

Introduced 9/8/15  
Public Hearing 9/21/15  
Council Action 10/5/15  
Executive Action 10/8/15  
Effective Date 12/8/15

## County Council Of Howard County, Maryland

2015 Legislative Session

Legislative Day No. 10

Bill No. 41 -2015

Introduced by: The Chairperson at the request of the County Executive

AN ACT amending the Howard County Police and Fire Employees' Retirement Plan, Deferred Retirement Option Program II in order to clarify certain interest accruals for the Chief of Police and Chief of Fire and Rescue Services; providing that certain compensation amounts will be included in determining the average compensation for certain Chiefs under certain conditions; and generally relating to the Howard County Police and Fire Employees' Retirement Plan.

Introduced and read first time September 8, 2015. Ordered posted and hearing scheduled.

By order

Jessica Feldmark  
Jessica Feldmark, Administrator

Having been posted and notice of time & place of hearing & title of Bill having been published according to Charter, the Bill was read for a second time at a public hearing on September 21, 2015.

By order

Jessica Feldmark  
Jessica Feldmark, Administrator

This Bill was read the third time on October 5, 2015 and Passed , Passed with amendments \_\_\_\_\_, Failed \_\_\_\_\_.

By order

Jessica Feldmark  
Jessica Feldmark, Administrator

Sealed with the County Seal and presented to the County Executive for approval this 7<sup>th</sup> day of October, 2015 at 4 a.m./p.m.

By order

Jessica Feldmark  
Jessica Feldmark, Administrator

Approved/Vetoed by the County Executive October 8, 2015

Allan H. Kittleman  
Allan H. Kittleman, County Executive

NOTE: [[text in brackets]] indicates deletions from existing law; TEXT IN SMALL CAPITALS indicates additions to existing law; Strike-out indicates material deleted by amendment; Underlining indicates material added by amendment

1 **Section 1. Be It Enacted** by the County Council of Howard County, Maryland that the Howard  
2 County Code is amended as follows:

3  
4 By amending:

5 Subsection (l) of Section 1.438A "Deferred Retirement Option Program II"

6  
7 **Title 1. Human Resources.**

8 **Subtitle 4A. Police and Fire Employees' Retirement Plan.**

9 **Article IIIA. Trust Fund.**

10  
11 **Section 1.438A. Deferred Retirement Option Program II.**

12 (l) *Employment of Chief of Police and Chief, Fire and Rescue Services following conclusion of*  
13 *DROP II Participation.*

14 (1) If the Chief of Police or the Chief, Fire and Rescue Services ("Chief") is a DROP  
15 II Participant, the Chief may remain in the employ of the County as the Chief  
16 beyond the last day of DROP II participation period with the written approval of  
17 the County Executive or his or her designee.

18 (2) The compensation of the Chief during and after his or her DROP I or DROP II  
19 participation period shall not be included in the determination of his or her DROP  
20 I or DROP II account balance or the determination of average compensation  
21 under Section 1.406A(f).

22 (3) IF THE CHIEF PARTICIPATES IN DROP II FOR ANY PORTION OF HIS OR HER  
23 DROP PARTICIPATION PERIOD, THE CHIEF'S DROP II ACCOUNT SHALL  
24 ACCRUE INTEREST IN THE MANNER DESCRIBED IN SUB-PARAGRAPH  
25 (H)(2)C FROM THE FIRST DAY OF HIS OR HER DROP PARTICIPATION  
26 PERIOD UNTIL THE DATE COUNTY EMPLOYMENT IS TERMINATED.

27 (4) AN INDIVIDUAL'S COMPENSATION DURING PERIODS PRIOR TO JULY 1,  
28 2015 SHALL BE INCLUDED IN DETERMINING THE INDIVIDUAL'S AVERAGE  
29 COMPENSATION UNDER SECTION 1.406A(F) IF THE INDIVIDUAL:

- 1           (I) HOLDS THE POSITION OF CHIEF AND IS PARTICIPATING IN DROP  
2           II ON JULY 1, 2015;  
3           (II) DOES NOT VOLUNTARILY TERMINATE EMPLOYMENT IN THE  
4           POSITION OF CHIEF PRIOR TO DECEMBER 31, 2018; AND  
5           (III) IS NOT TERMINATED FOR CAUSE PRIOR TO DECEMBER 31, 2018.

6  
7    *Section 2. And Be It Further Enacted by the County Council of Howard County, Maryland that*  
8    *this Act shall apply beginning with the first pay date after July 1, 2015.*

9  
10   *Section 3. And Be It Further Enacted by the County Council of Howard County, Maryland that*  
11   *this Act shall become effective 61 days after its enactment.*



July 23, 2015

Howard County Government  
Attention: Lonnie R. Robbins  
Chief Administrative Officer  
3430 Courthouse Drive  
Ellicott City, MD 21043

Re: *Howard County Police and Fire  
Retirement Plan – Proposed DROP II  
changes for Police Chief*

Dear Lonnie:

Attached is the language for a bill drafted by Paul Madden that would change the DROP provisions for the current Police Chief. We have been asked to determine the cost of the proposed changes contained in this draft. The proposal would make the following two changes:

1. While principal payments into his DROP account would still end in 2015, interest will now continue to be credited until his employment terminates.
2. The annuity part of his DROP benefit will be increased to reflect his final average compensation at June 30, 2015 instead of when he originally joined DROP. In order for this “refresh” of final average compensation to occur, the Chief must either (1) work until December 31, 2018 or (2) not voluntarily terminate employment. This final average pay change will not change his DROP account amount.

Without these changes the Chief’s DROP would end this year and we currently assume that he would retire at that time. We have looked at the cost to the Plan and the benefit to the Chief of using a later date to determine his average compensation under the Plan and applying 3.5% interest to the Chief’s DROP account. To determine the cost we have changed our retirement date assumption. We are assuming that his retirement date will change from January 1, 2016 to January 1, 2019. The cost to the Plan of the higher average compensation depends greatly on when the Chief retires.

The Chief’s average compensation will increase from \$139,771 to \$166,095 per year. This will result in an increase in his DROP II annuity from about \$9,284 per month to about \$11,033 per month. This increase is about \$1,749 per month.

**Bolton Partners, Inc.**

100 Light Street • 9th Floor • Baltimore, Maryland 21202 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924  
*Actuarial, Benefit and Investment Consultants*

Mr. Lonnie R. Robbins  
July 23, 2015  
Page 2

If the Chief retires on January 1, 2019 rather than on January 1, 2016 (the assumed retirement date without the benefit enhancements), the plan will save about \$270,000 because of the three-year delay in his retirement. There are several sources of savings; the largest of which is the fact that his annuity payments during these three years are not paid to him or added to the DROP account. If the Chief would involuntarily terminate employment on January 1, 2016 and receive the higher final average pay, there would be a materially higher cost to the plan. However, our calculations assume a retirement date of January 1, 2019 with no involuntary termination prior to that date.

Any savings will be amortized. This proposed change does not apply to all employees. DROP changes have implication other than pension cost including non-actuarial personnel issues that others should always consider.

#### **Actuarial Certification**

This letter has been prepared for Howard County for the purposes of estimating the impact of a change to the DROP II provisions. It is neither intended nor necessarily suitable for other purposes. It is based on the assumptions contained in the 2014 valuation other than the retirement age assumption noted above. We have relied on data provided by the County. Bolton Partners is not responsible for the consequences of any other use.

I am a credentialed actuary and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this letter. I am currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Please let me know if you have any questions.

Sincerely,

**BOLTON PARTNERS, INC.**



Thomas B. Lowman, FSA, EA

cc: Ann Sturner  
Paul Madden (Whiteford Taylor)

Enclosure

TL/cdj



---

*Internal Memorandum*

Subject: Testimony for Bill No. xx- 2015

To: Lonnie R. Robbins  
Chief Administrative Officer

From: Terry Reider *T. Reider*  
Retirement Coordinator

Date: August 26, 2015

---

The Administration is seeking County Council approval of Council Bill No. xx-2015. The bill amends the Howard County Police and Fire Employees' Retirement Plan by modifying DROP benefits for the Chief of Police and the Chief, Fire and Rescue (hereafter referred to collectively as "Chief").

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, and amended the program in 2014 to include Firefighters. The 2014 amendment also included language allowing the Chief to remain in the employ of the County beyond the end of the 5-year maximum participation period, with written approval of the County Executive or designee. However, the 2014 amendment did not address how the Chief's DROP benefit will be calculated under these circumstances.

Memo to Lonnie R. Robbins  
Page Two  
August 26, 2015

The proposed legislation specifies that for a Chief who works beyond the end of the DROP participation period, the DROP account will continue to accrue interest up until the date he/she terminates employment with the County. Furthermore, for a Chief participating in DROP on July 1, 2015 who does not voluntarily terminate employment prior to December 31, 2018, the calculation of his/her monthly retirement benefit will include compensation up to July 1, 2015.

**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: Allan H. Kittleman, County Executive  
Jennifer Sager, Legislative Coordinator  
Howard County Police and Fire Retirement Plan Committee




---

*Internal Memorandum*

Subject: Testimony for Bill No. xx- 2015

To: Lonnie R. Robbins  
Chief Administrative Officer

From: Terry Reider   
Retirement Coordinator

Date: August 26, 2015

---

The Administration is seeking County Council approval of Council Bill No. xx-2015. The bill amends the Howard County Police and Fire Employees' Retirement Plan by modifying DROP benefits for the Chief of Police and the Chief, Fire and Rescue (hereafter referred to collectively as "Chief").

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, and amended the program in 2014 to include Firefighters. The 2014 amendment also included language allowing the Chief to remain in the employ of the County beyond the end of the 5-year maximum participation period, with written approval of the County Executive or designee. However, the 2014 amendment did not address how the Chief's DROP benefit will be calculated under these circumstances.



Memo to Lonnie R. Robbins  
Page Two  
August 26, 2015

The proposed legislation specifies that for a Chief who works beyond the end of the DROP participation period, the DROP account will continue to accrue interest up until the date he/she terminates employment with the County. Furthermore, for a Chief participating in DROP on July 1, 2015 who does not voluntarily terminate employment prior to December 31, 2018, the calculation of his/her monthly retirement benefit will include compensation up to July 1, 2015.

**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: Allan H. Kittleman, County Executive  
Jennifer Sager, Legislative Coordinator  
Howard County Police and Fire Retirement Plan Committee

**BOLTON  PARTNERS**

July 23, 2015

Howard County Government  
Attention: Lonnie R. Robbins  
Chief Administrative Officer  
3430 Courthouse Drive  
Ellicott City, MD 21043

Re: *Howard County Police and Fire  
Retirement Plan – Proposed DROP II  
changes for Police Chief*

Dear Lonnie:

Attached is the language for a bill drafted by Paul Madden that would change the DROP provisions for the current Police Chief. We have been asked to determine the cost of the proposed changes contained in this draft. The proposal would make the following two changes:

1. While principal payments into his DROP account would still end in 2015, interest will now continue to be credited until his employment terminates.
2. The annuity part of his DROP benefit will be increased to reflect his final average compensation at June 30, 2015 instead of when he originally joined DROP. In order for this “refresh” of final average compensation to occur, the Chief must either (1) work until December 31, 2018 or (2) not voluntarily terminate employment. This final average pay change will not change his DROP account amount.

Without these changes the Chief’s DROP would end this year and we currently assume that he would retire at that time. We have looked at the cost to the Plan and the benefit to the Chief of using a later date to determine his average compensation under the Plan and applying 3.5% interest to the Chief’s DROP account. To determine the cost we have changed our retirement date assumption. We are assuming that his retirement date will change from January 1, 2016 to January 1, 2019. The cost to the Plan of the higher average compensation depends greatly on when the Chief retires.

The Chief’s average compensation will increase from \$139,771 to \$166,095 per year. This will result in an increase in his DROP II annuity from about \$9,284 per month to about \$11,033 per month. This increase is about \$1,749 per month.

**Bolton Partners, Inc.**

100 Light Street • 9th Floor • Baltimore, Maryland 21202 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924  
*Actuarial, Benefit and Investment Consultants*

Mr. Lonnie R. Robbins  
July 23, 2015  
Page 2

If the Chief retires on January 1, 2019 rather than on January 1, 2016 (the assumed retirement date without the benefit enhancements), the plan will save about \$270,000 because of the three-year delay in his retirement. There are several sources of savings; the largest of which is the fact that his annuity payments during these three years are not paid to him or added to the DROP account. If the Chief would involuntarily terminate employment on January 1, 2016 and receive the higher final average pay, there would be a materially higher cost to the plan. However, our calculations assume a retirement date of January 1, 2019 with no involuntary termination prior to that date.

Any savings will be amortized. This proposed change does not apply to all employees. DROP changes have implication other than pension cost including non-actuarial personnel issues that others should always consider.

#### **Actuarial Certification**

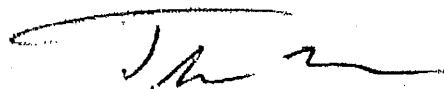
This letter has been prepared for Howard County for the purposes of estimating the impact of a change to the DROP II provisions. It is neither intended nor necessarily suitable for other purposes. It is based on the assumptions contained in the 2014 valuation other than the retirement age assumption noted above. We have relied on data provided by the County. Bolton Partners is not responsible for the consequences of any other use.

I am a credentialed actuary and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this letter. I am currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Please let me know if you have any questions.

Sincerely,

**BOLTON PARTNERS, INC.**



Thomas B. Lowman, FSA, EA

cc: Ann Sturner  
Paul Madden (Whiteford Taylor)

Enclosure

TL/cdj