



Summary of the Deferred Retirement Option Program (DROP)

For Members of the Police Pension Plan
Covered under the F.O.P. Lodge 89 Bargaining Agreement

DROP Overview

The Deferred Retirement Option Program (DROP) is a voluntary program for eligible members of the Prince George's County Police Pension Plan. The DROP provides plan members an alternate retirement option. With the DROP, participants can *retire*, and their monthly pension benefit will begin accumulating into a DROP account. Employees who participate in the DROP will continue to work for an additional three (3) years and make contributions to the retirement plan. Contributions made during the DROP period are added to the DROP account where it will earn interest compounded monthly. When participation in the DROP ends, employment also ends, and the participant will begin receiving their monthly pension benefit plus the balance of their DROP account.

DROP Participation Eligibility

- Employees who are eligible to be active members of F.O.P. Lodge 89 at the time of his/her election to become a participant of the DROP.
- Must have at least 22 years of actual service. Leave and purchased prior military service does not count toward eligibility.
- A maximum of eight (8) employees may enter the DROP each calendar month, of that number no more than two (2) Lieutenants and two (2) Sergeants may participate.
- If more than eight (8) employees apply to enter the DROP, in a given calendar month, the employees with the greatest seniority shall be selected.

DROP Considerations

- The maximum participation period of the DROP is three (3) years from the enrollment date.
- Eligible employees must agree to participate in the DROP for the full 3-year term.
- Once an employee enters the DROP the decision is irrevocable. Employment terminates at the end of the 3-year term or at any point of early withdraw after the commencement of the DROP period.

DROP Enrollment

1. Notify the Office of Human Resources Management, Benefits and Pensions Division, of intent to join the DROP.
2. Complete an enrollment application and submit to the Retirement Administrator.
3. Designate desired participation effective date.
4. Indicate date of separation and submit a binding irrevocable letter of resignation to the Department. A copy should be attached to the enrollment application.
5. Participation in the DROP will commence on the first day of the month following acceptance of all required information.

DROP Benefit Calculation

- Monthly pension benefit will be calculated as of the date the participant enters the DROP. No additional credited service is earned during the DROP period.
- Annual and Sick Leave may be used to purchase additional pension credit at the time of enrollment. Any leave earned during the DROP period cannot be used for additional pension credit.
- A single life annuity is calculated at the time of entry into the DROP.

Employment During DROP

- DROP participants will continue to work during the 3-year DROP period and receive their bi-weekly compensation.
 - Pre-tax pension contributions will continue to be deducted.
- Participants will remain eligible to receive all wage increases to include but not limited to merit increases, cost of living adjustments (COLAs) and promotions.
 - Raises earned after the DROP period start date will not be used to increase the participant's average final compensation.
- DROP participants will continue to receive all leave earnings, including but not limited to annual leave, sick leave, compensatory leave, and personal leave.
 - Leave earned after the commencement of the participant's DROP period cannot be used to obtain additional pension credit.
- Participant will continue to be covered under their active health, life insurance and maintain eligibility to contribute to the deferred 457(b) compensation plan.

DROP Account

- As of the participant's DROP effective date, the calculated pension benefit will be deposited into the member's account each month.
- The deposited monthly payments will be eligible for annual COLA increases awarded on February 1.
- 100% of employee's contributions made during the DROP period is deposited into the participant's account.
- Funds deposited into the DROP account earn interest at a rate equal to the 10-Year United States Treasury Note, capped at 4.5% compounded monthly.
- Interest rates are applied to DROP accounts at the end of each month and rate changes are updated on the last business day of the previous year.

Disability During DROP

- DROP participants maintain their eligibility to apply for a disability retirement, as described in the pension plan.
- The disability benefit is calculated as of the date of entry into the DROP.
- Participation in the DROP and employment ends upon the member's acceptance of a disability retirement.
- The participant will be entitled to a distribution of their accumulated funds plus interest.

Designation of Beneficiaries

- Upon enrollment into the DROP, the designated beneficiary will be entitled to the balance of the participant's DROP account including any accrued interest.
- At the end of the DROP period, the participant will have the option to select a lower joint and survivor benefit payment option.

Death of DROP Participant

- Should an employee die while participating in the DROP, the death benefit shall be paid in accordance with the Police Pension Plan.
- Surviving spouses shall be entitled to any annuity payment for which they are eligible.

Domestic Relations Orders

- In the event of divorce, if a Domestic Relations Order accepted by the Plan requires payment of all or any part of the Plan's death benefit to an alternate payee, that requirement shall be prioritized.

Disbursement of Benefits

- At the end of the DROP period, the participant will make written application to begin collecting their monthly pension benefit.
- The participant will also select their desired distribution of the funds in their DROP account. The DROP account can be disbursed as a lump sum in cash, a rollover into an eligible retirement plan or as an annuity payment.

For More Information

If you have questions about the DROP, please contact pensions@co.pg.md.us.