

ST. MARY'S COUNTY GOVERNMENT  
DEPARTMENT OF  
HUMAN RESOURCES  
*Catherine Pratson*  
*Director of Human Resources*



COMMISSIONERS OF ST. MARY'S COUNTY  
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## NOTICE OF PUBLIC HEARING

**NOTICE IS HEREBY GIVEN** that the Commissioners of St. Mary's County will hold a Public Hearing on **September 11, 2018 at 9:30 am in the Chesapeake Building located at 41770 Baldrige Street in Leonardtown, Maryland**, to consider a Fifteenth Amendment to the Sheriff's Office Retirement Plan.

Citizens are encouraged to attend and participate in the public hearing.

Note that as a result of the evidence and comments made at the public hearing, amendments may be made to the proposed 15<sup>th</sup> Amendment.

Written comments, questions and suggestions may be submitted on or before September 18, 2018, to: Commissioners of St. Mary's County, P.O. Box 653, Leonardtown, MD 20650.

Copies of the proposed 15<sup>th</sup> Amendment are available in the Department of Human Resources, Potomac Building, 3<sup>rd</sup> floor, 23115 Leonard Hall Drive, Leonardtown, MD 20650, or online at [www.stmarysmd.com](http://www.stmarysmd.com).

Any reasonable accommodation for persons with disabilities should be requested by contacting the St. Mary's County Communications Director at 301-475-4200, ext. \*1342.

COMMISSIONERS OF ST. MARY'S COUNTY

By: Catherine Pratson, Director of Human Resources

**DROP Plan**  
**St. Mary's County Sheriff's Office Retirement Plan**  
**Proposed 15<sup>th</sup> Amendment**

**Definitions**

In this subtitle, the following words have the meanings indicated.

- (1) "DROP" means the Deferred Retirement Option Program in which a participant agrees to delay receipt of retirement benefits while the participant continues to work.
- (2) "DROP participant" means a participant who is eligible and who elects to participate in the DROP.
- (3) "DROP participation period" means the time during which a participant participates in the DROP while actively employed by the County.
- (4) "DROP account" means the separate financial account established into which the participant's retirement benefits are paid while the participant continues to work for the County.

**Applicability and Eligibility**

This Deferred Retirement Option Program may be entered into by any plan participant who is an eligible employee of St. Mary's County Sheriff's Department, including the Sheriff.

Eligible participants will have the option to elect to participate in DROP once they have achieved 25 years of creditable service until they have achieved 27 years of creditable service. Eligible employees who do not elect to participate in DROP on or before achieving 27 years of creditable service will have lost all opportunity to join DROP.

For purposes of determining whether a participant has achieved 25 and 27 years of creditable service, the participant's creditable service excludes unused sick leave and any military service credit, but includes transferred service credit and purchased service credit.

Subject to the Transition Rules below, the maximum DROP period that may be elected by a participant is 5 years and the minimum period is 3 years (or to 30 years of total service). If the member does not remain an eligible employee of the Sheriff's Office for the DROP period (for reasons other than death or disability), their benefit will be based on what they would have received had they never joined DROP, including additional service credit and salary adjustments made during the period of DROP participation, but excluding cost of living adjustments applied to the participant's DROP account during the period of DROP participation. A participant who terminates employment (by voluntary termination, involuntary termination, or by failure to be reelected as pertains to the Sheriff) will not be entitled to payment of a DROP account unless a minimum of a 3 year DROP period is met.

Transition Rules - Eligible participants who, at the inception of this DROP program, have 27 or more years of creditable service will be allowed a 90 day period immediately following implementation of the DROP to elect to enter the DROP for a 3 year DROP period.

### **Applications**

- (1) **Application required.** An employee who elects to participate in the DROP shall complete an application on the form required by the Retirement Coordinator. The application form shall include an election of the end date of the DROP participation period and an irrevocable election of the annuity form of payment.
- (2) **Beginning date.** In addition to providing information requested by the Retirement Coordinator, the employee shall specify a beginning date of the employee's DROP participation period that corresponds to the requirements of the participation period noted below.
- (3) **When submitted.** An application shall be submitted to the Retirement Coordinator at least 30 days before the beginning date of the employee's DROP participation period and will be irrevocable after 15 days.

### **Participation Period; Mandatory Retirement Upon Expiration**

- (1) **Term of participation period.** Subject to the Transition Rules, the term of a DROP participation period shall be determined by the DROP participant, but cannot exceed five (5) years or be less than three (3) years. The three (3) year minimum DROP participation period shall not apply if the member terminates employment due to death or disability.

**Termination of DROP participation period.** A DROP participation period ends if the DROP participant dies; voluntarily terminates or is involuntarily terminated from employment; retires (normal or disability); or concludes the participant's elected DROP participation period of between (3) and (5) years.

- (2) **Termination of DROP participation.** Except as otherwise provided in the retirement ordinance (see "Continued or Future Employment" section), a DROP participant shall terminate service and begin receiving a retirement benefit as of the first day of the month following the end of the DROP participation period. The participant must submit, at the inception of DROP participation, a binding letter of resignation as of the last day of the elected DROP period to avoid a negative inference on the officer's service record and to address eligibility for unemployment compensation.

### **Status During DROP Participation**

- (1) **Active employee.** Until termination of employment, a DROP participant will remain an active employee of the County for all intents and purposes, except as provided in this subtitle, and is entitled to the benefits of that employment and is subject to the laws, regulations, and policies governing that employment.
- (2) **St. Mary's County, Maryland Sheriff's Office Retirement Plan.** A DROP participant is a participant in the St. Mary's County, Maryland Sheriff's Office Retirement Plan under the conditions described in the plan, except that a DROP participant will have exercised the option to elect DROP
- (3) **Application of COLAs:** During the DROP participation period, COLAs provided to retirees shall be applied to the DROP participant's annuity DROP account deposits.
- (4) **Continuation of Contributions.** All DROP participants shall continue to have employee contributions deducted from their earnings; though these employee contributions shall be credited to their DROP account as noted below.

### **DROP Account**

- (1) **Account established.** With the assistance of the Plan's actuary, the Retirement Coordinator shall establish and maintain an individual account for each DROP participant for recording the actions required by this section. The plan trustees shall be under no obligation to segregate funds from the trust for the participant's DROP account.

**Retirement benefits.** With the assistance of the Plan's actuary, the Retirement Coordinator shall determine a participant's retirement benefit as of the date a participant elects to enter DROP based on the normal method of calculating years of creditable service and average compensation. The retirement benefit excludes service and salary during the DROP participation period for purposes of calculating the entitlement to and amount of the retirement benefit. The retirement benefit shall include credit for any unused sick leave (as currently provided) based on such balances when the member joins DROP. If the unused sick leave balance declines between the time a member enters and exits DROP, the DROP annuity and account balance will be recalculated using the lower balance. The member shall irrevocably elect the form of payment of retirement benefits at the time the member enters DROP.

- (2) **Account balance.** The account balance credited to a DROP participant includes the following:

- (a) The amount of the retirement benefit determined under subsection (1);
  - (b) Credited interest in the amount of the actuarial rate of return as of July 1 minus 4%, with a minimum rate of 3.5% (should valuation rate ever go under 7.5%); Interest is credited and compounded on the account balance as of the first day of each month;
  - (c) The employee contribution of 8% of pay, subject to changes that might apply in the future to other participants in the plan;
  - (d) Retirement benefits are subject to COLAs during participation in DROP.
- (3) **Statement of account balance.** At least once a year, the Retirement Coordinator shall provide to a DROP participant a statement of the account balance credited to the DROP participant as described in subsection (2).

### **Disability During Participation**

- (1) **Permitted.** A DROP participant may apply for a disability pension during the DROP participation period.
- (2) **Effect of disability pension.** If a DROP participant is approved for a disability pension during the DROP participation period, the DROP participant shall be entitled to elect either:
  - (a) A disability retirement benefit, as if the employee had not entered DROP, forfeiting any entitlement to the DROP account; or,
  - (b) A Service retirement benefit, calculated based on the date the participant entered the DROP and the DROP account balance the participant had earned and accumulated through the date of termination.

### **Death During Participation**

If a DROP participant dies during the DROP participation period, the beneficiary or beneficiaries of the participant as described in the St. Mary's County, Maryland Sheriff's Office Retirement Plan are entitled to the death benefit under the retirement plan equal to the DROP Account Balance payable to the participant's DROP beneficiary. Any DROP annuity payment will be based on the annuity form irrevocably elected when the member entered DROP and payable to the beneficiary, if any, elected at that time.

### **Retirement Benefits of Participants**

- (1) **Generally.** On the first day of the month following expiration of the DROP participation period and the DROP participant's termination from County employment, the participant is entitled to receive the first payment of a monthly retirement benefit under the St. Mary's County, Maryland Sheriff's Office Retirement Plan.
- (2) **Benefit.** The retirement benefit is determined as if the participant had retired on the first day of the DROP participation period, using the same rules, procedures and calculations as are applied to other service based retirements.
- (3) **DROP Payment.** The participant shall also receive payment of the account balance credited to the DROP participant's account through the end of the DROP participation period.

### **Manner of Payment**

- (1) **Lump Sum payment.** Unless elected otherwise by a DROP participant, payment of the DROP account balance shall be made in a lump sum to the participant within 30 days of the first day of the month following expiration of the DROP participation period and the DROP participant's termination from County employment.
- (2) **Payment in cash, exception.** Unless otherwise elected by a DROP participant, a lump sum payment shall be made in cash or, the extent permitted by federal law, payment may be made by transfer or direct rollover to an eligible retirement plan as defined in the Internal Revenue Code.
- (3) **Sole responsibilities of participant.** Selection of the retirement account, plan, or annuity and the tax consequences of the transfer or direct rollover under subsection (2) are the sole responsibility of the participant and, upon transfer or direct rollover of the account balance to the retirement account, the County has no further obligation regarding the account balance credited to the participant.
- (4) **Disposition as Marital Property/Attachment for Child Support Obligations.** The DROP account balance may not be attached by a qualified domestic relations order in satisfaction of a division of marital property or for satisfaction of a child support obligation in advance of the DROP participant's termination of employment for the County and the participant's eligibility for payment of the DROP account.

### **Beneficiaries**

A DROP participant's beneficiary for his lump sum is the beneficiary on file for the Plan with the Retirement Coordinator. The participant's beneficiary (if any) for his retirement annuity is the person they elected when they chose their form of payment.



### **Continued or Future Employment**

If at the end of the maximum DROP period (usually 5 years) a member continues to work, the DROP account balance and annuity shall be frozen. No interest shall accrue on the DROP account. The DROP account will be paid at termination of employment and the annuity payment will start after termination of employment. As applied to the Sheriff, at the end of the DROP period, no more DROP additions other than interest will be made and participant contributions will cease. The Sheriff will receive no further benefit accruals under the Plan.

If an employee exits the DROP and is retired from the County, and subsequently is re-employed by the County in a position which is covered by the St. Mary's County, Maryland Sheriff's Office Retirement Plan, the employee shall not be eligible to again participate in the DROP or accrue any further benefits and no employee contributions will be made.

### **Sunset Provision**

**The DROP will automatically terminate on June 30, 2026 and no participants will be eligible to elect participation in DROP after that date. By no later than December 31, 2026, the Board of Trustees will assess the actuarial cost of DROP and the effectiveness of DROP in addressing recruitment, retention, promotion, and the employment cycle needs of the Sheriff's Office.**

**If the Board of Trustees recommends resumption of DROP following this analysis, an amendment to the Plan will be presented to the Commissioners of St. Mary's County and the amendment may include changes to DROP as described herein and may include an additional sunset provision.**