

CITY OF BALTIMORE
ORDINANCE _____
Council Bill 09-0295

Introduced by: The Council President
At the request of: The Administration (Department of Finance)
Introduced and read first time: March 16, 2009
Assigned to: Taxation, Finance and Economic Development Committee

Committee Report: Favorable with amendments
Council action: Adopted
Read second time: July 13, 2009

AN ORDINANCE CONCERNING

1 Fire and Police Employees' Retirement System – Benefits

2 FOR the purpose of amending provisions of the Fire and Police Employees' Retirement System
3 law pertaining to the Deferred Retirement Option Plan ("DROP") benefits; clarifying,
4 correcting, and conforming certain technical provisions of the existing DROP benefits law;
5 discontinuing the current DROP benefit structure for all System members not yet eligible for
6 DROP participation and establishing a new DROP 2 benefit structure for System members;
7 providing for certain tests to be conducted to determine the savings to the City of enacting
8 the DROP 2 benefit; giving the City the option to modify or terminate the DROP 2 benefit
9 under certain conditions; clarifying, correcting, and conforming certain provisions; providing
10 for a special effective date; and generally relating to the Fire and Police Employees'
11 Retirement System of the City of Baltimore.

12 BY repealing and reordaining, with amendments
13 Article 22 - Retirement Systems
14 Section(s) 36B(a)(i) and (ii), (c), (e), (h),
15 (i), (j), (k)(2), (l)(1), (m), (n), and (o)
16 Baltimore City Code
17 (Edition 2000)

18 BY adding /
19 Article 22 - Retirement Systems
20 Section(s) 34(e-1)(4) and (f-1)(4), 36B(a)(viii), and 36C
21 Baltimore City Code
22 (Edition 2000)

23 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the**
24 **Laws of Baltimore City read as follows:**

25 Baltimore City Code

26 Article 22. Retirement Systems

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.
Underlining indicates matter added to the bill by amendment.
~~Strike out~~ indicates matter stricken from the bill by
amendment or deleted from existing law by amendment.

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Subtitle – Fire and Police Employees’ Retirement System

§ 34. Benefits.

(e-1) *Line-of-duty disability benefits.*

(4) *APPLICATION AFTER RECEIPT OF DROP OR DROP 2 BENEFITS.*

A MEMBER WHO ELECTS TO RECEIVE DROP BENEFITS UNDER § 36B OF THIS SUBTITLE OR DROP 2 BENEFITS UNDER § 36C OF THIS SUBTITLE MAY NOT FILE FOR LINE-OF-DUTY DISABILITY RETIREMENT BENEFITS FOLLOWING THE MEMBER’S RETIREMENT UNLESS THE MEMBER FIRST PAYS BACK TO THE SYSTEM THE MEMBER’S DROP ACCOUNT DISTRIBUTION, DROP ANNUITY PAYMENTS, DROP 2 ACCOUNT DISTRIBUTION, OR DROP 2 ANNUITY PAYMENTS, AS APPLICABLE.

(f-1) *100% line-of-duty disability benefit.*

(4) *APPLICATION AFTER RECEIPT OF DROP OR DROP 2 BENEFITS.*

A MEMBER WHO ELECTS TO RECEIVE DROP BENEFITS UNDER § 36B OF THIS SUBTITLE OR DROP 2 BENEFITS UNDER § 36C OF THIS SUBTITLE MAY NOT FILE FOR 100% LINE-OF-DUTY DISABILITY RETIREMENT BENEFITS FOLLOWING THE MEMBER’S RETIREMENT UNLESS THE MEMBER FIRST PAYS BACK TO THE SYSTEM THE MEMBER’S DROP ACCOUNT DISTRIBUTION, DROP ANNUITY PAYMENTS, DROP 2 ACCOUNT DISTRIBUTION, OR DROP 2 ANNUITY PAYMENTS, AS APPLICABLE.

§ 36B. Deferred Retirement Option Plan.

(a) *Eligibility.*

(i) Any active employee who becomes a member of this system on or before June 30, 2003, and who has acquired at least 20 years of service AS OF ~~JUNE 30~~ DECEMBER 31, 2009, is eligible to participate in the DROP PROVIDED BY THIS § 36B by making an election in the manner prescribed in paragraph (iii) of this subsection.

(ii) Any active employee who becomes a member of this system on or after July 1, 2003, and who, in addition to having acquired at least 20 years of service AS OF ~~JUNE 30~~ DECEMBER 31, 2009, has acquired at least 10 years of service as a contributing member of this system AS OF JUNE 30, 2009, is eligible to participate in the DROP by making an election in the manner prescribed in paragraph (iii) of this subsection.

(VIII) ANY MEMBER WHO DOES NOT MEET THE ELIGIBILITY REQUIREMENTS OF THIS § 36B AS OF ~~JUNE 30~~ DECEMBER 31, 2009, WILL NOT BE ENTITLED TO THE BENEFITS OF THIS SECTION EFFECTIVE ~~JULY 1, 2009~~ JANUARY 1, 2010.

(c) *Status of DROP participants.*

(1) *During DROP participation period.*

(i) Notwithstanding any other provision of this subtitle to the contrary, a member shall remain a member of the [Retirement] System during the DROP participation

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1 period, provided, however, that the member shall not be credited with service
2 during such period, and that, except with regard to the calculation of a member's
3 intermediate DROP retirement benefit under subsection (f)(2), compensation, pay
4 or salary earned during that period shall be disregarded in calculating the
5 member's average final compensation.

6 (II) A member who becomes a participant in the DROP shall continue to make the
7 contributions that are required under § 36(h) of this subtitle for members earning
8 service credit. These contributions shall be accumulated in a subaccount within
9 the Annuity Savings [Fund] RESERVE, but shall be credited with interest
10 compounded annually in the same manner and at the same interest rate as though
11 the contributions had been accumulated in the member's DROP account as
12 provided under subsection (d). Contributions that are required under § 36(h) of
13 this subtitle of any member entitled to protection of retirement benefits and
14 credits on account of military service under § 32(e) of this subtitle, shall be paid
15 by the system into the member's subaccount on his or her behalf for the duration
16 of his or her absence from employment on account of military service.

17 (III) The contributions described in the preceding paragraph shall be treated as being
18 "picked up" by the City of Baltimore within the meaning of § 414(h)(2) of the
19 Internal Revenue Code of 1986, as amended. The contributions described in the
20 preceding paragraph shall not be considered "accumulated contributions", as
21 defined in § 30(10) of this subtitle.

22 (2) *After DROP participation period.*

23 (I) Any member who becomes a participant in the DROP may retire or terminate
24 service, and thereby discontinue participation in the DROP, at any time during the
25 DROP participation period or may retire or terminate service at the conclusion of
26 that period.

27 (II) A member may elect to discontinue participation in the DROP and resume
28 earning service credit in the system only as of the 1st or 2nd anniversary of the
29 effective date of the member's DROP participation period.

30 (III) The election to discontinue participation shall be made on forms provided for that
31 purpose by the Board of Trustees and shall be filed with the Board no less than 30
32 days NOR MORE THAN 90 DAYS before the effective date of the discontinuance of
33 participation.

34 (IV) THE ADDITIONAL ACCRUAL RATE (RECOVERY RATE) PROVIDED BY SUBSECTION
35 (F)(2) OR (G)(2) OF THIS SECTION MAY ONLY BE APPLIED TO THE MEMBER'S
36 COMPLETED YEARS OF DROP PARTICIPATION.

37 (V) A member who continues employment at the conclusion of a full, 3-year DROP
38 participation period shall resume earning service credit in the system.

39 (VI) A member who becomes ineligible to participate in the DROP pursuant to
40 subsection (a) or who elects to discontinue participation in the DROP pursuant to
41 this subsection [(b)] (c)(2) may not elect to again participate in the DROP.

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1 (3) *Upon reemployment after retirement.*

2 Notwithstanding § 31(1) of this subtitle, if a member retires and begins receiving a
3 DROP retirement benefit under subsection (e), (f), or (g), and is then reemployed, all
4 retirement benefit payments to the reemployed member shall be suspended until the
5 member's subsequent retirement. Upon subsequent retirement or death, the member
6 shall be eligible to receive benefits under subsection [(i)] (L).

7 (e) *Basic DROP retirement benefit.*

8 Notwithstanding § 34(b) of this subtitle, any member who retires during or at the
9 conclusion of a DROP participation period shall receive "a basic DROP retirement
10 benefit" equal to:

- 11 (1) the service retirement allowance the member would have received under § 34(b)
12 had the member retired from service and commenced a service retirement
13 allowance on the effective date of the DROP participation period;
- 14 (2) the balance in the member's DROP account at the time of retirement, payable
15 pursuant to the member's election under subsection (n) of this section; and
- 16 (3) the balance in the member's Annuity Savings [Fund] RESERVE subaccount
17 accumulated under subsection (c) of this section, payable pursuant to the
18 member's election under subsection (n) of this section.

19 (h) *Non-line-of-duty disability benefit.*

20 Notwithstanding § 34(d) of this subtitle, any member who retires on account of non-line-
21 of-duty disability:

- 22 (1) during or at the conclusion of a DROP participation period, shall receive a non-
23 line-of-duty disability benefit equal to the "basic DROP retirement benefit"
24 provided under subsection (e) of this section;
- 25 (2) less than 18 months following the conclusion of a DROP participation period,
26 shall receive [an ordinary] A NON-LINE-OF-DUTY disability benefit equal to the
27 "intermediate DROP retirement benefit" provided under subsection (f) of this
28 section; and
- 29 (3) 18 or more months following the conclusion of a DROP participation period, shall
30 receive [an ordinary] A NON-LINE-OF-DUTY disability benefit equal to the "full
31 DROP retirement benefit" provided under subsection (g) of this section.

32 (i) *Line-of-duty disability benefit.*

33 Any member who retires on account of line-of-duty disability under [§ 34(f)] § 34(E-1)
34 OR (F-1) of this subtitle during or after a DROP participation period shall receive the line-
35 of-duty disability benefits provided under [§ 34(f)] § 34(E-1) OR (F-1) in place of any
36 DROP benefits provided by this § 36B (including any balance in the member's DROP
37 account and Annuity Savings [Fund] RESERVE subaccount), as though the member had
38 never participated in the DROP.

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1 (j) *Non-line-of-duty death benefit.*

2 Notwithstanding § 34(h) of this subtitle, the non-line-of-duty death benefit payable on the
3 death of a member who dies during or after a DROP participation period shall equal the
4 non-line-of-duty death benefit provided in § 34(h), plus the balance of the member's
5 DROP account and Annuity Savings [Fund] RESERVE subaccount at the time of death,
6 subject to the following:

- 7 (1) for a member who dies during or at the conclusion of a DROP participation
8 period, § 34(h)(3) shall be applied by assuming that the member had elected to
9 have a service retirement allowance calculated under subsection (e)(1) of this
10 section paid under Option 3 of § 34(k)(1) of this subtitle;
- 11 (2) for a member who dies less than 18 months following the conclusion of a DROP
12 participation period, § 34(h)(3) shall be applied by assuming that the member had
13 elected to have a service retirement allowance calculated under subsection (f)(1),
14 (2), and (3) of this section paid under Option 3 of § 34(k)(1) of this subtitle;
- 15 (3) for a member who dies 18 or more months following the conclusion of his DROP
16 participation period, § 34(h)(3) shall be applied by assuming that the member had
17 elected to have a service retirement allowance calculated under subsection (g)(1)
18 and (2) of this section paid under Option 3 of § 34(k)(1) of this subtitle;
- 19 (4) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(1)
20 and (2) of this subtitle, the balance of the deceased member's DROP account and
21 Annuity Savings [Fund] RESERVE subaccount shall be payable in one lump sum;
- 22 (5) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(3)
23 of this subtitle, the balance of the deceased member's DROP account and Annuity
24 Savings [Fund] RESERVE subaccount shall be payable pursuant to the election of
25 the recipient under subsection (n) of this section; and
- 26 (6) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(4)
27 of this subtitle, the balance of the deceased member's DROP account and Annuity
28 Savings [Fund] RESERVE subaccount shall be payable pursuant to the election of
29 the recipient under subsection (n) of this section.

30 (k) *Line-of-duty death benefit.*

31 (2) *Line-of-duty death benefit.*

32 On the receipt of a written application, proper proof of death, and an award by
33 a hearing examiner of a line-of-duty death benefit as provided for in
34 paragraph (1) of this subsection, the Board of Trustees shall pay either:

35 (A) the [ordinary] death benefit payable on the death of a member under
36 subsection (j) of this section; or

37 (B) the line-of-duty death benefit payable under § 34(i) in lieu of any
38 DROP benefits provided by this Section, including any balance in the
39 member's DROP account and Annuity Savings [Fund] RESERVE

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1 subaccount, as though the member had never participated in the
2 DROP.

3 (l) *Benefits for reemployed DROP participants.*

4 (1) Notwithstanding § 34(b), (d), (E-2), and [(f)] (F-2) of this subtitle, if a member
5 receives retirement benefits under subsection (e), (f), or (g) of this section, is
6 subsequently reemployed in a position covered by this subtitle, and subsequently
7 retires on account of service or disability, the member shall resume receiving the
8 benefits under subsection (e), (f), or (g) that had been suspended at the time of the
9 member's reemployment, plus 2% of the member's average final compensation for
10 each year of service credit earned by the member during the period of reemployment.
11 For purposes of this paragraph (1), if a member retires less than 18 months after his or
12 her reemployment, "average final compensation" includes compensation earned
13 immediately prior to his or her initial retirement. This retirement benefit shall also
14 apply to a member who is disabled as a result of an injury in the line of duty.

15 (m) *Post-retirement increases.*

16 (1) [Notwithstanding § 36A of this subtitle, for] FOR a member who retires during or at
17 the conclusion of a DROP participation period, the member's DROP participation
18 period shall be counted toward the eligibility requirement for post-retirement benefit
19 increases under [§ 36A] ~~§ 36A-1 OR § 36A-2 OF THIS SUBTITLE, AS APPLICABLE.~~

20 (2) However, if a member resumes earning service credit following the conclusion of a
21 DROP participation period, then the DROP participation period shall not be counted
22 toward the eligibility requirement for post-retirement increases.

23 (3) Post-retirement benefit increases for former DROP participants shall be applied
24 prospectively only (i.e., no increase shall be provided to make up for any
25 post-retirement benefit increases that the member would have received if the member
26 had retired from service in lieu of electing to participate in the DROP).

27 (4) If a member elects under subsection (n) to receive the balance of his or her DROP
28 account in the form of periodic payments, those payments shall be eligible for
29 post-retirement benefit increases under [§ 36A] ~~§ 36A-1 OR § 36A-2 OF THIS~~
30 ~~SUBTITLE, AS APPLICABLE,~~ upon satisfaction by the member of the eligibility
31 requirements of [§ 36A(a)], as modified by this subsection (m)] ~~§ 36A-1(A) OR~~
32 ~~§ 36A-2(B), AS APPLICABLE.~~

33 (n) *Form of payment of DROP account balance.*

34 [The total balance of a member's DROP account and Annuity Savings Fund subaccount
35 shall be payable in one lump sum as soon as administratively feasible after the member's
36 retirement or death. However, a member may elect to receive the actuarial equivalent of
37 that balance in the same form of periodic payments in which the member has elected to
38 receive the remainder of his or her retirement benefit; and upon the retired member's
39 death, the DROP account and the Annuity Savings Fund subaccount shall be paid in the
40 same manner as the member's Annuity Savings Fund account.]

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1 (1) The election of the form of payment of the DROP account balance shall be made on
2 forms provided by the Board of Trustees and shall be filed with the Board.

3 (2) A MEMBER OR A BENEFICIARY, IF ENTITLED TO BENEFITS PAYABLE UNDER SUBSECTION
4 (J) OF THIS SECTION, MAY ELECT TO RECEIVE HIS OR HER DROP ACCOUNT BALANCE
5 AND ANNUITY SAVINGS RESERVE SUBACCOUNT IN EITHER:

6 (I) A LUMP SUM, WHICH CAN BE:

7 (A) TRANSFERRED IN TOTAL OR IN PART TO 1 OR MORE FINANCIAL
8 INSTITUTIONS OR PENSION PLANS IN ACCORDANCE WITH § 34(W) OF
9 THIS SUBTITLE, OR

10 (B) PAID IN TOTAL OR IN PART DIRECTLY TO THE MEMBER OR BENEFICIARY;
11 OR

12 (II) AN ANNUITY, TO INCREASE THE MEMBER'S RETIREMENT BENEFIT, WHICH IS THE
13 ACTUARIAL EQUIVALENT OF THE DROP ACCOUNT AND THE ANNUITY SAVINGS
14 RESERVE SUBACCOUNT AND WHICH SHALL BE:

15 (A) PAID IN THE SAME FORM OF PERIODIC PAYMENTS THAT THE MEMBER OR
16 BENEFICIARY ELECTED FOR THE RECEIPT OF THE RETIREMENT OR
17 DEATH BENEFIT; AND

18 (B) PAID IN THE SAME MANNER AS THE MEMBER'S ANNUITY SAVINGS
19 RESERVE SUBACCOUNT, ON THE DEATH OF THE RETIRED DROP
20 PARTICIPANT.

21 (3) IF A LUMP SUM PAYMENT IS ELECTED UNDER PARAGRAPH (2)(I) OF THIS SUBSECTION,
22 THAT PAYMENT SHALL BE MADE AS SOON AS ADMINISTRATIVELY FEASIBLE AFTER THE
23 MEMBER'S RETIREMENT, TERMINATION, OR DEATH.

24 (4) ANY BENEFIT PAYMENT MADE DIRECTLY TO THE MEMBER, THE MEMBER'S
25 BENEFICIARY, OR AN ALTERNATE PAYEE (AS DEFINED IN § 38(D) OF THIS SUBTITLE)
26 SHALL BE SUBJECT TO FEDERAL AND MARYLAND STATE INCOME TAX WITHHOLDING IF
27 APPLICABLE.

28 (5) IF AN ALTERNATE PAYEE IS ENTITLED TO RECEIVE A PORTION OF THE MEMBER'S DROP
29 ACCOUNT AND ANNUITY SAVINGS RESERVE SUBACCOUNT, THE ALTERNATE PAYEE
30 MUST FILE AN APPLICATION WITH THE SYSTEM FOR HIS OR HER SHARE. DISTRIBUTION
31 OF THE DROP ACCOUNT AND ANNUITY SAVINGS RESERVE SUBACCOUNT SHALL BE
32 MADE IN THE SAME FORM OF PAYMENT AS THAT ELECTED BY THE MEMBER OR
33 BENEFICIARY.

34 (o) *Conflicts in elections for death benefits.*

35 In the event of conflicting death benefit elections under this subtitle, an election for
36 [special] LINE-OF-DUTY death benefits made by an eligible surviving spouse [shall
37 override] OVERRIDES an election for [ordinary] NON-LINE-OF-DUTY death benefits made
38 by a designated beneficiary.

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1 **§ 36C. DEFERRED RETIREMENT OPTION PLAN 2.**

2 (A) *SCOPE OF SECTION.*

3 EFFECTIVE ~~JULY 1, 2009~~ JANUARY 1, 2010, A MEMBER WHO IS MAKING REGULAR
4 MANDATORY CONTRIBUTIONS PURSUANT TO § 36(H) AND WHO IS NOT ELIGIBLE FOR THE
5 DROP BENEFITS OF § 36B MAY ELECT TO BECOME A PARTICIPANT IN THIS DEFERRED
6 RETIREMENT OPTION PLAN 2 (“DROP 2”), SUBJECT TO THE FOLLOWING PROVISIONS.

7 (B) *DEFINITIONS.*

8 (1) IN THIS § 36C, THE FOLLOWING TERMS HAVE THE MEANINGS INDICATED.

9 (2) “DROP 2” MEANS THE BENEFITS ESTABLISHED UNDER THIS § 36C.

10 (3) “DROP 2 START DATE” MEANS THE FIRST DAY OF A MEMBER’S DROP PARTICIPATION
11 PERIOD.

12 (4) “DROP 2 END DATE” MEANS THE LAST DAY OF A MEMBER’S DROP PARTICIPATION
13 PERIOD.

14 (5) “DROP 2 PARTICIPATION PERIOD” MEANS A MINIMUM PERIOD OF 1 YEAR AND A
15 MAXIMUM PERIOD OF 3 CONSECUTIVE YEARS DURING WHICH THE MEMBER MAKES
16 REGULAR CONTRIBUTIONS AND DURING WHICH DROP 2 CONTRIBUTIONS AND
17 BENEFITS ARE ACCUMULATED ON BEHALF OF THE DROP 2 PARTICIPANT.

18 (6) “DROP 2 PARTICIPANT” MEANS A MEMBER WHO HAS ELECTED TO BE COVERED BY THE
19 BENEFITS OF THIS § 36C.

20 (7) “INTEREST” MEANS THE REGULAR INTEREST RATE FOR THE ANNUITY SAVINGS
21 RESERVE AS DEFINED IN § 30(9) OF THIS SUBTITLE.

22 (8) “EARLY DROP 2 SERVICE RETIREMENT” MEANS RETIREMENT AFTER A MEMBER
23 COMPLETES AT LEAST 1 YEAR OF DROP 2 PARTICIPATION AND RETIRES DURING OR AT
24 THE CONCLUSION OF THE MEMBER’S DROP 2 PARTICIPATION PERIOD.

25 (9) “MID DROP 2 SERVICE RETIREMENT” MEANS RETIREMENT AFTER THE CONCLUSION OF
26 A MEMBER’S DROP 2 PARTICIPATION PERIOD WITH THE FOLLOWING YEARS OF
27 SERVICE ACQUIRED THROUGH EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY
28 FOLLOWING THE MEMBER’S DROP 2 PARTICIPATION PERIOD:

29 (A) FOR POLICE MEMBERS, LESS THAN 3½ YEARS OF SERVICE, AND

30 (B) FOR FIRE MEMBERS, LESS THAN 5 YEARS OF SERVICE.

31 (10) “COMPLETE DROP 2 SERVICE RETIREMENT” MEANS RETIREMENT AFTER THE
32 CONCLUSION OF A MEMBER’S DROP 2 PARTICIPATION PERIOD WITH THE FOLLOWING
33 YEARS OF SERVICE ACQUIRED THROUGH EMPLOYMENT COVERED BY THIS SYSTEM
34 IMMEDIATELY FOLLOWING THE MEMBER’S DROP 2 PARTICIPATION PERIOD:

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1 (A) FOR POLICE MEMBERS, 3½ OR MORE YEARS OF SERVICE,

2 (B) FOR FIRE MEMBERS, 5 OR MORE YEARS OF SERVICE.

3 (C) *ELIGIBILITY AND APPLICATION.*

4 (1) NOTWITHSTANDING § 30(6) OF THIS SUBTITLE, THE SERVICE CREDIT REQUIREMENTS
5 FOR DROP 2 ELIGIBILITY ARE AS FOLLOWS:

6 (A) A MEMBER OF THIS SYSTEM AS OF ~~JUNE 30~~ DECEMBER 31, 2009, MUST
7 ACQUIRE 20 OR MORE YEARS OF SERVICE, WHETHER THROUGH EMPLOYMENT
8 COVERED BY THIS SYSTEM OR BY TRANSFER-IN, PURCHASE, OR MILITARY
9 SERVICE PURSUANT TO § 32 OF THIS SUBTITLE.

10 (B) AN EMPLOYEE WHO BECOMES A MEMBER OF THIS SYSTEM ON OR AFTER ~~JULY~~
11 ~~1, 2009~~ JANUARY 1, 2010, MUST ACQUIRE 20 OR MORE YEARS OF SERVICE
12 THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS
13 SYSTEM. HOWEVER, SERVICE CREDIT FOR PRE-EMPLOYMENT MILITARY
14 SERVICE WILL BE COUNTED FOR THE 20 YEARS OF CONTINUOUS EMPLOYMENT
15 REQUIREMENT AS LONG AS THE MEMBER MEETS THE REQUIREMENTS OF § 32 (F)
16 FOR PRE-EMPLOYMENT MILITARY SERVICE.

17 (2) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN DROP 2 BY:

18 (A) FILING A WRITTEN APPLICATION ON A FORM APPROVED BY THE BOARD OF
19 TRUSTEES,

20 (B) FILING THE APPLICATION NOT LESS THAN 30 DAYS NOR MORE THAN 90 DAYS
21 BEFORE THE MEMBER'S DROP 2 START DATE, AND

22 (C) SELECTING THE MEMBER'S DROP 2 START DATE.

23 (3) THE ELECTION TO PARTICIPATE IN DROP 2 AND THE ELECTION TO CLAIM ANY BENEFIT
24 UNDER THIS § 36C MUST BE MADE ON FORMS PROVIDED FOR THAT PURPOSE BY THE
25 BOARD OF TRUSTEES AND FILED WITH THE BOARD.

26 (4) A MEMBER'S DROP 2 START DATE MUST ALWAYS BE THE 1ST DAY OF A CALENDAR
27 MONTH.

28 (5) ANY MEMBER IN SERVICE WHO TERMINATES EMPLOYMENT, RETIRES, OR DIES
29 BECOMES INELIGIBLE TO ELECT TO PARTICIPATE OR TO CONTINUE PARTICIPATION IN
30 DROP 2.

31 (6) ANY MEMBER WHO RETIRES OR TERMINATES EMPLOYMENT BEFORE THE 1ST
32 ANNIVERSARY OF THE MEMBER'S DROP 2 START DATE IS NOT ENTITLED TO ANY
33 BENEFITS UNDER THIS § 36C AND IS ONLY ENTITLED TO BENEFITS UNDER § 34 OF THIS
34 SUBTITLE, CALCULATED AS IF THE MEMBER DID NOT PARTICIPATE IN DROP 2.

35 (7) THE BENEFICIARY OF ANY MEMBER WHO DIES BEFORE THE 1ST ANNIVERSARY OF THE
36 MEMBER'S DROP 2 START DATE IS NOT ENTITLED TO BENEFITS UNDER THIS § 36C AND

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- 1 IS ONLY ENTITLED TO BENEFITS UNDER § 34 OF THIS SUBTITLE, CALCULATED AS IF THE
2 MEMBER DID NOT PARTICIPATE IN DROP 2.
- 3 (8) UNLESS STATED WITHIN THIS § 36C, THE APPLICATION REQUIREMENTS OF § 34 OF THIS
4 SUBTITLE APPLY TO THE APPLICABLE SERVICE RETIREMENT, DISABILITY RETIREMENT,
5 AND DEATH BENEFITS PROVIDED BY THIS SECTION.
- 6 (9) NOTWITHSTANDING § 34(E-1)(2)(II) AND § 34(F-1)(2)(II), A MEMBER WHO ELECTS TO
7 RECEIVE DROP 2 BENEFITS UNDER THIS § 36C MAY NOT FILE FOR LINE-OF-DUTY
8 DISABILITY OR 100% LINE-OF-DUTY DISABILITY RETIREMENT BENEFITS FOLLOWING
9 THE MEMBER'S RETIREMENT UNLESS THE MEMBER FIRST PAYS BACK TO THE SYSTEM
10 THE MEMBER'S DROP 2 ACCOUNT DISTRIBUTION OR DROP 2 ANNUITY PAYMENTS.
- 11 (10) A MEMBER WHO PARTICIPATES OR HAS PARTICIPATED IN THE DROP PROVIDED BY
12 § 36B MAY NOT PARTICIPATE IN THE DROP 2 UNDER THIS § 36C.
- 13 (11) A MEMBER WHO BECOMES INELIGIBLE TO PARTICIPATE IN DROP 2 PURSUANT TO THIS
14 SUBSECTION (C) OR A MEMBER WHO WAS ELIGIBLE TO HAVE PARTICIPATED IN EITHER
15 THE DROP PROVIDED BY § 36B OR THIS DROP 2, BUT DID NOT PARTICIPATE AND
16 INSTEAD RETIRED OR TERMINATED EMPLOYMENT, MAY NOT ELECT TO PARTICIPATE IN
17 DROP 2 IF REEMPLOYED IN A POSITION COVERED BY THIS SYSTEM.
- 18 (12) A DROP 2 PARTICIPANT WHO RETIRES WITH A BENEFIT UNDER THIS SECTION IS
19 SUBJECT TO RESTRICTIONS OF THIS ARTICLE CONCERNING CONTEMPORANEOUS
20 MEMBERSHIP IN MORE THAN ONE CITY OF BALTIMORE RETIREMENT SYSTEM.
- 21 (D) *PARTICIPATION PERIOD, MEMBERSHIP STATUS, AND SERVICE CREDITS.*
- 22 (1) A MEMBER'S DROP 2 PARTICIPATION PERIOD SHALL BE A SINGLE TERM OF A MINIMUM
23 OF 1 YEAR AND A MAXIMUM OF 3 CONSECUTIVE YEARS BEGINNING WITH THE
24 MEMBER'S DROP 2 START DATE, AS PROVIDED IN SUBSECTION (C)(4) OF THIS SECTION.
- 25 (2) A MEMBER'S DROP 2 PARTICIPATION PERIOD TERMINATES IF A MEMBER BECOMES
26 INELIGIBLE TO PARTICIPATE OR TO CONTINUE PARTICIPATION IN DROP 2 PURSUANT TO
27 SUBSECTION (C) OF THIS SECTION.
- 28 (3) A MEMBER MUST REMAIN AN ACTIVE MEMBER OF THIS SYSTEM DURING THE
29 MEMBER'S DROP 2 PARTICIPATION PERIOD.
- 30 (4) A MEMBER MAY NOT EARN SERVICE CREDIT FOR EMPLOYMENT DURING THE MEMBER'S
31 DROP 2 PARTICIPATION PERIOD.
- 32 (5) NOTWITHSTANDING PARAGRAPH (4) OF THIS SUBSECTION, A DROP 2 PARTICIPANT
33 MAY CONTINUE MAKING VOLUNTARY CONTRIBUTIONS FOR THE PURCHASE OF
34 ADDITIONAL SERVICE CREDITS AS PROVIDED BY § 32 OF THIS SUBTITLE AND
35 SUBSECTION (F)(6) OF THIS SECTION.
- 36 (6) A MEMBER WHO CONTINUES EMPLOYMENT COVERED BY THIS SYSTEM AT THE
37 CONCLUSION OF HIS OR HER DROP 2 PARTICIPATION PERIOD RESUMES EARNING
38 SERVICE CREDIT IN THIS SYSTEM.

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1 (E) *ELECTION TO DISCONTINUE DROP 2 PARTICIPATION.*

- 2 (1) A MEMBER MAY ELECT TO DISCONTINUE PARTICIPATION IN **DROP 2** AND RESUME
3 EARNING SERVICE CREDIT IN THE SYSTEM ONLY AS OF THE 1ST OR 2ND ANNIVERSARY OF
4 THE MEMBER'S **DROP 2** START DATE.
- 5 (2) THE ELECTION TO DISCONTINUE **DROP 2** PARTICIPATION MUST BE MADE ON A FORM
6 PROVIDED FOR THAT PURPOSE BY THE BOARD OF TRUSTEES AND FILED WITH THE
7 BOARD NO LESS THAN 30 DAYS NOR MORE THAN 90 DAYS BEFORE THE MEMBER'S
8 **DROP 2** DISCONTINUATION EFFECTIVE DATE.
- 9 (3) A MEMBER WHO ELECTS TO DISCONTINUE **DROP 2** PARTICIPATION MAY NOT ELECT TO
10 AGAIN PARTICIPATE IN **DROP 2**.

11 (F) *MEMBER CONTRIBUTIONS BY DROP 2 PARTICIPANTS.*

- 12 (1) A MEMBER WHO BECOMES A **DROP 2** PARTICIPANT MUST CONTINUE TO MAKE THE
13 REGULAR MANDATORY MEMBER CONTRIBUTIONS REQUIRED BY § 36(H) OF THIS
14 SUBTITLE FOR MEMBERS EARNING SERVICE CREDIT.
- 15 (2) THE REGULAR MANDATORY MEMBER CONTRIBUTIONS REQUIRED UNDER § 36(H) AND
16 MADE DURING THE MEMBER'S **DROP 2** PARTICIPATION PERIOD:
- 17 (A) SHALL BE ACCUMULATED IN A SUBACCOUNT WITHIN THE ANNUITY SAVINGS
18 RESERVE AND SHALL BE CREDITED TO THE MEMBER'S **DROP 2** ACCOUNT,
19 ESTABLISHED UNDER SUBSECTION (G) OF THIS SECTION; AND
- 20 (B) ARE NOT CONSIDERED "ACCUMULATED CONTRIBUTIONS", AS DEFINED IN
21 § 30(10) OF THIS SUBTITLE.
- 22 (3) THE CONTRIBUTIONS DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION SHALL BE
23 TREATED AS BEING "PICKED UP" BY THE CITY OF BALTIMORE WITHIN THE MEANING OF
24 § 414(H)(2) OF THE INTERNAL REVENUE CODE, AS AMENDED.
- 25 (4) CONTRIBUTIONS THAT, UNDER § 36(H) OF THIS SUBTITLE, ARE REQUIRED OF ANY
26 MEMBER ENTITLED TO PROTECTION OF RETIREMENT BENEFITS AND CREDITS ON
27 ACCOUNT OF MILITARY SERVICE UNDER § 32(E) OF THIS SUBTITLE, SHALL BE PAID ON
28 BEHALF OF THE MEMBER BY THE SYSTEM INTO THE MEMBER'S **DROP 2** ACCOUNT
29 SHOULD THE MEMBER BE ABSENT FROM EMPLOYMENT ON ACCOUNT OF MILITARY
30 SERVICE DURING THE MEMBER'S **DROP 2** PARTICIPATION PERIOD.
- 31 (5) CONTRIBUTIONS REQUIRED TO BE MADE BY THE MEMBER DURING THE **DROP 2**
32 PARTICIPATION PERIOD SHALL BE CREDITED WITH INTEREST, COMPOUNDED
33 ANNUALLY, AS PROVIDED IN SUBSECTION (G) OF THIS SECTION.
- 34 (6) DURING A MEMBER'S **DROP 2** PARTICIPATION PERIOD, THE MEMBER MAY CONTINUE
35 TO MAKE VOLUNTARY CONTRIBUTIONS FOR THE PURCHASE OR THE TRANSFER-IN OF
36 SERVICE CREDITS UNDER § 32 OF THIS SUBTITLE. VOLUNTARY CONTRIBUTIONS MAY
37 NOT BE CREDITED TO THE MEMBER'S **DROP 2** ACCOUNT.

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1 (7) A MEMBER WHO CONTINUES EMPLOYMENT AT THE CONCLUSION OF HER OR HIS DROP
2 2 PARTICIPATION PERIOD SHALL CONTINUE MAKING REQUIRED MANDATORY MEMBER
3 CONTRIBUTIONS. THESE CONTRIBUTIONS SHALL BE CREDITED TO THE MEMBER'S
4 ANNUITY SAVINGS ACCOUNT AND SHALL BE "ACCUMULATED CONTRIBUTIONS".

5 (G) *DROP 2 ACCOUNT.*

6 (1) A DROP 2 ACCOUNT SHALL BE MAINTAINED FOR EACH MEMBER WHO BECOMES A
7 DROP 2 PARTICIPANT. THE ACCOUNT SHALL COMPRISE:

8 (A) DROP 2 MEMBER CONTRIBUTIONS, WHICH SHALL BE MAINTAINED IN THE
9 ANNUITY SAVINGS RESERVE, AND

10 (B) DROP 2 BENEFITS, WHICH SHALL BE MAINTAINED IN THE PENSION
11 ACCUMULATION RESERVE.

12 (2) THE MEMBER CONTRIBUTIONS CREDITED TO THE DROP 2 ACCOUNT ARE THE
13 CONTRIBUTIONS DESCRIBED IN SUBSECTION (F) OF THIS SECTION AND ARE CREDITED
14 TO THE DROP 2 ACCOUNT, PLUS INTEREST.

15 (3) (A) THE BENEFITS CREDITED TO THE DROP 2 ACCOUNT ARE AS FOLLOWS:

16 (i) FOR EACH FULL 12-MONTH PERIOD ENDING JUNE 30 DURING A MEMBER'S
17 DROP 2 PARTICIPATION PERIOD, AN AMOUNT EQUAL TO THE ANNUAL SERVICE
18 RETIREMENT ALLOWANCE THAT THE MEMBER WOULD HAVE RECEIVED UNDER
19 § 34(B)(4) OF THIS SUBTITLE HAD THE MEMBER RETIRED FROM SERVICE AND
20 BEGAN RECEIVING THE MAXIMUM SERVICE RETIREMENT ALLOWANCE UNDER
21 THE PROVISIONS OF THIS SECTION AND THIS SUBTITLE ON THE MEMBER'S
22 DROP 2 START DATE, PLUS INTEREST; PLUS

23 (ii) FOR EACH FULL MONTH OF A MEMBER'S DROP 2 PARTICIPATION PERIOD THAT
24 DOES NOT FALL WITHIN ITEM (i) OF THIS PARAGRAPH (3)(A), AN AMOUNT
25 EQUAL TO ONE-TWELFTH OF THE MEMBER'S ANNUAL BENEFIT CALCULATED IN
26 ACCORDANCE WITH ITEM (i), PLUS INTEREST; PLUS

27 (iii) FOR EACH DAY OF A MONTH NOT FALLING WITHIN ITEM (i) OR (ii) OF THIS
28 PARAGRAPH (3)(A), AN AMOUNT EQUAL TO ONE THREE HUNDRED SIXTY-FIFTHS
29 OF THE MEMBER'S ANNUAL BENEFIT CALCULATED IN ACCORDANCE WITH ITEM
30 (i), PLUS INTEREST.

31 (B) NOTWITHSTANDING PARAGRAPH (3)(A)(i) OF THIS SECTION OR § 32(F) OF THIS
32 SUBTITLE, IF A MEMBER FAILS TO PROPERLY APPLY FOR CREDIT FOR PRE-
33 EMPLOYMENT MILITARY SERVICE AND TO SUPPLY TO THIS SYSTEM THE PROPER
34 AND COMPLETE DOCUMENTATION FOR THE MEMBER'S PRE-EMPLOYMENT
35 MILITARY SERVICE PRIOR TO THE MEMBER'S DROP 2 PARTICIPATION START DATE,
36 THAT CREDIT MAY NOT BE INCLUDED IN THE CALCULATION OF THE MEMBER'S
37 "SERVICE RETIREMENT ALLOWANCE", AS USED IN THIS SUBSECTION (G), TO
38 CALCULATE THE MEMBER'S DROP 2 BENEFITS FOR CREDIT TO THE MEMBER'S
39 DROP 2 ACCOUNT.

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1 (C) NOTWITHSTANDING PARAGRAPH (3)(B) OF THIS SECTION, A MEMBER WHO,
2 SUBSEQUENT TO THE MEMBER'S DROP 2 START DATE, PROPERLY APPLIES FOR
3 CREDIT AND PROVIDES THIS SYSTEM THE PROPER AND COMPLETE
4 DOCUMENTATION FOR PRE-EMPLOYMENT MILITARY SERVICE WILL HAVE CREDIT
5 FOR HIS OR HER PRE-EMPLOYMENT MILITARY SERVICE, AS PROVIDED IN § 32(F) OF
6 THIS SUBTITLE, INCLUDED IN THE CALCULATION OF THE MEMBER'S RETIREMENT
7 PENSION UNDER SUBSECTIONS (H), (I), AND (J) OF THIS SECTION.

8 (4) SHOULD A MEMBER NOT MAKE A REQUIRED MANDATORY CONTRIBUTION FOR A PAY
9 PERIOD DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, EXCEPT IN
10 THE CASE OF A MEMBER WHO IS ON LEAVE DUE TO MILITARY SERVICE, DROP
11 BENEFITS SHALL NOT BE CREDITED TO THE MEMBER'S DROP 2 ACCOUNT FOR THAT
12 SAME PAY PERIOD.

13 (5) INTEREST SHALL BE CREDITED AND COMPOUNDED ANNUALLY TO THE MEMBER'S
14 DROP 2 ACCOUNT AT THE DROP 2 INTEREST RATE:

15 (A) UTILIZING THE SAME METHODOLOGY AS USED TO CREDIT INTEREST ON THE
16 MEMBER'S NON-DROP ANNUITY SAVINGS ACCOUNT, AND

17 (B) FROM THE START DATE OF THE MEMBER'S DROP 2 PARTICIPATION PERIOD
18 THROUGH THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT
19 COVERED BY THIS SYSTEM.

20 (H) *EARLY DROP 2 SERVICE RETIREMENT BENEFIT.*

21 (1) *EMPLOYMENT AND SERVICE REQUIREMENTS.*

22 A DROP 2 PARTICIPANT MAY RETIRE WITH AN EARLY DROP 2 SERVICE RETIREMENT
23 BENEFIT IF, ON THE MEMBER'S LAST DAY OF EMPLOYMENT COVERED BY THIS SYSTEM,
24 THE MEMBER:

25 (A) COMPLETES A MINIMUM 1-YEAR OF HIS OR HER DROP 2 PARTICIPATION
26 PERIOD;

27 (B) DOES NOT RESUME EARNING SERVICE CREDIT FOR EMPLOYMENT COVERED BY
28 THIS SYSTEM; AND

29 (C) RETIRES DURING OR AT THE CONCLUSION OF HIS OR HER DROP 2
30 PARTICIPATION PERIOD.

31 (2) *APPLICATION.*

32 TO RETIRE WITH AN EARLY DROP 2 RETIREMENT BENEFIT UNDER THIS SUBSECTION
33 (H), A DROP 2 PARTICIPANT MUST:

34 (A) APPLY TO THE BOARD OF TRUSTEES ON A FORM APPROVED BY THE BOARD;

35 (B) SET FORTH HIS OR HER RETIREMENT DATE; AND

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1 (C) SUBMIT THE APPLICATION TO THE BOARD NO LESS THAN 30 DAYS NOR MORE
2 THAN 90 DAYS BEFORE THE DATE OF RETIREMENT.

3 (3) *MAXIMUM ALLOWANCE ON EARLY DROP 2 SERVICE RETIREMENT.*

4 THE MAXIMUM EARLY DROP 2 SERVICE RETIREMENT BENEFIT SHALL BE A
5 PERIODICALLY PAID ALLOWANCE, WHICH SHALL CONSIST OF:

6 (A) AN ANNUITY THAT IS, AS OF THE MEMBER'S RETIREMENT DATE, THE
7 ACTUARIAL EQUIVALENT OF:

8 (I) THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE MEMBER'S
9 DROP 2 START DATE, PLUS INTEREST; PLUS

10 (II) ANY CONTRIBUTIONS MADE ON BEHALF OF A MEMBER WHO SERVED IN
11 THE MILITARY SERVICE DURING EMPLOYMENT AS THOSE
12 CONTRIBUTIONS WOULD BE CREDITED TO THE MEMBER'S
13 ACCUMULATED CONTRIBUTIONS ACCORDING TO § 32 (E) OF THIS
14 SUBTITLE, PLUS INTEREST; AND

15 (B) A PENSION THAT, TOGETHER WITH THE MEMBER'S ANNUITY, EQUALS:

16 (i) 2.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED
17 AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN
18 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF THE
19 FIRST 20 YEARS OF SERVICE; PLUS

20 (ii) 2.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED
21 AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN
22 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF
23 SERVICE OVER 20 YEARS, PRORATED FOR PARTIAL YEARS, UP TO BUT
24 NOT INCLUDING THE MEMBER'S DROP 2 START DATE.

25 (4) *DROP 2 ACCOUNT PAYOUT.*

26 IN ADDITION TO RECEIVING A PERIODICALLY PAID EARLY DROP 2 SERVICE
27 RETIREMENT BENEFIT, A DROP 2 PARTICIPANT RETIRING UNDER THIS SUBSECTION (H)
28 SHALL RECEIVE THE BALANCE IN HIS OR HER DROP 2 ACCOUNT PAYABLE PURSUANT
29 TO THE MEMBER'S ELECTION UNDER SUBSECTION (O) OF THIS SECTION.

30 (5) *OPTIONAL SURVIVORSHIP ELECTIONS.*

31 THE BENEFITS PAYABLE UNDER THIS SUBSECTION (H) ARE SUBJECT TO THE MEMBER'S
32 ELECTION OF OPTIONAL FORMS OF PAYMENT UNDER § 34(k) OF THIS SUBTITLE.

33 (6) *RETURN OF VOLUNTARY CONTRIBUTIONS FOR EARLY DROP 2 RETIREMENTS.*

34 IF A MEMBER RECEIVES AN EARLY DROP 2 RETIREMENT BENEFIT, VOLUNTARY
35 CONTRIBUTIONS FOR THE PURCHASE OR TRANSFER-IN OF SERVICE CREDITS MADE
36 DURING THE MEMBER'S DROP 2 PARTICIPATION PERIOD:

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1 (A) MAY NOT BE USED TO CALCULATE ADDITIONAL SERVICE CREDITS INCLUDED IN
2 THE EARLY DROP 2 SERVICE RETIREMENT ALLOWANCE, AND

3 (B) SHALL BE REFUNDED WITH INTEREST TO THE MEMBER.

4 (i) *MID DROP 2 SERVICE RETIREMENT BENEFIT.*

5 (1) *EMPLOYMENT AND SERVICE REQUIREMENTS.*

6 A DROP 2 PARTICIPANT MAY RETIRE WITH A MID DROP 2 SERVICE RETIREMENT
7 BENEFIT IF, ON THE MEMBER'S LAST DAY OF EMPLOYMENT COVERED BY THIS SYSTEM,
8 THE MEMBER:

9 (A) COMPLETES A MINIMUM 1-YEAR OF HER OR HIS DROP 2 PARTICIPATION
10 PERIOD;

11 (B) RESUMES EARNING SERVICE CREDIT FOR EMPLOYMENT COVERED BY THIS
12 SYSTEM IMMEDIATELY FOLLOWING COMPLETION OF THE MEMBER'S DROP 2
13 PARTICIPATION PERIOD; AND

14 (C) RETIRES WITH LESS THAN THE FOLLOWING REQUIRED YEARS OF SERVICE
15 CREDIT ACQUIRED THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING
16 MEMBER OF THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S DROP 2
17 PARTICIPATION PERIOD:

18 (i) FOR A POLICE DEPARTMENT MEMBER, 3½ YEARS; AND

19 (ii) FOR A FIRE DEPARTMENT MEMBER, 5 YEARS.

20 (2) *APPLICATION.*

21 TO RETIRE WITH A MID DROP 2 RETIREMENT BENEFIT UNDER THIS SUBSECTION (i), A
22 DROP 2 PARTICIPANT MUST:

23 (A) APPLY TO THE BOARD OF TRUSTEES ON A FORM APPROVED BY THE BOARD;

24 (B) SET FORTH HIS OR HER RETIREMENT DATE; AND

25 (C) SUBMIT THE APPLICATION TO THE BOARD NO LESS THAN 30 DAYS NOR MORE
26 THAN 90 DAYS BEFORE THE DATE OF RETIREMENT.

27 (3) *MAXIMUM ANNUAL ALLOWANCE ON MID DROP 2 SERVICE RETIREMENT.*

28 THE MAXIMUM ANNUAL MID DROP 2 SERVICE RETIREMENT BENEFIT SHALL BE A
29 PERIODICALLY PAID ALLOWANCE, WHICH SHALL CONSIST OF:

30 (A) AN ANNUITY THAT IS, AS OF THE MEMBER'S RETIREMENT DATE, THE
31 ACTUARIAL EQUIVALENT OF:

32 (i) THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE MEMBER'S
33 DROP 2 START DATE, PLUS INTEREST; PLUS

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1 (II) THE MANDATORY MEMBER CONTRIBUTIONS MADE AFTER THE
2 MEMBER'S DROP 2 PARTICIPATION PERIOD, PLUS INTEREST; PLUS

3 (III) ANY VOLUNTARY CONTRIBUTIONS MADE TO PURCHASE ADDITIONAL
4 SERVICE CREDITS UNDER § 32 OF THIS SUBTITLE BEFORE, DURING, OR
5 AFTER THE MEMBER'S DROP 2 PARTICIPATION PERIOD, PLUS INTEREST;
6 PLUS

7 (IV) ANY CONTRIBUTIONS MADE ON BEHALF OF A MEMBER WHO SERVED IN
8 THE MILITARY SERVICE DURING EMPLOYMENT, AS THOSE
9 CONTRIBUTIONS WOULD BE CREDITED TO THE MEMBER'S
10 ACCUMULATED CONTRIBUTIONS ACCORDING TO §32 (E) OF THIS
11 SUBTITLE, PLUS INTEREST; AND

12 (B) A PENSION THAT, TOGETHER WITH THE MEMBER'S ANNUITY, EQUALS:

13 (i) 2.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED
14 AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN
15 ACCORDANCE WITH §30(11) OF THIS SUBTITLE, FOR EACH YEAR OF THE
16 FIRST 20 YEARS OF SERVICE; PLUS

17 (ii) 2.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED
18 AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN
19 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF
20 SERVICE OVER 20 YEARS, PRORATED FOR PARTIAL YEARS, UP TO BUT
21 NOT INCLUDING THE MEMBER'S DROP 2 START DATE; PLUS

22 (iii) 2.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION,
23 CALCULATED AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START
24 DATE IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH
25 YEAR OF SERVICE, PRORATED FOR PARTIAL YEARS, NOT ALREADY
26 INCLUDED IN THE CALCULATION OF THE MEMBER'S RETIREMENT
27 ALLOWANCE UNDER ITEMS (i) AND (ii) OF THIS PARAGRAPH (3)(B), FOR
28 SERVICE PURCHASED OR GRANTED UNDER § 32 DURING OR AFTER THE
29 MEMBER'S DROP 2 PARTICIPATION PERIOD; PLUS

30 (iv) 1. FOR A POLICE DEPARTMENT MEMBER, 2.0% OF THE MEMBER'S
31 AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE
32 MEMBER'S DATE OF TERMINATION FROM CITY EMPLOYMENT
33 COVERED BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS
34 SUBTITLE, FOR EACH FULL YEAR OF SERVICE CREDIT, PRORATED
35 FOR PARTIAL YEARS, UP TO 3½ YEARS, EARNED BY THE MEMBER
36 THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER
37 OF THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE
38 MEMBER'S DROP 2 PARTICIPATION PERIOD; OR

39 2. A. FOR A FIRE DEPARTMENT MEMBER:

40 (1) 2.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION,
41 CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION
42 FROM CITY EMPLOYMENT COVERED BY THIS SYSTEM IN

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1 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH
2 FULL YEAR OF SERVICE CREDIT, PRORATED FOR PARTIAL
3 YEARS, UP TO 5 YEARS, EARNED BY THE MEMBER THROUGH
4 CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER
5 OF THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE
6 MEMBER'S DROP 2 PARTICIPATION PERIOD; PLUS

7 (2) A RECOVERY RATE, SUBJECT TO THE LIMITATIONS OF
8 SUBPARAGRAPH B, OF 6.0% (1.5% FOR EACH OF 4 YEARS) OF
9 THE MEMBER'S AVERAGE FINAL COMPENSATION,
10 CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION
11 FROM EMPLOYMENT COVERED BY THIS SYSTEM IN
12 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH
13 OF THE 4 YEARS OF SERVICE CREDIT EARNED BY THE
14 MEMBER THROUGH CONTINUOUS EMPLOYMENT AS A
15 CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY
16 FOLLOWING THE END OF THE MEMBER'S DROP 2
17 PARTICIPATION PERIOD.

18 B. THE TOTAL OF THE RECOVERY RATE WILL BE LIMITED TO:

19 (1) 2.0%, IF THE MEMBER ELECTED TO DISCONTINUE
20 PARTICIPATION IN DROP 2 AFTER 1 YEAR OF DROP 2
21 PARTICIPATION IN ACCORDANCE WITH SUBSECTION (E) OF
22 THIS SECTION; OR

23 (2) 4.0%, IF THE MEMBER ELECTED TO DISCONTINUE
24 PARTICIPATION IN DROP 2 AFTER 2 YEARS OF DROP 2
25 PARTICIPATION IN ACCORDANCE WITH SUBSECTION (E) OF
26 THIS SECTION.

27 (4) *DROP 2 ACCOUNT PAYOUT.*

28 IN ADDITION TO RECEIVING A PERIODICALLY PAID MID DROP 2 SERVICE RETIREMENT
29 BENEFIT, A DROP 2 PARTICIPANT RETIRING UNDER THIS SUBSECTION (I) SHALL
30 RECEIVE THE BALANCE IN HIS OR HER DROP 2 ACCOUNT PAYABLE PURSUANT TO THE
31 MEMBER'S ELECTION UNDER SUBSECTION (O) OF THIS SECTION.

32 (5) *OPTIONAL SURVIVORSHIP ELECTIONS.*

33 THE BENEFITS PAYABLE UNDER THIS SUBSECTION (I) ARE SUBJECT TO THE MEMBER'S
34 ELECTION OF OPTIONAL FORMS OF PAYMENT UNDER § 34(K) OF THIS SUBTITLE.

35 (J) *COMPLETE DROP 2 SERVICE RETIREMENT BENEFIT.*

36 (1) *EMPLOYMENT AND SERVICE REQUIREMENTS.*

37 A DROP 2 PARTICIPANT MAY RETIRE WITH A COMPLETE DROP 2 SERVICE
38 RETIREMENT BENEFIT IF, ON THE MEMBER'S LAST DAY OF EMPLOYMENT COVERED BY
39 THIS SYSTEM, THE MEMBER:

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1 (A) COMPLETES A MINIMUM 1-YEAR OF HER OR HIS DROP 2 PARTICIPATION
2 PERIOD;

3 (B) RESUMES EARNING SERVICE CREDIT FOR EMPLOYMENT COVERED BY THIS
4 SYSTEM IMMEDIATELY FOLLOWING COMPLETION OF THE MEMBER'S DROP 2
5 PARTICIPATION PERIOD; AND

6 (C) RETIRES WITH THE FOLLOWING REQUIRED YEARS OF SERVICE CREDIT
7 ACQUIRED THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER
8 OF THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S DROP 2
9 PARTICIPATION PERIOD:

10 (i) FOR A POLICE DEPARTMENT MEMBER, 3½ OR MORE YEARS; AND

11 (ii) FOR A FIRE DEPARTMENT MEMBER, 5 OR MORE YEARS.

12 (2) *APPLICATION.*

13 TO RETIRE WITH A COMPLETE DROP 2 RETIREMENT BENEFIT UNDER THIS SUBSECTION
14 (J), A DROP 2 PARTICIPANT MUST:

15 (A) APPLY TO THE BOARD OF TRUSTEES ON A FORM APPROVED BY THE BOARD;

16 (B) SET FORTH HIS OR HER RETIREMENT DATE; AND

17 (C) SUBMIT THE APPLICATION TO THE BOARD NO LESS THAN 30 DAYS NOR MORE
18 THAN 90 DAYS BEFORE THE DATE OF RETIREMENT.

19 (3) *MAXIMUM ANNUAL ALLOWANCE ON COMPLETE DROP 2 SERVICE RETIREMENT.*

20 THE MAXIMUM ANNUAL COMPLETE DROP 2 SERVICE RETIREMENT BENEFIT SHALL BE
21 A PERIODICALLY PAID ALLOWANCE, WHICH SHALL CONSIST OF:

22 (A) AN ANNUITY THAT IS, AS OF THE MEMBER'S RETIREMENT DATE, THE
23 ACTUARIAL EQUIVALENT OF:

24 (i) THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE MEMBER'S
25 DROP 2 START DATE, PLUS INTEREST; PLUS

26 (ii) THE MANDATORY MEMBER CONTRIBUTIONS MADE AFTER THE
27 MEMBER'S DROP 2 PARTICIPATION PERIOD, PLUS INTEREST; PLUS

28 (iii) ANY VOLUNTARY CONTRIBUTIONS MADE TO PURCHASE ADDITIONAL
29 SERVICE CREDITS UNDER § 32 OF THIS SUBTITLE BEFORE, DURING, OR
30 AFTER THE MEMBER'S DROP 2 PARTICIPATION PERIOD, PLUS INTEREST;
31 PLUS

32 (iv) ANY CONTRIBUTIONS MADE ON BEHALF OF A MEMBER WHO SERVED IN
33 THE MILITARY SERVICE DURING EMPLOYMENT, AS THOSE
34 CONTRIBUTIONS WOULD BE CREDITED TO THE MEMBER'S

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1 ACCUMULATED CONTRIBUTIONS ACCORDING TO § 32 (E) OF THIS
2 SUBTITLE, PLUS INTEREST; AND

3 (B) A PENSION THAT, TOGETHER WITH THE MEMBER'S ANNUITY, EQUALS:

4 (i) 2.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED
5 AS OF THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT
6 COVERED BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS
7 SUBTITLE, FOR EACH YEAR OF THE FIRST 20 YEARS OF SERVICE; PLUS

8 (ii) 1. FOR A POLICE DEPARTMENT MEMBER, 2.0% OF THE MEMBER'S
9 AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE
10 MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED
11 BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE,
12 FOR EACH YEAR OF SERVICE OVER 20 YEARS, PRORATED FOR
13 PARTIAL YEARS, BUT EXCLUDING FROM THIS CALCULATION THE
14 MEMBER'S EMPLOYMENT COVERED BY THIS SYSTEM DURING THE
15 MEMBER'S DROP 2 PARTICIPATION PERIOD; OR

16 2. A. FOR A FIRE DEPARTMENT MEMBER:

17 (1) 2.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION,
18 CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION
19 FROM EMPLOYMENT COVERED BY THIS SYSTEM IN
20 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH
21 YEAR OF SERVICE OVER 20 YEARS, PRORATED FOR PARTIAL
22 YEARS, BUT EXCLUDING FROM THIS CALCULATION THE
23 MEMBER'S EMPLOYMENT COVERED BY THIS SYSTEM
24 DURING THE MEMBER'S DROP 2 PARTICIPATION PERIOD;
25 PLUS

26 (2) A RECOVERY RATE, SUBJECT TO THE LIMITATIONS OF
27 SUBPARAGRAPH B, OF 6.0% (1.5% FOR EACH OF 4 YEARS) OF
28 THE MEMBER'S AVERAGE FINAL COMPENSATION,
29 CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION
30 FROM EMPLOYMENT COVERED BY THIS SYSTEM IN
31 ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH
32 OF THE 4 YEARS OF SERVICE CREDIT EARNED BY THE
33 MEMBER THROUGH CONTINUOUS EMPLOYMENT AS A
34 CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY
35 FOLLOWING THE END OF THE MEMBER'S DROP 2
36 PARTICIPATION PERIOD.

37 B. THE TOTAL OF THE RECOVERY RATE WILL BE LIMITED TO:

38 (1) 2.0%, IF THE MEMBER ELECTED TO DISCONTINUE
39 PARTICIPATION IN DROP 2 AFTER 1 YEAR OF DROP 2
40 PARTICIPATION IN ACCORDANCE WITH SUBSECTION (E) OF
41 THIS SECTION; OR

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1 (2) 4.0%, IF THE MEMBER ELECTED TO DISCONTINUE
2 PARTICIPATION IN **DROP 2** AFTER 2 YEARS OF **DROP 2**
3 PARTICIPATION IN ACCORDANCE WITH SUBSECTION (E) OF
4 THIS SECTION.

5 (4) *DROP 2 ACCOUNT PAYOUT.*

6 IN ADDITION TO RECEIVING A PERIODICALLY PAID COMPLETE **DROP 2** SERVICE
7 RETIREMENT BENEFIT, A **DROP 2** PARTICIPANT RETIRING UNDER THIS SUBSECTION (J)
8 SHALL RECEIVE THE BALANCE IN HIS OR HER **DROP 2** ACCOUNT PAYABLE PURSUANT
9 TO THE MEMBER'S ELECTION UNDER SUBSECTION (O) OF THIS SECTION.

10 (5) *OPTIONAL SURVIVORSHIP ELECTIONS.*

11 THE BENEFITS PAYABLE UNDER THIS SUBSECTION (J) ARE SUBJECT TO THE MEMBER'S
12 ELECTION OF OPTIONAL FORMS OF PAYMENT UNDER § 34(K) OF THIS SUBTITLE.

13 (K) *DROP 2 NON-LINE-OF-DUTY DISABILITY BENEFIT.*

14 NOTWITHSTANDING § 34(D) OF THIS SUBTITLE, ANY MEMBER WHO RETIRES ON A NON-
15 LINE-OF-DUTY DISABILITY AFTER BECOMING A **DROP 2** PARTICIPANT AND WHO MEETS
16 THE QUALIFICATIONS OF SUBSECTION (H), (I), OR (J), SHALL RECEIVE A **DROP 2**
17 RETIREMENT BENEFIT PURSUANT TO THAT SUBSECTION.

18 (L) *DROP 2 NON-LINE-OF-DUTY DEATH BENEFITS.*

19 (1) THE NON-LINE-OF-DUTY DEATH BENEFIT PAYABLE ON THE DEATH OF A MEMBER WHO
20 DIES EITHER DURING OR AFTER THE MEMBER'S **DROP 2** PARTICIPATION PERIOD SHALL
21 BE DETERMINED BY THE BENEFICIARY ELIGIBILITY AND BENEFIT PROVISIONS OF
22 § 34(H) OF THIS SUBTITLE AND SHALL BE SUBJECT TO THE FOLLOWING.

23 (2) A BENEFICIARY WHO ELECTS TO RECEIVE LUMP-SUM NON-LINE-OF-DUTY DEATH
24 BENEFITS UNDER § 34(H)(2) OF THIS SUBTITLE SHALL RECEIVE THE DECEASED
25 MEMBER'S **DROP 2** ACCOUNT ONLY IF:

26 (A) THE MEMBER PARTICIPATED IN **DROP 2** FOR A MINIMUM OF 1 YEAR; AND

27 (B) THE BENEFICIARY ELECTS TO RECEIVE THE **DROP 2** ACCOUNT IN A LUMP SUM.

28 (3) A BENEFICIARY WHO ELECTS TO RECEIVE 100% SURVIVORSHIP NON-LINE-OF-DUTY
29 DEATH BENEFITS UNDER § 34(H)(3) OF THIS SUBTITLE SHALL RECEIVE **DROP 2**
30 BENEFITS AS FOLLOWS:

31 (A) IF THE **DROP 2** PARTICIPANT DIES WITHIN THE 1ST YEAR OF **DROP 2**
32 PARTICIPATION, THE BENEFICIARY IS ONLY ENTITLED TO BENEFITS UNDER
33 § 34(H)(3) AND IS NOT ENTITLED TO ANY BENEFITS ACCUMULATED IN THE
34 MEMBER'S **DROP 2** ACCOUNT.

35 (B) IF THE **DROP 2** PARTICIPANT DIES AFTER THE FIRST YEAR OF **DROP 2**
36 PARTICIPATION, THE DEATH BENEFIT PAYABLE SHALL:

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- 1 (I) BE DETERMINED AS IF THE MEMBER HAD RETIRED ON THE DATE OF
- 2 DEATH AND HAD ELECTED TO RECEIVE BENEFITS UNDER SUBSECTION
- 3 (H), (I), OR (J), AS APPLICABLE;

- 4 (II) BE PAID UNDER THE 100% SURVIVORSHIP OPTION OF § 34(K) OF THIS
- 5 SUBTITLE; AND

- 6 (III) INCLUDE THE BALANCE OF THE DECEASED MEMBER'S DROP 2
- 7 ACCOUNT AS OF THE DATE OF THE MEMBER'S DEATH, AND BE PAYABLE
- 8 PURSUANT TO THE ELECTION OF THE BENEFICIARY UNDER SUBSECTION
- 9 (O) OF THIS SECTION.

- 10 (4) A BENEFICIARY WHO ELECTS TO RECEIVE THE 25% PLUS NON-LINE-OF-DUTY DEATH
- 11 BENEFITS UNDER § 34(H)(4) OF THIS SUBTITLE SHALL RECEIVE DROP 2 BENEFITS AS
- 12 FOLLOWS:

- 13 (A) IF THE MEMBER DIES WITHIN THE 1ST YEAR OF THE DROP 2 PARTICIPATION
- 14 PERIOD, THE BENEFICIARY IS ONLY ENTITLED TO BENEFITS UNDER § 34(H)(4)
- 15 AND IS NOT ENTITLED TO ANY BENEFITS ACCUMULATED IN THE MEMBER'S
- 16 DROP 2 ACCOUNT.

- 17 (B) IF THE DROP 2 PARTICIPANT DIES AFTER THE 1ST YEAR OF THE DROP 2
- 18 PARTICIPATION PERIOD, BUT DURING THE 2ND OR 3RD YEAR OF THE DROP 2
- 19 PARTICIPATION PERIOD, THE DEATH BENEFIT PAYABLE SHALL:

- 20 (I) BE DETERMINED USING THE MEMBER'S EARNABLE COMPENSATION ON
- 21 THE DAY BEFORE THE MEMBER'S DROP 2 START DATE;

- 22 (II) BE PAID UNDER THE 25% PLUS NON-LINE-OF-DUTY DEATH BENEFITS
- 23 UNDER § 34(H)(4) OF THIS SUBTITLE; AND

- 24 (III) INCLUDE THE BALANCE OF THE DECEASED MEMBER'S DROP 2
- 25 ACCOUNT AS OF THE DATE OF THE MEMBER'S DEATH, AND BE PAYABLE
- 26 PURSUANT TO THE ELECTION OF THE BENEFICIARY UNDER SUBSECTION
- 27 (O) OF THIS SECTION.

- 28 (C) IF THE MEMBER DIES AFTER THE MEMBER'S DROP 2 PARTICIPATION PERIOD,
- 29 THE DEATH BENEFIT PAYABLE SHALL:

- 30 (I) BE DETERMINED USING THE MEMBER'S EARNABLE COMPENSATION ON
- 31 THE DATE OF THE MEMBER'S DEATH, AND

- 32 (II) INCLUDE THE BALANCE OF THE DECEASED MEMBER'S DROP 2
- 33 ACCOUNT AS OF THE DATE OF THE MEMBER'S DEATH, AND BE PAYABLE
- 34 PURSUANT TO THE ELECTION OF THE BENEFICIARY UNDER SUBSECTION
- 35 (O) OF THIS SECTION.

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1 (M) *DROP 2 BENEFITS EXCLUDED BY LINE-OF-DUTY DISABILITY BENEFITS AND LINE-OF-DUTY*
2 *DEATH BENEFITS.*

3 (1) A MEMBER WHO IS OTHERWISE ELIGIBLE FOR BENEFITS UNDER THIS § 36C AND WHO
4 APPLIES FOR AND RETIRES ON A LINE-OF-DUTY DISABILITY RETIREMENT BENEFIT UNDER
5 § 34(E-1) OR (F-1) OF THIS SUBTITLE IS NOT ENTITLED TO RECEIVE ANY BENEFITS UNDER
6 THIS § 36C.

7 (2) A MEMBER WHO IS OTHERWISE ELIGIBLE FOR BENEFITS UNDER THIS § 36C AND WHO
8 APPLIES FOR AND RETIRES ON A SERVICE RETIREMENT OR NON-LINE-OF-DUTY DISABILITY
9 RETIREMENT MAY NOT APPLY FOR LINE-OF-DUTY DISABILITY RETIREMENT BENEFITS UNDER
10 § 34(E-1) OR (F-1) OF THIS SUBTITLE AFTER THE MEMBER'S LAST DAY IN EMPLOYMENT
11 COVERED BY THIS SYSTEM, UNLESS THE RETIRED MEMBER FIRST PAYS BACK TO THE SYSTEM
12 THE MEMBER'S DROP 2 ACCOUNT DISTRIBUTION OR DROP 2 ANNUITY PAYMENTS.

13 (3) BENEFICIARIES APPLYING FOR AND RECEIVING LINE-OF-DUTY DEATH BENEFITS UNDER
14 § 34(i) OF THIS SUBTITLE ARE NOT ENTITLED TO DROP 2 BENEFITS UNDER THIS § 36C.

15 (N) *CONFLICTS IN ELECTIONS FOR DEATH BENEFITS.*

16 IN THE EVENT OF CONFLICTING DEATH BENEFIT ELECTIONS UNDER § 34 OF THIS SUBTITLE, AN
17 ELECTION FOR LINE-OF-DUTY DEATH BENEFITS MADE BY AN ELIGIBLE SPOUSE UNDER §34(i)
18 OVERRIDES AN ELECTION FOR NON-LINE-OF-DUTY DEATH BENEFITS MADE BY A DESIGNATED
19 BENEFICIARY.

20 (O) *FORM OF PAYMENT OF DROP 2 ACCOUNT BALANCE.*

21 (1) THE ELECTION OF THE FORM OF PAYMENT OF THE MEMBER'S DROP 2 ACCOUNT
22 BALANCE SHALL BE MADE ON FORMS PROVIDED BY THE BOARD OF TRUSTEES AND
23 SHALL BE FILED WITH THE BOARD.

24 (2) A MEMBER OR A BENEFICIARY, IF ENTITLED TO BENEFITS PAYABLE UNDER § 36C(L),
25 MAY ELECT TO RECEIVE HIS OR HER DROP 2 ACCOUNT BALANCE IN EITHER:

26 (A) A LUMP SUM, WHICH CAN BE:

27 (I) TRANSFERRED IN TOTAL OR IN PART TO 1 OR MORE FINANCIAL
28 INSTITUTIONS OR PENSION PLANS IN ACCORDANCE WITH § 34(W) OF
29 THIS SUBTITLE; OR

30 (II) PAID IN TOTAL OR IN PART DIRECTLY TO THE MEMBER OR BENEFICIARY;
31 OR

32 (B) AN ANNUITY, TO INCREASE THE MEMBER'S RETIREMENT BENEFIT, WHICH IS
33 THE ACTUARIAL EQUIVALENT OF THE DROP 2 ACCOUNT AND WHICH SHALL
34 BE:

35 (I) PAID IN THE SAME FORM OF PERIODIC PAYMENTS THAT THE MEMBER OR
36 BENEFICIARY ELECTED FOR THE RECEIPT OF THE RETIREMENT OR
37 DEATH BENEFIT; AND

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(II) PAID IN THE SAME MANNER AS THE MEMBER'S ANNUITY SAVINGS RESERVE ACCOUNT, ON THE DEATH OF THE RETIRED DROP 2 PARTICIPANT.

(3) IF A LUMP-SUM PAYMENT IS ELECTED UNDER PARAGRAPH (2)(A) OF THIS SUBSECTION, THAT PAYMENT SHALL BE MADE AS SOON AS ADMINISTRATIVELY FEASIBLE AFTER THE MEMBER'S RETIREMENT, TERMINATION, OR DEATH.

(4) ANY BENEFIT PAYMENT MADE DIRECTLY TO THE MEMBER, THE MEMBER'S BENEFICIARY, OR AN ALTERNATE PAYEE (AS DEFINED IN § 38(D) OF THIS SUBTITLE) SHALL BE SUBJECT TO FEDERAL AND MARYLAND STATE INCOME TAX WITHHOLDING IF APPLICABLE.

(5) IF AN ALTERNATE PAYEE IS ENTITLED TO RECEIVE A PORTION OF THE MEMBER'S DROP 2 ACCOUNT, THE ALTERNATE PAYEE MUST FILE AN APPLICATION WITH THE SYSTEM FOR HER OR HIS SHARE. DISTRIBUTION OF THE DROP 2 ACCOUNT SHALL BE MADE IN THE SAME FORM OF PAYMENT AS THAT ELECTED BY THE MEMBER OR BENEFICIARY.

(P) *DROP 2 BENEFIT RECIPIENTS AND POST-RETIREMENT INCREASE ELIGIBILITY.*

ELIGIBILITY FOR POST-RETIREMENT INCREASES PAYABLE UNDER ~~§ 36A-1 OR § 36A-2~~ § 36A OF THIS SUBTITLE SHALL BE DETERMINED PURSUANT TO ~~§ 36A-1(A)(1)(i) OR § 36A-2(B), AS APPLICABLE~~ § 36A(A)(1)(I).

(Q) *RETIREMENT BENEFITS FOR REEMPLOYED DROP 2 RETIREE.*

(1) NOTWITHSTANDING § 31(1) OF THIS SUBTITLE, IF A MEMBER RETIRES AND RECEIVES A DROP 2 ACCOUNT DISTRIBUTION OR DROP 2 ANNUITY PAYMENTS UNDER THIS § 36C AND IS SUBSEQUENTLY REEMPLOYED BY THE CITY OF BALTIMORE IN A POSITION COVERED BY THIS SYSTEM, THE MEMBER:

(A) SHALL HAVE HIS OR HER RETIREMENT BENEFIT PAYMENTS SUSPENDED AS OF THE DATE OF THE MEMBER'S REEMPLOYMENT; AND

(B) SHALL AGAIN BEGIN TO EARN CURRENT SERVICE CREDIT IN THIS SYSTEM.

(2) ON THE MEMBER'S SUBSEQUENT RETIREMENT, THE MEMBER SHALL RESUME RECEIVING:

(A) THE RETIREMENT BENEFITS THAT HAD BEEN SUSPENDED AT THE TIME OF THE MEMBER'S REEMPLOYMENT; AND

(B) 2% OF THE MEMBER'S CURRENT AVERAGE FINAL COMPENSATION AS OF THE MEMBER'S SUBSEQUENT RETIREMENT DATE FOR EACH YEAR OF SERVICE CREDIT EARNED BY THE MEMBER DURING THE PERIOD OF REEMPLOYMENT, PRORATED FOR PARTIAL YEARS.

(3) FOR PURPOSES OF THIS SUBSECTION (Q), IF A MEMBER RETIRES LESS THAN 18 MONTHS AFTER REEMPLOYMENT, "AVERAGE FINAL COMPENSATION" SHALL INCLUDE COMPENSATION EARNED IMMEDIATELY BEFORE THE MEMBER'S INITIAL RETIREMENT DATE AND SHALL BE CALCULATED IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE.

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1 (4) IF A RETIRED MEMBER RECEIVING BENEFITS UNDER THIS § 36C IS SUBSEQUENTLY
2 REEMPLOYED IN A POSITION COVERED BY THIS SYSTEM AND DIES DURING
3 EMPLOYMENT AS THE RESULT OF A LINE-OF-DUTY INJURY, AND IF THE MEMBER'S
4 BENEFICIARY IS AWARDED A LINE-OF-DUTY DEATH BENEFIT BY THE HEARING
5 EXAMINER, THE BENEFICIARY SHALL BE PAID THE LINE-OF-DUTY DEATH BENEFIT
6 DETERMINED AS OF THE MEMBER'S DATE OF DEATH AND PAYABLE IN ACCORDANCE
7 WITH § 34(I) OF THIS SUBTITLE.

8 (5) IF A RETIRED MEMBER RECEIVING BENEFITS UNDER THIS § 36C IS SUBSEQUENTLY
9 REEMPLOYED IN A POSITION COVERED BY THIS SYSTEM AND DIES DURING
10 EMPLOYMENT AS THE RESULT OF A NON-LINE-OF-DUTY ILLNESS OR INJURY, AND IF
11 THE MEMBER'S BENEFICIARY APPLIES FOR BENEFITS UNDER § 34(H) OF THIS
12 SUBTITLE AS A RESULT OF THE MEMBER'S DEATH, THE BENEFICIARY SHALL BE PAID
13 THE NON-LINE-OF-DUTY DEATH BENEFIT DETERMINED AS OF THE MEMBER'S DATE OF
14 DEATH AND PAYABLE IN ACCORDANCE WITH § 34(H), SUBJECT TO THE FOLLOWING
15 QUALIFICATIONS:

16 (A) FOR LUMP-SUM BENEFITS PAYABLE UNDER § 34(H)(2):

17 (I) THE PAYMENT OF THE MEMBER'S ACCUMULATED CONTRIBUTIONS
18 SHALL INCLUDE THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS
19 OF THE PREVIOUS RETIREMENT DATE, LESS ANY ANNUITY PAYMENTS
20 MADE DURING THE MEMBER'S PERIOD OF RETIREMENT, PLUS THE
21 MEMBER CONTRIBUTIONS MADE DURING THE MEMBER'S PERIOD OF
22 REEMPLOYMENT, WITH INTEREST CREDITED TO THE MEMBER'S DATE
23 OF DEATH; AND

24 (II) THE MEMBER'S CURRENT COMPENSATION SHALL BE DETERMINED AS
25 OF THE DATE OF THE MEMBER'S DEATH.

26 (B) FOR THE 100% SURVIVORSHIP BENEFIT PAYABLE UNDER § 34(H)(3), THE
27 OPTIONAL BENEFIT SHALL BE DETERMINED ACCORDING TO PARAGRAPH (2)
28 OF THIS SUBSECTION (Q) AS IF THE MEMBER HAD RETIRED ON THE DATE OF
29 DEATH.

30 (C) ~~A RECOVERY RATE, SUBJECT TO THE LIMITATIONS OF SUBPARAGRAPH B, OF~~
31 ~~6.0% (1.5% FOR EACH OF 4 YEARS) OF THE MEMBER'S AVERAGE FINAL~~
32 ~~COMPENSATION, CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION~~
33 ~~FROM EMPLOYMENT COVERED BY THIS SYSTEM IN ACCORDANCE WITH §~~
34 ~~30(11) OF THIS SUBTITLE, FOR EACH OF THE 4 YEARS OF SERVICE CREDIT~~
35 ~~EARNED BY THE MEMBER THROUGH CONTINUOUS EMPLOYMENT AS A~~
36 ~~CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY FOLLOWING THE~~
37 ~~END OF THE MEMBER'S DROP 2 PARTICIPATION PERIOD. FOR THE 25% PLUS~~
38 ~~DEATH BENEFIT PAYABLE UNDER § 34(H)(4), THE MEMBER'S COMPENSATION~~
39 ~~ON THE DATE OF DEATH SHALL BE USED TO DETERMINE THE BENEFIT.~~

40 (6) IF A RETIRED MEMBER RECEIVING BENEFITS UNDER THIS § 36C IS SUBSEQUENTLY
41 REEMPLOYED IN A POSITION COVERED BY THIS SYSTEM AND IS AWARDED A LINE-OF-
42 DUTY DISABILITY RETIREMENT BY THE HEARING EXAMINER, THE LINE-OF-DUTY
43 DISABILITY RETIREMENT BENEFIT PAYABLE SHALL BE DETERMINED ACCORDING TO
44 PARAGRAPH (2) OF THIS SUBSECTION AS OF THE MEMBER'S DATE OF RETIREMENT.

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1 THIS LINE-OF-DUTY DISABILITY BENEFIT CALCULATION SHALL BE TREATED THE
2 SAME FOR TAX PURPOSES AS THE BENEFIT CALCULATED AND PAID ACCORDING TO
3 § 34(E)(2) OR (F)(2).

4 (7) FOR PURPOSES OF THIS SUBSECTION (Q), ANY POST-RETIREMENT BENEFIT INCREASE
5 THAT THE MEMBER WOULD HAVE RECEIVED HAD THE MEMBER NOT RETURNED TO
6 EMPLOYMENT COVERED BY THIS SYSTEM MAY NOT BE ADDED TO THIS RETIREMENT
7 BENEFIT WHEN THE MEMBER SUBSEQUENTLY RETIRES.

8 (8) ON THE SUBSEQUENT RETIREMENT OF A MEMBER WHO HAS RETURNED TO
9 EMPLOYMENT UNDER THIS SUBSECTION (Q), THE RETIRING MEMBER OR BENEFICIARY
10 WILL AGAIN HAVE TO MEET THE POST-RETIREMENT ELIGIBILITY REQUIREMENTS OF
11 ~~§ 36A-1 OR § 36A-2~~ § 36A OF THIS SUBTITLE, AS APPLICABLE.

12 (R) *DROP 2 EXPERIENCE REPORTS AND SAVINGS TESTS.*

13 (1) (A) BEGINNING WITH THE FISCAL YEAR ENDED JUNE 30, ~~2010~~ 2011, AND
14 CONTINUING UNTIL THE FISCAL YEAR ENDED JUNE 30, ~~2021~~ 2022, THE ENROLLED
15 ACTUARY RETAINED BY THE SYSTEM SHALL SUBMIT TO THE BOARD OF
16 TRUSTEES, AS PART OF THE ANNUAL ACTUARIAL VALUATION REPORT, A DROP 2
17 EXPERIENCE REPORT.

18 (B) THE DROP 2 EXPERIENCE REPORT SHALL INCLUDE:

19 (i) THE DROP 2 PARTICIPATION RATES;

20 (ii) A COMPARISON OF ACTUAL TO EXPECTED TIMING OF RETIREMENT; AND

21 (iii) THE ACTUARY'S ASSESSMENT OF THE IMPLICATIONS OF THE DROP 2
22 EXPERIENCE FOR THE CITY OF BALTIMORE'S EXPECTATIONS OF
23 CONTRIBUTION REDUCTIONS, AS DEFINED IN PARAGRAPH (2)(F) OF THIS
24 SUBSECTION (R), DUE TO THE IMPLEMENTATION OF THE DROP 2
25 EFFECTIVE ~~JULY 1, 2009~~ JANUARY 1, 2010.

26 (C) THE BOARD OF TRUSTEES SHALL FORWARD THE DROP 2 EXPERIENCE REPORT
27 TO THE DIRECTOR OF FINANCE.

28 (2) (A) BEGINNING WITH THE FISCAL YEAR ENDED JUNE 30, ~~2017~~ 2018, AND EVERY 4
29 YEARS FOLLOWING, THE ENROLLED ACTUARY RETAINED BY THIS SYSTEM SHALL
30 PROVIDE THE BOARD OF TRUSTEES WITH THE RESULTS OF A DROP 2 SAVINGS
31 TEST.

32 (B) IN THE DROP 2 SAVINGS TEST, THIS SYSTEM'S ACTUARY, IN CONSULTATION
33 WITH THE ENROLLED ACTUARY RETAINED BY THE MEMBERS ACTING THROUGH
34 THEIR ELECTED REPRESENTATIVES, SHALL DETERMINE WHETHER THE CITY OF
35 BALTIMORE'S EXPECTATIONS OF CONTRIBUTION REDUCTIONS, AS DEFINED IN
36 SUBPARAGRAPH (F) OF THIS PARAGRAPH (2), HAVE BEEN REALIZED.

37 (C) BEGINNING WITH THE SAVINGS TEST PERFORMED AS OF THE FISCAL YEAR ENDED
38 JUNE 30, ~~2021~~ 2022, IF A SAVINGS TEST INDICATES THAT THE CITY'S
39 EXPECTATIONS OF CONTRIBUTION REDUCTIONS HAVE NOT BEEN REALIZED, THE

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1 CITY OF BALTIMORE WILL HAVE THE OPTION OF ENACTING LEGISLATION TO
2 MODIFY OR TERMINATE THE EXISTING DROP 2, BUT ONLY WITH RESPECT TO
3 MEMBERS WHO ARE NOT ELIGIBLE FOR THE DROP 2 ON THE EFFECTIVE DATE OF
4 THAT MODIFICATION OR TERMINATION AND NOT WITH RESPECT TO MEMBERS
5 WHO ARE PARTICIPATING OR WHO ARE ELIGIBLE TO PARTICIPATE IN THE DROP 2.

6 (D) LEGISLATION ENACTED TO MODIFY OR TERMINATE THE DROP 2 MAY NOT HAVE
7 ANY EFFECT ON ANY OTHER BENEFITS PAYABLE UNDER THE SYSTEM APART
8 FROM THE DROP 2 BENEFIT.

9 (E) NOTWITHSTANDING SUBPARAGRAPH (C) OF THIS PARAGRAPH (2), IT IS THE
10 INTENTION OF THE CITY OF BALTIMORE TO MAINTAIN A DEFERRED RETIREMENT
11 OPTION PLAN FOR THE MEMBERS OF THIS SYSTEM. SHOULD THE DROP 2
12 SAVINGS TEST FAIL TO MEET EXPECTED CONTRIBUTION REDUCTIONS, THE CITY
13 WILL ESTABLISH AT A MINIMUM A COST-NEUTRAL DEFERRED RETIREMENT
14 OPTION PLAN FOR THE MEMBERS OF THIS SYSTEM.

15 (F) FOR PURPOSES OF THIS SUBSECTION (R), THE CITY OF BALTIMORE'S
16 EXPECTATIONS OF CONTRIBUTION REDUCTIONS ARE AT LEAST:

17 (i) ~~\$5~~ \$2.5 MILLION FOR THE FISCAL YEAR BEGINNING JULY 1, 2010, (FISCAL
18 YEAR ~~2011~~ 2012), WHICH REFLECTS THE RESULTS OF THE ACTUARIAL
19 VALUATION PERFORMED FOR THE FISCAL YEAR ENDED JUNE 30, ~~2009~~
20 2010, THE YEAR WHEN THE DROP 2 WAS ESTABLISHED; AND

21 (ii) \$5 MILLION, AS ADJUSTED FOR PAYROLL INCREASES, FOR EACH
22 SUBSEQUENT FISCAL YEAR.

23 **SECTION 2. AND BE IT FURTHER ORDAINED,** That the catchlines contained in this
24 Ordinance are not law and may not be considered to have been enacted as a part of this or any
25 prior Ordinance.

26 **SECTION 3. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on ~~July 1,~~
27 2009 January 1, 2010.

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Certified as duly passed this _____ day of _____, 20__

President, Baltimore City Council

Certified as duly delivered to Her Honor, the Mayor,

this _____ day of _____, 20__

Chief Clerk

Approved this _____ day of _____, 20__

Mayor, Baltimore City