


<b>FROM</b>	NAME & TITLE	Deborah F. Moore-Carter, Labor Commissioner <i>DFMC</i>	<b>CITY of</b> <b>BALTIMORE</b> <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Office of the Labor Commissioner 417 East Fayette Street, Suite 1405		
	SUBJECT	<b>City Council Bill 09-0295</b> <b>Fire and Police Employees' Retirement System-Benefits</b>		

**TO**

The Honorable President  
Stephanie Rawlings-Blake and  
Members of the Baltimore City Council  
Room 406, City Hall  
100 N. Holliday Street  
Baltimore, Maryland 21202

DATE: March 25, 2009

***Recommended Position***

The Office of the Labor Commissioner supports amending provisions of the Fire and Police Employees' Retirement System (F&P) law pertaining to the Deferred Retirement Option Plan ("DROP") benefits.

***Comments and Analysis***

The Deferred Retirement Option Plan (DROP) was established in 1996 through negotiations with the Fire Fighters, Local 734 and Fire Officers, Local 964. The goal of DROP continues to be to retain experienced police officers, and to a lesser extent, fire fighters. Eligible employees with at least 20 years of service may elect to participate in DROP. The DROP legislation contained a provision for a "DROP" test to ensure the cost would not become overly costly to the City of Baltimore (City). When the test was conducted during FY 2005, DROP failed the test. With the cost of providing this voluntary benefit continuing to rise, the City sought to make changes in negotiations and consultation with the Fire Fighters, Fire Officers and Fraternal Order of Police. The changes are reflected in Council Bill 09-0295 which, effective July 1, 2009, amends the existing DROP (DROP 2). Some of the most significant changes are as follows:

- To participate in DROP 2, members must acquire 20 or more years of service through continuous employment. Military service will be counted toward the 20 years.
- The refresh period, currently at 1.5 years, was changed to different rates for fire and police members. For police, the refresh period is increased to 3.5 years and 5 years for fire
- The interest rate on DROP 2 accounts decreased from 8.25% to 5.5%.
- The enrolled actuary retained by the F&P shall conduct a DROP savings test being with the Fiscal Year ending June 30, 2017 and every 4 years following.
- Beginning with the savings test performed as of the Fiscal Year ending June 30, 2021, if anticipated savings are not realized, the City will have the option of enacting legislation to modify or terminate the existing DROP 2.

DFMC/lwmcn/09-2095

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