



Internal Memorandum

Subject: Testimony for Bill No. 51– 2014

To: Lonnie R. Robbins
Chief Administrative Officer

From: Terry Reider
Retirement Coordinator

Date: September 11, 2014

The Administration is seeking County Council approval of Council Bill No. 51-2014. The bill amends the Howard County Police and Fire Employees' Retirement Plan by adding a DROP program for Firefighters with 25 or more years of Creditable Service and modifying the DROP program currently offered to Police Officers.

DROP, or Deferred Retirement Option Plan, is a voluntary program that provides an alternative way for employees to earn and receive retirement benefits. An employee in the DROP program continues to work for the County and continues to earn his or her salary. The retirement benefit the employee could be collecting is set aside in a "DROP account" while he/she continues to work. When the employee eventually retires, the accumulated DROP account is paid out in addition to the monthly retirement check.

Howard County first established a DROP program in 2004 exclusively for police officers. Only employees with 25, 26 or 27 years of service were eligible for DROP participation, and the DROP period was limited to either 3 or 4 years. The proposed legislation: (1) extends DROP eligibility to include Firefighters; (2) allows employees to enter DROP *any time* after 25 years of service; and (3) allows DROP durations of 2 to 5 years. The attached fiscal impact statement includes additional details of the program. The proposed

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legislation also provides police officers currently enrolled in DROP a one-time opportunity to transfer to the newly-created DROP program. Police officers who transfer would be permitted to extend their participation beyond the date of resignation set forth in their binding letter of resignation, to a maximum of 5 years. Also, the Police Chief and Fire Chief would be permitted to remain employed beyond their DROP participation period, with the County Executive's approval.

The Pension Oversight Commission considered this legislation at its meeting on September 2, 2014 and conference call on September 4, 2014. The Commission reviewed the bill and was generally comfortable with it, subject to a few comments.

Fiscal Note:

A copy of the fiscal impact statement prepared by Bolton Partners, Inc. is attached for reference.

I am available to provide any further assistance or answer any questions you may have.

cc: Ken Ulman, County Executive
Jennifer Sager, Legislative Coordinator
Howard County Police and Fire Retirement Plan Committee