

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: June 19, 2013  
Effective: June 30, 2013  
Sunset Date: None  
Ch. 14, Laws of Mont. Co. 2013

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**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

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

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

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

2   **33-38A.     Deferred Retirement Option Plans.**

3   \*                   \*                   \*

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

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

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

12                  (3)   *Employee participation and termination.*

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

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

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

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

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

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

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

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

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

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

48 (6) *Pension benefits.*

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

52 (B) Pension benefits will not be paid to the member while the  
53 member participates in the DROP Plan. Pension  
54 payments that are deferred while the member participates

55 in the DROP Plan must not include cost-of-living  
56 increases under Section 33-44 that were given to retirees  
57 and beneficiaries during the period of the member's  
58 participation in the DROP Plan. The participant will  
59 receive the deferred pension payments when the  
60 member's participation in the DROP Plan ends, or within  
61 60 days after the member gives notice under paragraph  
62 (3)(B), whichever is later.

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

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

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

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

80 (7) *Disability retirement.*

- 81 (A) A member may apply for disability retirement prior to the  
 82 termination of the member's participation in the DROP  
 83 Plan.
- 84 (B) If the Chief Administrative Officer determines that a  
 85 DROP participant is eligible for a service-connected  
 86 disability retirement, the participant must elect to receive  
 87 either:
- 88 (i) the retirement benefit under subsection (6)(C) and  
 89 the DROP Plan payoff; or
  - 90 (ii) the service-connected disability retirement benefit  
 91 that the member would have received if the  
 92 member had continued as an active employee and  
 93 not elected to participate in the DROP Plan.
- 94 (C) A member who elects to receive a service-connected  
 95 disability retirement must not receive the DROP Plan  
 96 payoff.
- 97 (D) If the Chief Administrative Officer determines that a  
 98 DROP participant is eligible for a non-service connected  
 99 disability retirement, the participant must receive:
- 100 (i) the non-service connected disability retirement  
 101 benefit provided under Section 33-43(h), with the  
 102 benefit calculated as of the member's DROP entry  
 103 date; and
  - 104 (ii) the DROP account balance.
- 105 (8) *Death benefit.* If a member dies during the member's  
 106 participation in the DROP Plan, the member's beneficiary will  
 107 receive the greater of:

- 108 (A) the death benefit that the beneficiary would have  
109 received if the member had retired on the date on which  
110 the member began to participate in the DROP Plan,  
111 calculated to reflect cost-of-living adjustments under  
112 Section 33-44(c) that occurred during the period of  
113 DROP Plan participation, and the value of the DROP  
114 Plan payoff, not including retroactive cost-of-living  
115 adjustments to the deferred pension payments; or
- 116 (B) the service-connected death benefit that the beneficiary  
117 would have received if the member had not elected to  
118 participate in the DROP Plan, but not the DROP Plan  
119 payoff.
- 120 (9) *DROP Plan payoff and distribution.*
- 121 (A) *DROP Plan payoff.* The DROP Plan payoff must include  
122 the total of the following, accumulated over the period of  
123 the member's participation in the DROP Plan:
- 124 (i) the member's deferred monthly pension payments,  
125 not including any cost-of-living adjustments;
- 126 (ii) the member's retirement contributions to the  
127 Optional Plan or Integrated Plan treated as picked-  
128 up contributions; and
- 129 (iii) for a member beginning DROP Plan participation  
130 before July 1, 2013, 8.25 percent annual interest  
131 rate credited monthly, compounded quarterly [,  
132 credited each calendar quarter] on the amount in  
133 the DROP Plan payoff [at the beginning of each  
134 quarter] during the member's participation in the

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

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

- 144                    (i) distributed as a:
- 145                    [(i)](a) lump sum payment;
  - 146                    [(ii)](b) annuity; or
  - 147                    [(iii)](c) direct rollover distribution, in  
 148                    compliance with the Internal Revenue Code,  
 149                    to an eligible retirement plan; or
- 150                    (ii) remain in the retirement system in a DROP Plan  
 151                    Payoff Account and receive interest at a 4.0  
 152                    percent annual rate, credited monthly, for the  
 153                    period of time during which the DROP Plan Payoff  
 154                    Account remains in the retirement system.

155                    (C) *Distribution of DROP Plan Payoff Account*

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

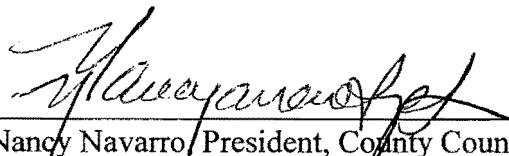
162 401(a)(9)k, as amended, and the corresponding  
163 regulations.

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

170 **Sec. 2. Expedited Effective Date.**

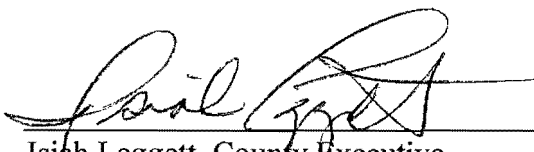
171 The Council declares that this legislation is necessary for the immediate  
172 protection of the public interest. This Act takes effect on June 30, 2013.

174 *Approved:*

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176 \_\_\_\_\_  
Nancy Navarro, President, County Council

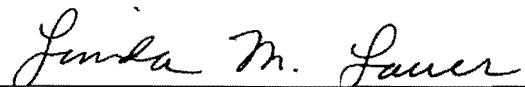
6/12/13  
\_\_\_\_\_  
Date

177 *Approved:*

178   
Isiah Leggett, County Executive

6/19/13  
\_\_\_\_\_  
Date

179 *This is a correct copy of Council action.*

180   
Linda M. Lauer, Clerk of the Council

6/20/13  
\_\_\_\_\_  
Date