



**BALTIMORE CITY COUNCIL
PUBLIC SAFETY AND
GOVERNMENT OPERATIONS
COMMITTEE**

Mission Statement

On behalf of the Citizens of Baltimore City, the Public Safety and Government Operations will be responsible for matters concerning public safety, including, but not limited to; emergency preparedness, police services, fire/EMS, and the executive, administrative, and operational functions of the city government and libraries.

**The Honorable Mark Conway
Chairman**

PUBLIC HEARING

**Wednesday, October 13, 2021
1:00 PM**

**Council Bill: 21-0063R
Informational Hearing –
An Evaluation of the Deferred Retirement Option Program
as a Retention Strategy for Fire and Police Personnel**

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BILL SYNOPSIS

Committee: Public Safety and Government Operations

Bill 21-0063R

Informational Hearing – An Evaluation of the Deferred Retirement Option Program as a Retention Strategy for Fire and Police Personnel

***Sponsor:** Councilman Isaac “Yitzy” Schleifer*

***Introduced:** September 20, 2021*

Purpose:

For the purpose of requesting the Executive Director of the Baltimore City Fire and Police Employees’ Retirement System, the Board of Trustees for the Baltimore City Fire and Police Employees’ Retirement System, the Director of the Department of Finance, representatives from the Baltimore Police Department, and representatives from the Baltimore City Fire Department come before the City Council to discuss the Deferred Retirement Option Plan (“DROP”), analyze current and former participation in the program, brief the Council on policy differences between the original DROP program and DROP 2, and share what modifications the City can make to the policy that would allow us to use it as an incentive to retain veteran fire and police personnel.

Effective: N/A

Agency Reports

Law Department	
Fire and Police Employees Retirement System	
Police Department	
Fire Department	
Dept. of Finance	
Employees and Elected Officials Retirement System	

Analysis

Background

The Retirement System for Baltimore's public safety employees is a defined benefit retirement plan. A defined benefit plan offers lifetime pension benefits and disability benefits -- as well as benefits for surviving spouses and dependents. The benefits offered in Baltimore's Fire & Police pension plan are part of a comprehensive employee compensation package comprised of salary, personal leave, health care and retirement benefits that public safety personnel earn by reason of their dedicated service to protect the lives and property of City residents and business owners. Unlike other public sector employees, police and fire employees are not included in the social security system. Thus, a sustainable pension system is a critically important benefit for these public servants.

The Baltimore Fire & Police Retirement System is funded from three sources:

- a) The mandatory contributions of its employee members,
- b) The annual budgetary contributions by the City, and
- c) The earnings accrued from the system's substantial investments.

In 1996, the City's public safety employees' union lobbied for a Deferred Retirement Option Plan (DROP) which was granted by the City so that trained and 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.

Eligible pension plan members who elected to participate in DROP could do so for up to three years. While in the plan, participants are credited in a DROP Account with an amount equal to the annual retirement benefit they would have received had they taken retirement. 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. This DROP program consisted of three components:

- 1) An amount equal to the annual retirement allowance (or prorated annual retirement allowance for partial years) the member would have received if they would have retired from service at that time and actually begun receiving their maximum retirement allowance;
- 2) An amount equal to the mandatory contributions the member is required to make to the Retirement System for his retirement benefits; and
- 3) Interest at 8.25% compounded annually until the member actually retires.

In 2009, the Baltimore City Council considered a revised Deferred Retirement Option plan that came to be known as DROP 2. The new plan was designed to reduce the City's pension costs by primarily reducing the 8.25% interest earned on DROP accounts. Under DROP 2, interest is earned at the rate of 5.5% and is terminated altogether after 36 months of an employee's participation in DROP 2 or upon retirement.

In 2010, Mayor Stephanie Rawlings-Blake proposed a change to the Fire and Police Pension System. One of the major changes that occurred was the length of city service an employee had to complete in order to receive a full pension. At the time employees had to complete 20-years to be eligible for a full retirement, but with this policy change that time was extended to 25-years. When

this policy change was proposed, the only individuals who remained eligible for the 20-year retirement were the fire and police personnel who had completed 15-years of service on the job. Because of this policy change the group of fire and police personnel who were hired between 1998 through 2006 had to work an additional 5-years to reach full retirement. In light of the current staffing shortages within our public safety agencies and the recent court decision regarding the years of service fire and police department personnel must have to retire, we need to examine all available incentives to retain experienced personnel.

Additional Information

Information Source(s):

Analysis by: Samuel Johnson
Analysis Date: October 11, 2021

Direct Inquiries to: (410) 396-1091

**CITY OF BALTIMORE
COUNCIL BILL 21-0063R
(First Reader)**

Introduced by: Councilmembers Schleifer, McCray, Glover, Cohen, Middleton

Introduced and read first time: September 20, 2021

Assigned to: Public Safety and Government Operations Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Employees' Retirement System, Fire and Police Employees' Retirement System, Baltimore Police Department, Baltimore City Fire Department, Department of Finance

A RESOLUTION ENTITLED

A COUNCIL RESOLUTION concerning

Informational Hearing – An Evaluation of the Deferred Retirement Option Program as a Retention Strategy for Fire and Police Personnel

FOR the purpose of requesting the Executive Director of the Baltimore City Fire and Police Employees' Retirement System, the Board of Trustees for the Baltimore City Fire and Police Employees' Retirement System, the Director of the Department of Finance, representatives from the Baltimore Police Department, and representatives from the Baltimore City Fire Department come before the City Council to discuss the Deferred Retirement Option Plan ("DROP"), analyze current and former participation in the program, brief the Council on policy differences between the original DROP program and DROP 2, and share what modifications the City can make to the policy that would allow us to use it as an incentive to retain veteran fire and police personnel.

Recitals

The Baltimore City Fire and Police Employees' Retirement System ("BCFPERS") is a government pension plan codified in Article 22 of the Baltimore City Code. The BCFPERS provides several different types of benefits, including service retirement benefits, line-of-duty disability benefits, line-of-duty death benefits, ordinary disability benefits, and ordinary death benefits. Membership in the BCFPERS is mandatory for all fire and police employees as a condition of employment.

The BCFPERS was amended in 1996 to add the DROP program, effective July 1, 1996. At the time, members with at least 20 years of service could elect to participate in the DROP program for a maximum of 3 years. Eligible members who elected not to participate in the DROP program could either retire and collect pension benefits, or continue to work and accrue service credit which would be used to calculate their retirement income. One way the program incentivized participation was by allowing participants to earn interest at 8.25% compounded annually on the funds made during the 3-year DROP program until the member actually retired.

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

Council Bill 21-0063R

Throughout the years the compound interest for the DROP program has declined, making it a less desirable retention tool for veteran fire and police department personnel. In light of the current staffing shortages within our public safety agencies and the recent court decision regarding the years of service fire and police department personnel must have to retire, we need to examine all available incentives to retain experienced personnel, particularly those hired between 1998 through 2006.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE, That the Baltimore City Council requests the Executive Director of the Baltimore City Fire and Police Employees' Retirement System, the Board of Trustees for the Baltimore City Fire and Police Employees' Retirement System, the Director of the Department of Finance, representatives from the Baltimore Police Department, and representatives from the Baltimore City Fire Department come before the City Council to discuss the Deferred Retirement Option Plan ("DROP"), analyze current and former participation in the program, brief the Council on policy differences between the original DROP program and DROP 2, and share what modifications the City can make to the policy that would allow us to use it as an incentive to retain veteran fire and police personnel.

AND BE IT FURTHER RESOLVED, That a copy of this Resolution be sent to the Mayor, Executive Director of the Baltimore City Fire and Police Employees' Retirement System, the Board of Trustees for the Baltimore City Fire and Police Employees' Retirement System, the Director of the Department of Finance, the Police Commissioner of the Baltimore Police Department, the Fire Chief of the Baltimore City Fire Department, and the Mayor's Legislative Liaison to the City Council.

**PUBLIC SAFETY AND
GOVERNMENT OPERATIONS
COMMITTEE**

AGENCY REPORTS

David A. Randall

FROM	NAME & TITLE	David A. Randall, Executive Director
	AGENCY NAME & ADDRESS	Employees' & Elected Officials' Retirement Systems 7 E. Redwood Street, 12th floor
	SUBJECT	City Council Bill 21-0063R – Informational Hearing – An Evaluation of the Fire & Police DROP

CITY OF
BALTIMORE
MEMO



TO

DATE:
September 23, 2021

The Honorable President and Members of the City Council
Attn: Natawna B. Austin, Executive Secretary
Room 409, City Hall
100 N. Holliday Street

Dear Mr. President and City Council Members:

City Council Bill 21-0063R was referred to the Employees' and Elected Officials' Retirement Systems ("ERS") for comment. The resolution's stated purpose is requesting the Executive Director of the Baltimore City Fire and Police Employees' Retirement System, the Board of Trustees of the Fire and Police Employees' Retirement System, the Director of the Department of Finance, representatives from the Baltimore City Fire Department come before the City Council to discuss the Deferred Retirement Option Plan ("DROP"), analyze current and former participation in the program, brief the Council on policy differences between the original DROP and DROP 2, and share what modifications the City can make to the policy that would allow its use as an incentive to retain veteran fire and police personnel.

Since the ERS has no DROP program, it takes no position regarding Bill 21-0063R.

DAR/dsb
CC: Henry Raymond, Board Chairman
Nichelle Lashley, Deputy Director
Nina Themelis
Matt Stegman
Nikki Thompson