



# Summary of the Deferred Retirement Option Program (DROP)

For Members of the Fire Service Pension Plan

Covered under the IAFF Local No. 1619 Collective Bargaining Agreement

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## **DROP Overview**

On September 25, 2018, the Prince George's County Council adopted a resolution establishing a Deferred Retirement Option Program (DROP), a voluntary program for eligible members of the Fire Service Pension Plan (the "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 is added to the DROP account where they 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 International Association of Fire Fighters Local No. 1619 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 four (4) employees may enter the DROP each calendar month. In the event that more than four (4) employees apply to enter the DROP in a given calendar month, the employees with the greatest seniority shall be selected.

## **DROP Considerations**

- The maximum allowed period of the DROP is three (3) years from the participation 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 withdrawal after the commencement of the DROP period.

## **DROP Enrollment**

- Eligible employees complete and submit Interest of Participation Form during established DROP enrollment period.
  - Form must be emailed to [PGFDDROP@CO.PG.MD.US](mailto:PGFDDROP@CO.PG.MD.US)
- Receive confirmation of eligibility from the Pensions Division.
- Complete and submit enrollment application
  - Designate desired participation effective date.
- 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 member 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 members 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 from member's bi-weekly pay.
- Participants will remain eligible to receive all wage increases to include but not limited to merit increases, COLAs, and promotions.
  - Raises earned after the DROP period start date will not be used to increase the member's average final compensation.
- DROP members 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 member's DROP period cannot be used to obtain additional pension credit.
- Members will continue to be covered under their active health and life insurance and maintain eligibility to contribute to the Deferred Compensation 457(b) plan.

### **DROP Account**

- As of the member'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<sup>st</sup> as well as the annual Fire Bonus.
- 100% of member 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. Note: **Rate Source:** The U.S. Treasury 10-Year Bond Index rate's capture and retrieval will be based on pricing as of 4:00 pm EST U.S. Market close on the last business day of the calendar month, utilizing the United States Treasury U.S. 10 Year Treasury Note's online website:  
<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>
- Interest rates are applied to DROP accounts at the end of each month. Rate changes are updated on the last business day of each quarter.

### **Disability During DROP**

- A DROP member is eligible to apply for a disability retirement allowance if after the DROP member commences participation in the DROP he/she becomes disabled as described in the Plan.
- The disability benefit shall be calculated as of the date of entry into the DROP.
- The DROP member receiving a disability benefit shall also receive the accumulated DROP account.

### **Designation of Beneficiaries and Death of DROP Member**

- In the event of death prior to the end of participation in the DROP, the balance of the DROP account will be paid to the member's designated beneficiary(ies).
- Whether or not the named beneficiary(ies) is also a spouse, a separate surviving spousal benefit shall be payable to the member's spouse (if applicable) pursuant to the Plan.
- Participation in the DROP shall not impact the member's entitlement to benefits payable upon Death in the Line of Duty.

### **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, members will make written application to begin collecting their monthly pension benefit.
- Members 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.

**Participation in the DROP is irrevocable. If a member exits the plan prior to the end of the three - year period, employment with the County terminates and the member will be considered retired the first of the month following the early withdrawal.**

**Note: This information is being provided as a general explanation of pension-related legislation. Every effort has been made to ensure that this information is correct. However, in the event that this information is inconsistent with the underlying statutes, the statutory provisions shall control.**