any employee eligible for retirement to participate in DROP? For example, I would put a substantial amount of sick leave into the DROP.	Any employee eligible for regular retirement can participate. Once a person has maxed out on their contributions, they would not continue to contribute to the DROP. They could, however, take those contributions and put them into the deferred compensation plan.

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21	I recommend shorter participation terms (2 and 4 years) in addition to 3 and 5 years. There should not be a penalty after a year in the plan.	Thank you for that feedback. These were similar comments made in the Committee meeting and it has been incorporated into the draft.
22	Pension plan funds traditionally are managed with investment in the stock market. With DROP, the pension funds and desired sick leave go into a savings plan instead. Assuming that there is a set interest percentage applied to the savings plan on those funds, is there a way to know which is more advantageous financially?	The funds in the DROP plan are not "moved" from one account to another. The funds in the DROP are tracked separately for each DROP participant, but kept in the same account.
23	Is it correct that DROP would be available to employees at age 60?	The DROP would be available to anyone who has reached normal retirement eligibility which is 60 years of age with 20 years of service or 62 years of age with 5 years of service.
24	What is being used as the retirement age to determine if an employee is eligible? For example - if an employee has over 30 years, they technically could retire at 52 or later.	Retirement eligibility is age based, a person has to have reached at least 60 years of age with 20 years of service or age 62 with 5 years of service with the County.
25	Are we going to be taxed on the drop portion of the funds, once we finally leave the County and collect the money in the account? The monthly pension benefit will already have taxes taken out of it.	Income is taxed. DROP distribution is considered income when the distribution is made at the end of the DROP participation period. The monthly pension benefit is taxed upon distribution. Specific questions regarding taxes should be directed toward your tax or financial advisor.
26	What if I change my mind while I'm in the DROP and decide I don't want to participate.	Employees are able to rescind their application PRIOR to participation in the DROP, but once the participation date is reached, participants can not drop the DROP.