

FROM	NAME & TITLE	Robert Cename, Budget Director <i>R. Cename</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410) 396-4774		
	SUBJECT	City Council Bill 21-0063R – Informational Hearing – An Evaluation of the Deferred Retirement Option Program as a Retention Strategy for Fire and Police Personnel		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

October 12, 2021

The Department of Finance is herein reporting on City Council Bill 21-0063R – Informational Hearing – An Evaluation of the Deferred Retirement Option Program as a Retention Strategy for Fire and Police Personnel, the purpose of which is to discuss and analyze the Deferred Retirement Option Plan (DROP) and provide a briefing to the City Council on the differences between the original DROP program and the DROP 2 program.

The Baltimore City Fire and Police Employees’ Retirement System (F&P) was established July 1, 1962, by City law and was created to provide lifetime service retirement benefits, survivor benefits, and permanent disability benefits to eligible members and their beneficiaries. The F&P is a contributory, defined benefit plan that covers all sworn uniformed officers of the Baltimore City Fire and Police Departments and has been amended periodically. Membership in the F&P is a condition of employment with the Fire and Police Departments. Active members currently contribute at the rate of 10% of regular compensation for their entire period of service. The cost of such programs includes recurring benefit payments, lump sum death benefits, payments to terminated members, and the cost of administering the system.

The Deferred Retirement Option Plan (DROP) program was implemented by the City so that experienced personnel would be encouraged to remain in service longer. To be eligible to participate, a plan member must have at least 20 years of service if employed prior to June 30, 2003, or for those entering the pension system after July 1, 2003, 20 or more years of service and at least 10 years as a contributing member of the pension system, regardless of age. While in the plan, an amount equal to the annual retirement benefit participants would have received had they taken retirement is credited in a DROP Account. The member deposits their normal contribution into the DROP account, which earns 8.25% interest until the member leaves Fire and Police covered City employment.

The Deferred Retirement Option Plan 2 (DROP 2) program was developed in 2009 for F&P members with 25 or more years of credited service. While in the Plan, members defer commencement of their retirement benefit and accumulate retirement benefits in a DROP 2 account, which earns interest at 3%.

The Department of Finance defers to the named agencies on this measure regarding the DROP programs and will attend the hearing for this Resolution to respond to any fiscal inquiries.

cc: Henry Raymond
Natasha Mehu
Nina Themelis