Expedited Bill No. 12-13
Concerning: Deferred Retirement Option Plans - Group G - Amendments
Revised: May 15, 2013 Draft No. 3
Introduced: May 7, 2013
Enacted: June 11, 2013
Executive: ____
Effective: ____
Sunset Date: None
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:
(1) amend the Deferred Retirement Option Plan for Group G members; and
(2) generally amend the law regarding the Employee's Retirement System.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Section 33-38A

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 33-38A is amended as follows:

33-38A. Deferred Retirement Option Plans.

* * *

(b) *DROP Plan for Group G members.*

(1) *Eligibility.* An employee who is a member of Group G and who has met the <u>minimum</u> requirements for a normal retirement may participate in the DROP Plan.

(2) *Application requirements.* An eligible employee must apply at least 45 days before the employee becomes a participant. An employee may withdraw a pending application within 2 weeks after submitting the application.

(3) *Employee participation and termination.*

(A) The employee's participation in the DROP Plan must begin on the first day of a month that begins at least 45 days, but not more than 75 days, after the employee applied.

(B) A Group G member may participate in the DROP Plan for up to 36 months. An employee who elects to stop participating before the end of the 36-month period must notify Fire and Rescue Services and the Office of Human Resources at least 60 days before stopping participation in the program.

(C) When the employee's participation in the DROP Plan ends, the employee must stop working for the County and receive a pension benefit.

(4) *Employment status.* A DROP Plan participant must continue to be a member of the retirement system, earn sick and annual

leave, and remain eligible to participate in health and life insurance programs for employees while the member participates in the DROP Plan.

(5) *Retirement date, retirement contributions, and credited service.*

(A) The retirement date of a member who participates in the DROP Plan is the date when the employee begins to participate in the DROP Plan.

(B) The member will continue to make retirement contributions to the Optional Plan or Integrated Plan while participating in the DROP Plan. The County must not make retirement contributions on behalf of the member after the date on which the member's DROP Plan participation begins.

(C) Sick leave credited towards retirement at the beginning of the member's participation will not be available for the member's use after participation in the DROP Plan begins.

(D) A member who wishes to purchase prior service must do so before the member's participation in the DROP Plan begins.

(6) *Pension benefits.*

(A) Before a member's participation begins, the member irrevocably must choose a pension payment option under Section 33-44 for retirement pension payments.

(B) Pension benefits will not be paid to the member while the member participates in the DROP Plan. Pension payments that are deferred while the member participates in the DROP Plan must not include cost-of-living increases under Section 33-44 that were given to retirees and beneficiaries during the period of the member's participation in the DROP Plan. The participant will receive the deferred pension payments when the member's participation in the DROP Plan ends, or within 60 days after the member gives notice under paragraph (3)(B), whichever is later.

(C) After the member's participation ends, the member's pension benefit will be based on the member's:

(i) credited service, including credit for unused sick leave, before the member's participation in the DROP Plan began, adjusted to include credit for unused sick leave accrued during the period of DROP Plan participation; and

(ii) average final earnings, excluding earnings during the period of participation in the DROP Plan.

(D) The pension benefit that a member receives after the member's participation in the DROP Plan ends must be adjusted to reflect cost-of-living adjustments under Section 33-44(c) that occurred during the period of the member's participation in the DROP Plan, but the pension payments that are deferred during the participation period must not include cost-of-living adjustments.

(7) *Disability retirement.*

(A) A member may apply for disability retirement prior to the termination of the member's participation in the DROP Plan.

(B) If the Chief Administrative Officer determines that a DROP participant is eligible for a service-connected disability retirement, the participant must elect to receive either:

(i) the retirement benefit under subsection (6)(C) and the DROP Plan payoff; or

(ii) the service-connected disability retirement benefit that the member would have received if the member had continued as an active employee and not elected to participate in the DROP Plan.

(C) A member who elects to receive a service-connected disability retirement must not receive the DROP Plan payoff.

(D) If the Chief Administrative Officer determines that a DROP participant is eligible for a non-service connected disability retirement, the participant must receive:

(i) the non-service connected disability retirement benefit provided under Section 33-43(h), with the benefit calculated as of the member's DROP entry date; and

(ii) the DROP account balance.

(8) *Death benefit.* If a member dies during the member's participation in the DROP Plan, the member's beneficiary will receive the greater of:

(A) the death benefit that the beneficiary would have received if the member had retired on the date on which the member began to participate in the DROP Plan, calculated to reflect cost-of-living adjustments under Section 33-44(c) that occurred during the period of DROP Plan participation, and the value of the DROP Plan payoff, not including retroactive cost-of-living adjustments to the deferred pension payments; or

(B) the service-connected death benefit that the beneficiary would have received if the member had not elected to participate in the DROP Plan, but not the DROP Plan payoff.

(9) *DROP Plan payoff and distribution.*

(A) *DROP Plan payoff.* The DROP Plan payoff must include the total of the following, accumulated over the period of the member's participation in the DROP Plan:

(i) the member's deferred monthly pension payments, not including any cost-of-living adjustments;

(ii) the member's retirement contributions to the Optional Plan or Integrated Plan treated as picked-up contributions; and

(iii) for a member beginning DROP Plan participation before July 1, 2013, 8.25 percent annual interest rate credited monthly, compounded quarterly [, credited each calendar quarter] on the amount in the DROP Plan payoff [at the beginning of each quarter] during the member's participation in the

DROP Plan. For a member beginning DROP Plan participation on or after July 1, 2013, 7.5 percent annual interest credited monthly, compounded quarterly on the amount in the DROP Plan payoff during the member's participation in the DROP plan.

(B) *DROP Plan payoff distribution options.* At the time that a member's DROP Plan participation ends, the member must elect to have the DROP Plan payoff:

(i) distributed as a:

[(i)](a) lump sum payment;

[(ii)](b) annuity; or

[(iii)](c) direct rollover distribution, in compliance with the Internal Revenue Code, to an eligible retirement plan; or

(ii) remain in the retirement system in a DROP Plan Payoff Account and receive interest at a 4.0 percent annual rate, credited monthly, for the period of time during which the DROP Plan Payoff Account remains in the retirement system.

(C) *Distribution of DROP Plan Payoff Account*

(i) A former member may elect to receive a distribution of the DROP Plan Payoff Account in a single lump sum payment or a single direct rollover distribution to an eligible retirement plan at any time, but must receive a distribution by the date required under Internal Revenue Code Section

401(a)(9)k, as amended, and the corresponding regulations.

(ii) The Chief Administrative Officer must pay the balance of the DROP Plan Payoff Account to a designated beneficiary of a former member who dies without receiving the DROP Plan Payoff Account as soon as practicable after the former member's death.

Sec. 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on June 30, 2013.

Approved:

6/12/13

Nancy Navarro, President, County Council — Date

Approved:

Isiah Leggett, County Executive — Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council — Date