

**CITY OF BALTIMORE
COUNCIL BILL 24-0532
(First Reader)**

Introduced by: The Council President

At the request of: The Administration (Office of the Mayor)

Introduced and read first time: May 16, 2024

Assigned to: Education, Workforce, and Youth Committee

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

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Fire and Police Employees' Retirement System – Benefits Enhancements**

3 FOR the purpose of amending certain provisions of the Fire and Police Employees' Retirement
4 System; changing the definition of “average final compensation”; providing a new deferred
5 vested benefit; eliminating the 2-year waiting period for commencement of post-retirement
6 benefit increases; repealing obsolete provisions relating to post-retirement benefit increases;
7 changing the interest earned on DROP 2 accounts; providing for a special effective date; and
8 generally relating to the Fire and Police Employees' Retirement System.

9 BY repealing and re-ordaining, with amendments,

10 Article 22 - Retirement Systems
11 Sections 30(11), 34(a-2), new section 34(a-4), and 36C(b)
12 Baltimore City Code
13 (Edition 2000)

14 BY renumbering

15 Article 22 - Retirement Systems
16 Sections 34(a-3), 36A(h) to (j), and 36C(q) and (r)
17 to be
18 New sections 34(a-4), 36A(b) to (d), and 36C(p) and (q)
19 Baltimore City Code
20 (Edition 2000)

21 BY adding

22 Article 22 - Retirement Systems
23 New section 34(a-3)
24 Baltimore City Code
25 (Edition 2000)

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

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1 BY repealing
2 Article 22 - Retirement Systems
3 Sections 36A(b) to (g) and 36C(p)
4 Baltimore City Code
5 (Edition 2000)

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

8 **Baltimore City Code**

9 **Article 22. Retirement Systems**

10 **Fire and Police Employees' Retirement System**

11 **§ 30. Definitions.**

12 In this subtitle, unless a different meaning is plainly required by the context, the following
13 words and phrases have the meanings indicated:

14 (11)(a) "Average final compensation" means the member's average annual earnable
15 compensation for the [36] 24 consecutive months of service as an employee during
16 which his or her earnable compensation was highest or, if he or she had less than
17 [36] 24 consecutive months of service, then the average annual earnable
18 compensation during his or her total years of service.

19 (b) "Earnable compensation" means the annual salary authorized for the member. It does
20 not include overtime pay, differential pay, out-of-title pay, environmental pay,
21 hazardous duty pay, pay for conversion of leave or other fringe benefits, or any like
22 additional payments.

23 (c) For members who retired on or after July 1, 1986, and before July 1, 1988, "average
24 final compensation" means the average annual compensation, pay, or salary earnable
25 by a member for the 2 consecutive years of service as an employee during which his
26 or her earnable compensation was highest, if the member had at least 2 years of
27 service in that grade, or if he or she had less than 2 years of service, then the average
28 annual compensation, pay, or salary earnable by him or her during his or her actual
29 year(s) of service.

30 (d) For members who:

31 (i) retired on or after July 1, 1988, and on or before June 30, 2010, or

32 (ii) retire on or after July 1, 2010, and who, as of June 30, 2010, meet the
33 applicable age and service requirements for a normal service retirement under
34 § 34(a-1)(1) or have acquired 15 or more years of service,

35 "average final compensation" means the average annual earnable compensation for
36 the 18 consecutive months of service as an employee during which his or her earnable
37 compensation was highest.

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1 (e) In no event may the retirement benefits of a member retired under § 30(11)(d)(ii) as a
2 result of the application of the definition of “average final compensation”, effective
3 July 1, 2010, be less than the benefit the member would have been entitled to prior to
4 July 1, 2010.

5 (F) FOR MEMBERS WHO:

6 (I) RETIRED ON OR AFTER JULY 1, 2010, AND ON OR BEFORE JUNE 30, 2025, AND

7 (II) DO NOT MEET THE ELIGIBILITY REQUIREMENTS OF § 30(11)(D)(II),

8 “AVERAGE FINAL COMPENSATION” MEANS THE AVERAGE ANNUAL EARNABLE
9 COMPENSATION FOR THE 36 CONSECUTIVE MONTHS OF SERVICE AS AN EMPLOYEE
10 DURING WHICH THE MEMBER’S EARNABLE COMPENSATION WAS HIGHEST.

11 **§ 34. Benefits.**

12 (a-2) *Early service retirement benefits – age and service requirements.*

13 (1) On or after July 1, 2010, a member of this System [on or after June 30, 2010,] WHO
14 HAS NOT TERMINATED EMPLOYMENT AND who does not satisfy the conditions of either
15 paragraph (2)(i) or paragraph (2)(ii) of subsection (a-1) of this [section] SECTION, may
16 retire with an early service retirement when he or she first meets the applicable age or
17 service requirements for a normal service retirement under subsection (a-1)(1) of this
18 section.

19 (2) The benefit commencement date of an early service retirement is any date elected by
20 the member in accordance with subsection [(a-3)] (A-4) of this section and that is:

21 (A) on or after the date the member first meets the applicable age or service
22 requirements for a normal service retirement under subsection (a-1)(1) of this
23 section; and

24 (B) before the date as of which the member would have first met the age and
25 service requirements for a normal service retirement under subsection
26 (a-1)(2)(iii) of this section had he or she continued employment with the City.

27 (A-3) *DEFERRED VESTED PENSION.*

28 (1) *ELIGIBILITY REQUIREMENTS.*

29 THIS SUBSECTION APPLIES TO ANY MEMBER WHO ENTERS SERVICE ON OR AFTER
30 JULY 1, 2025 AND WHO TERMINATES CITY EMPLOYMENT:

31 (A) AFTER ACQUIRING 10 OR MORE YEARS OF SERVICE AS A CONTRIBUTING
32 MEMBER OF THIS SYSTEM;

33 (B) WITHOUT SATISFYING THE CONDITIONS FOR A NORMAL SERVICE RETIREMENT
34 UNDER SUBSECTION (A-1)(2) OF THIS SECTION;

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(C) WITHOUT ELECTING TO RECEIVE AN EARLY SERVICE RETIREMENT BENEFIT UNDER SUBSECTION (A-2) OF THIS SECTION; AND

(D) WITHOUT WITHDRAWING THE ACCUMULATED CONTRIBUTIONS CREDITED TO THE MEMBER’S ACCOUNT IN THE ANNUITY SAVINGS FUND.

(2) *DEFERRED VESTED BENEFIT.*

(A) *BENEFIT.*

A MEMBER DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION IS ENTITLED TO RECEIVE, COMMENCING ON OR AFTER THE 1ST DAY OF THE MONTH IMMEDIATELY FOLLOWING THE MEMBER’S 60TH BIRTHDAY, A DEFERRED VESTED BENEFIT, CALCULATED IN ACCORDANCE WITH THE RULES FOR NORMAL SERVICE RETIREMENTS SET FORTH IN SUBSECTION (B-1)(4) OF THIS SECTION WITHOUT REDUCTION.

(B) *DEATH OF A TERMINATED VESTED MEMBER.*

IF A MEMBER DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION DIES BEFORE COMMENCING RECEIPT OF A DEFERRED VESTED BENEFIT, THEN NO DEATH BENEFITS ARE PAYABLE ON ACCOUNT OF THE MEMBER’S DEATH, EXCEPT FOR THE RETURN OF THE MEMBER’S ACCUMULATED CONTRIBUTIONS.

(A-4) [(a-3)] *Application.*

To retire under subsection [(a-1) or (a-2)] (A-1), (A-2), OR (A-3) of this section, the member must:

- (i) apply to the Board of Trustees, on a form approved by the Board;
- (ii) set forth the date he or she wants to retire; and
- (iii) submit the application to the Board no less than 30 days nor more than 90 days before the date of retirement.

§ 36A. Post-retirement benefit increases to certain retirees and beneficiaries.

[Each retired member or beneficiary who is receiving periodic benefits under the provisions of the Retirement System is eligible for an increase in the amount of those periodic benefits subject to the following provisions.]

(a) *Eligibility.*

[(1) (i)] Each RETIRED member [who has retired from active service] and each beneficiary of a deceased member [who is or will be] receiving periodic retirement, DEATH OR SURVIVORSHIP benefits [and who receives periodic benefit payments for 2 or more years] AS OF JUNE 30 is eligible [for] TO RECEIVE an increase in the periodic benefit[, as determined under this § 36A] ON THE FOLLOWING JANUARY 1, PROVIDED THAT THE RETIRED MEMBER OR BENEFICIARY MEETS THE APPLICABLE AGE REQUIREMENT SET FORTH

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1 IN § 36A(B)(2). ELIGIBILITY FOR INCREASES TO A BENEFICIARY OF A DECEASED RETIRED
2 MEMBER SHALL BE DETERMINED AS IF THE BENEFICIARY WAS RECEIVING RETIREMENT
3 BENEFITS ON THE DATE OF DEATH. [The 2-year period shall be calculated beginning with
4 the effective date of the 1st retirement benefit payment paid to either the retired member
5 or the beneficiary of a deceased member and shall be determined on June 30 of each year
6 beginning with June 30, 1983. Years retired as a beneficiary of a former retired member
7 include the years that the member was retired. Eligible members and beneficiaries are
8 also referred to in this section as “persons”.]

9 [(ii) For a member who has retired during or at the conclusion of his or her Deferred
10 Retirement Option Plan (“DROP”) participation period, as defined in § 36B of
11 this subtitle, and for each beneficiary who is or will be receiving periodic
12 retirement benefits as a result of a member who dies during or at the conclusion of
13 his or her DROP participation period, the months of participation in DROP shall
14 be counted toward the eligibility requirement described in subparagraph (i) of this
15 paragraph.]

16 [(iii) For a member who has retired on intermediate DROP benefits or full DROP
17 benefits, his or her months of participation in DROP shall not be counted toward
18 the eligibility requirement described in subparagraph (i) of this paragraph.]

19 [(2) (i) This paragraph (2) applies to members who are no longer employed in a
20 permanent full-time or permanent part-time position with the City and were
21 either:]

22 [1. members of this system who were eligible to retire but chose to postpone
23 receipt of retirement benefits to begin employment in a position covered
24 by another City system; or]

25 [2. retirees who were receiving retirement benefits from this system but chose
26 to suspend receipt of those benefits to begin employment in a position
27 covered by another City system.]

28 [(ii) Pursuant to § 48 of this article and notwithstanding the waiting period required
29 by this section, members described in subparagraph (i) of this paragraph (2), on
30 ceasing all permanent full-time and permanent part-time employment with the
31 City, shall receive benefits calculated to include all post-retirement increases, in
32 accordance with the rates of increase set by this system, that the member or retiree
33 would have been eligible to receive as a retiree had retirement benefits not been
34 postponed or suspended.]

35 [(3) (A) This paragraph (3) applies to a member’s surviving spouse who:]

36 [(i) on the member’s death, was awarded line-of-duty death benefits;]

37 [(ii) remarried on or before June 29, 1998, and, as a result, stopped receiving
38 these line-of-duty death benefits; and]

39 [(iii) pursuant to § 34(i)(2)(E), has resumed receiving these line-of-duty death
40 benefits effective June 30, 1998.]

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1 [(B) A surviving spouse described in subparagraph (A) of this paragraph (3) shall
2 receive line-of-duty death benefits calculated to include all post-retirement
3 increases, in accordance with the rates or increases set by this system, that the
4 surviving spouse would have been eligible to receive had line-of-duty death
5 benefits not been terminated.]

6 [(b) Amount of benefit increase payable for fiscal years ending on or before June 30, 2009.]

7 [As of the end of each fiscal year ending on or before June 30, 2009, a determination shall
8 be made of the amount of increase (if any) of retirement benefit payments which may be
9 payable to eligible persons. The amount of retirement benefit increase shall be calculated
10 with reference to excess investment earnings of the Annuity Reserve Fund and the
11 Pension Reserve Fund only, and according to the method described in subsection (c)
12 below.]

13 [After determination of the amount of excess investment earnings available for retirement
14 benefit increases, such excess investment earnings shall be allocated to eligible retired
15 members and beneficiaries according to the following method. The percentage by which
16 the benefits shall be increased shall be determined by the actuary as the amount that the
17 investment earnings determined in subsection (c) below would be sufficient to fund on a
18 single premium paid up annuity basis using the actuarial valuation assumptions on the
19 June 30 preceding the effective date of the increase.]

20 [(i) Effective as of January 1, 1984, an increase may be payable to each retiree or
21 beneficiary eligible pursuant to subsection (a) of this section as of June 30, 1983.]

22 [(ii) Until the benefit increase objectives set forth in paragraph (iii) below have been
23 met, the allocation to eligible persons shall be made with reference to the number
24 of full continuous years that each person has been receiving retirement benefits
25 from this plan and the amount of each person's benefit being paid as of June 30,
26 1983. A percentage factor will be determined by the actuary to increase benefits
27 to those eligible. The percent increase in an eligible member's or beneficiary's
28 benefit will equal the percentage factor times full years which the member or
29 beneficiary has been receiving benefits. No fractional years will be used.]

30 [(iii) The allocation method set forth in paragraph (ii) above shall apply only until the
31 following benefit increase objectives have been met:]

<i>[Date benefit payments began</i>	<i>Percent increase]</i>
[7/1/80 - 6/30/81	1%]
[7/1/79 - 6/30/80	2%]
[7/1/78 - 6/30/79	3%]
[7/1/77 - 6/30/78	4%]
[7/1/76 - 6/30/77	5%]
[7/1/75 - 6/30/76	6%]
[7/1/74 - 6/30/75	7%]
[7/1/73 - 6/30/74	8%]
[7/1/72 - 6/30/73	9%]

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1	[7/1/71 - 6/30/72	10%]
2	[7/1/70 - 6/30/71	11%]
3	[7/1/69 - 6/30/70	12%]
4	[7/1/68 - 6/30/69	13%]
5	[7/1/67 - 6/30/68	14%]
6	[7/1/66 - 6/30/67	15%]
7	[7/1/65 - 6/30/66	16%]
8	[7/1/64 - 6/30/65	17%]
9	[7/1/63 - 6/30/64	18%]
10	[7/1/62 - 6/30/63	19%]
11	[before 7/1/62	20%]

12 [After the above objectives have been met, the allocation of new excess
13 investment earnings shall be made without reference to the number of years any
14 member or beneficiary has been receiving benefits. The allocation to eligible
15 persons shall then be made by the actuary on an equal percentage basis.]

16 [(iv) For each June 30 after June 30, 1983, the determination of the amount of excess
17 investment earnings and allocation of such earnings to eligible persons shall be
18 calculated using the appropriate method outlined in paragraph (ii) or (iii) above
19 with the amount of distribution and the allocation of such amount being calculated
20 as of the end of the fiscal year, with any increase to commence effective as of the
21 following January 1.]

22 [The benefit increase payable pursuant to this section shall be payable in the same
23 form as the basic benefit being received by the eligible person.]

24 [(c) *Amount of investment income to be used to increase benefits.*]

25 [Notwithstanding § 36 as it applies to excess earnings, the amount of excess investment
26 earnings available as of each June 30 for an increase in benefits will be equal to the
27 product of items (i), (ii), and (iii) of this subsection. Each item, except for item (ii), is
28 determined as of each June 30 beginning with June 30, 1983, and any benefit increase
29 becomes effective as of the following January 1. Item (ii) is determined as of the June 30
30 that is 18 months prior to the effective date of the benefit increase, beginning with June
31 30, 1982.]

32 [(i) The dollar amount of net excess investment earnings determined on the following
33 basis:]

34 [Before the Reserve for Book Value is paid off, net excess investment
35 earnings shall be that portion of total fund earnings between 8% and 10½% of
36 average market value, plus ½ of the fund earnings in excess of 10½%.]

37 [After the Reserve for Book Value is paid off, net excess investment earnings
38 shall be that portion of total fund earnings between 7½% and 10% of average
39 market value, plus ½ of fund earnings in excess of 10%.]

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1 [For purposes of the above calculations, earnings shall be net of investment
2 expenses and include realized and unrealized gains and losses and all other
3 sources of investment gains and losses as shown in the actuary's report. The
4 investment return used in this section shall be based on the annual return as of
5 each June 30, commencing with the year ending June 30, 1983. The average
6 market value for the year shall equal $\frac{1}{2}$ of the market value of the 4 funds as of the
7 beginning of the year plus $\frac{1}{2}$ of the market value of the funds as of the end of the
8 year minus $\frac{1}{2}$ of the earnings during the year. The earnings and market value of
9 the funds for the purpose of this section are assumed to be equal to the values
10 contained in the actuary's report. Any later audit changes shall be ignored.]

11 [(ii) The ratio of the sum of the Annuity Reserve Fund plus the Pension Reserve
12 Fund to the sum of all 4 funds: Annuity Savings Fund, Annuity Reserve Fund,
13 Pension Accumulation Fund, and the Pension Reserve Fund.]

14 [(iii) $\frac{3}{4}$ on June 30, 1983, for the initial increase (if any) and $\frac{3}{4}$ for each subsequent
15 year until a Contingency Reserve Fund has been accumulated according to the
16 following method. The remaining $\frac{1}{4}$ of excess investment earnings as of June 30,
17 1983, and each succeeding June 30 shall be set aside as a Contingency Reserve
18 Fund until the value of that fund is at least equal to $2\frac{1}{2}\%$ of the Annuity Reserve
19 Fund and the Pension Reserve Fund as of the end of the most recent June 30. For
20 each year in which the Contingency Reserve Fund is more than $2\frac{1}{2}\%$ of the
21 Annuity Reserve Fund and the Pension Reserve Fund, the $\frac{3}{4}$ fraction does not
22 apply and the amount available to increase benefits is the product of items (i) and
23 (ii).]

24 [(d) *Paid-Up Benefit Fund and Contingency Reserve Fund.*]

25 [(i) The existence of a Paid-Up Benefit Fund and a Contingency Reserve Fund is
26 specifically authorized, § 36 to the contrary notwithstanding.]

27 [(ii) (A) The Paid-Up Benefit Fund is the primary fund from which all benefit increases
28 provided under this section shall be paid. The Paid-Up Benefit Fund shall be
29 funded with excess investment earnings consistent with subsection (c) of this
30 section.]

31 [(B) For any year in which the investment return of the Paid-Up Benefit Fund exceeds
32 the interest assumption on which the purchase of paid-up benefits is based, that
33 excess shall remain in the fund.]

34 [(C) For any year in which the Paid-Up Benefit Fund experiences higher mortality
35 rates than expected, the excess assets shall remain in the fund.]
36

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1 [(D) On determination of the amount of the excess assets in this Fund by the system's
2 actuary, the Board of Trustees may allocate all or part of the excess assets to
3 provide additional benefit increases to those retirees and beneficiaries eligible for
4 increases under § 36A(a)(1) of this subtitle.]

5 [(iii) (A) The Contingency Reserve Fund is a reserve to insure payment of previously
6 accrued benefit increases for any year in which the Paid-Up Benefit Fund has a
7 deficit or does not meet its investment return assumption. If there is a deficit in
8 the Paid-Up Benefit Fund, the Board of Trustees shall transfer assets from the
9 Contingency Reserve Fund to the Paid-Up Benefit Fund to offset that deficit. The
10 Contingency Reserve Fund shall be funded with excess investment earnings
11 consistent with subsection (c) of this section.]

12 [(B) For any year in which the value of the Contingency Reserve Fund is equal to or
13 exceeds 2½% of the Annuity Reserve Fund and the Pension Reserve Fund, the
14 Board of Trustees shall apply earnings on the Contingency Reserve Fund, in the
15 amount or amounts it determines:]

16 [(1) to decrease the amount contributed by the City of Baltimore; or]

17 [(2) to decrease the period over which the unfunded accrued liability will be
18 amortized.]

19 [(iv) The Board shall periodically determine investment policies for the Paid-Up Benefit
20 Fund and the Contingency Reserve Fund. These policies must be consistent with the
21 limitations set forth in this section.]

22 [(v)(A) The Board shall segregate or invest separately the assets of the Paid-Up Benefit
23 Fund and the Contingency Reserve Fund in accordance with the standards set
24 forth in § 35(h) of this subtitle.]

25 [(B) The Board is specifically empowered to invest and reinvest the assets of the
26 Paid-Up Benefit Fund and the Contingency Reserve Fund in the medium of paid-
27 up annuity contracts or guaranteed investment contracts purchased from one or
28 more insurance companies, as long as each insurance company has no less than
29 the highest rating from A.M. Best Company or a comparable company.]

30 [(C) If, in the purchase of an annuity contract, the single premium paid-up annuity
31 cost offered by the insurance company results in a cost savings to this System, the
32 Board of Trustees shall apply the amount of that cost savings, in the amount or
33 amounts it determines:]

34 [(1) to decrease the amount contributed by the City; or]

35 [(2) to decrease the period over which the unfunded accrued liability will be
36 amortized.]

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1 [(e) *Benefit increases to be paid only from Paid-Up Benefit Fund and Contingency Reserve*
2 *Fund.*]

3 [(i) Any benefit increase provided under this section shall be funded on a single-premium
4 paid-up annuity basis. For this purpose, “single-premium paid-up annuity basis” has
5 the common actuarial meaning of spreading the amount available to provide a benefit
6 over the lifetime of an individual in the form of an annuity. It is intended that any
7 benefit increase continue for the lifetime of the eligible member and any beneficiary,
8 consistent with any option elected under § 34.]

9 [(ii) The granting of any benefit increase under this section is contingent on the
10 performance of the Retirement System’s investment funds. The continuation of any
11 benefit increase previously accrued under this section is specifically made contingent
12 on the ability of the Paid-Up Benefit Fund and the Contingency Reserve Fund to
13 provide these benefits in the future. §§ 37 and 42 to the contrary notwithstanding, any
14 benefit increase provided under this section is not and does not become an obligation
15 of the City of Baltimore. In the event of any conflict between this section and either
16 or both § 37 or § 42, this section prevails.]

17 [(iii) If the members’ longevity or the performance of this System’s investment funds
18 causes a decline in the value of the Paid-Up Benefit Fund and the Contingency
19 Reserve Fund, with the result that the actuarial value of benefit increases previously
20 accrued under this section exceeds the value of the Paid-Up Benefit Fund and the
21 Contingency Reserve Fund, the Board of Trustees shall reduce or eliminate previously
22 accrued increases on an equal percentage basis, effective as of January 1 following the
23 June 30 on which a deficit exists. An equal percentage reduction shall be made to all
24 benefits granted under this section, regardless of when those increases were granted.
25 If the Paid-Up Benefit Fund and the Contingency Reserve Fund become exhausted or
26 decline in value to the point of having no value, previously accrued increases shall be
27 eliminated in full. Any excess investment earnings available under subsection (c) of
28 this section in a subsequent year shall be used to provide an increase in benefits
29 without restoration of any prior reduction or elimination of benefit increases
30 previously accrued.]

31 [(f) *Paid-Up Benefit Fund to provide increase in widow’s and children’s benefit.*]

32 [Notwithstanding the provisions of subsections (d) and (e) above, \$17.2-million from the
33 Paid-Up Benefit Fund shall be transferred to the Pension Reserve Fund effective June 30,
34 1993. The purpose of the transfer is to partially fund the benefit improvements made by
35 this Ordinance 93-262. The total \$17.2-million transfer shall reduce the system’s
36 unfunded liability and shall be amortized with interest as a credit to reduce the City’s
37 contribution by \$4.5-million for 4 years (beginning in fiscal year 1995) and at a reduced
38 level dollar credit in the 5th year.]

39 [The provisions of subsections (d) and (e) above shall remain in effect even after the
40 changes described here in subsection (f).]

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1 [(g) *Increase for certain retirees and beneficiaries as of June 30, 2000.*]

2 [(i) Retired members and beneficiaries of retired members who retired on or before June
3 30, 2000, and any surviving beneficiary of a member who began receiving
4 periodically paid benefits from this System on or before June 30, 2000, will receive a
5 1% increase in their periodic benefits.]

6 [(ii) This increase is effective June 30, 2000, and payable beginning with the first full pay
7 period that follows.]

8 [(iii) This increase shall be paid from the Pension Reserve Fund and may not be paid
9 from the Paid-Up Benefit Fund or the Contingency Reserve Fund.]

10 (B)[(h)] *Amount of benefit increase payable for fiscal years beginning on or after July 1,*
11 *2009.*

12 . . .

13 (C) [(i)] *Transfer of assets and liabilities.*

14 . . .

15 (D) [(j)] *Guarantee of post-retirement increases.*

16 . . .

17 **§ 36C. Deferred Retirement Option Plan 2.**

18 (b) *Definitions.*

19 (1) In this § 36C, the following terms have the meanings indicated.

20 (2) “DROP 2” means the benefits established under this § 36C.

21 (3) “DROP 2 start date” means the first day of a member’s DROP participation period.

22 (4) “DROP 2 end date” means the last day of a member’s DROP participation period.

23 (5) “DROP 2 participation period” means a minimum period of 1 year and a maximum
24 period of 3 consecutive years during which the member makes regular contributions
25 and during which DROP 2 contributions and benefits are accumulated on behalf of
26 the DROP 2 participant.

27 (6) “DROP 2 participant” means a member who has elected to be covered by the benefits
28 of this § 36C.

29 [(7) (i) Except as provided in subparagraph (ii) of this paragraph, “interest” means the
30 regular interest rate for the Annuity Savings Reserve as defined in § 30(9) of this
31 subtitle.]

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1 [(ii) For a member of this System who, as of June 30, 2010, has acquired 15 or more
2 years of service, interest means 5½% per annum compounded daily.]

3 (7) “INTEREST” MEANS 5½% per annum compounded daily.

4 (8) “Early DROP 2 service retirement” means retirement after a member completes at
5 least 1 year of DROP 2 participation and retires during or at the conclusion of the
6 member’s DROP 2 participation period.

7 (9) “Mid DROP 2 service retirement” means retirement after the conclusion of a
8 member’s DROP 2 participation period with the following years of service acquired
9 through employment covered by this System immediately following the member’s
10 DROP 2 participation period:

11 (A) for police members, less than 3½ years of service, and

12 (B) for fire members, less than 5 years of service.

13 (10) “Complete DROP 2 service retirement” means retirement after the conclusion of a
14 member’s DROP 2 participation period with the following years of service acquired
15 through employment covered by this System immediately following the member’s
16 DROP 2 participation period:

17 (A) for police members, 3½ or more years of service,

18 (B) for fire members, 5 or more years of service.

19 [(p) *DROP 2 benefit recipients and post-retirement increase eligibility.*]

20 [Eligibility for post-retirement increases payable under § 36A of this subtitle shall be
21 determined pursuant to § 36A(a)(1)(i).]

22 (P) [(q)] *Retirement benefits for reemployed DROP 2 retiree.*

23 . . .

24 (Q) [(r)] *DROP 2 experience reports and savings tests.*

25 . . .

26 **SECTION 2. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect as follows:

27 (A) Changes to § 30 are effective for calculations of retirements taking effect on
28 or after July 1, 2025, death benefits for deaths occurring on or after July 1, 2025,
29 and DROP 2 participation beginning on or after July 1, 2025;

30 (B) Changes to § 34 are effective for contributing members entering the system
31 on or after July 1, 2025;

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1 (C) Changes to § 36A are effective for retired members or beneficiaries
2 achieving post-retirement increase eligibility on or after June 30, 2025; and

3 (D) Changes to § 36C are effective for calculation of interest on DROP 2
4 accounts beginning July 1, 2025.

5 **SECTION 3. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on the 30th
6 day after the date it is enacted.