

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN
BOARD OF TRUSTEES MEETING
February 25, 2016**

Members Present: Dr. Rebecca Bridgett, County Administrator
Jeannett Cudmore, Chief Financial Officer
Captain Terry Black, Sheriff's Office Representative
Lt. Edward Evans, Sheriff's Office Representative
Dr. Tracy Harris, Citizen Representative

Others Present: Catherine Pratson, Plan Administrator
Karen Gates, Recorder
Tom Lowman, Bolton Partners
Mary Claire Chesshire, Plan Attorney (present via telephone)

Call to Order

The meeting was called to order at 1:02 p.m.

Acceptance of the Agenda

The agenda was accepted as presented by Rebecca Bridgett.

Approval of Minutes

Edward Evans made a motion, seconded by Jeannett Cudmore, to approve the January 28, 2016 meeting minutes. Motion carried.

Discussion of Tom Lowman's Response to the DROP Program Participant Comments

Tom Lowman presented the responses to the comments from plan participants regarding the DROP Plan proposal.

1. Should creditable service include military service, transferred service, or purchased service?

Response from Tom Lowman: Yes. Including this service this is consistent with calculating eligibility for a regular retirement benefit.

2. The maximum DROP period that may be elected by a participant is 5 years and the minimum period is 3 years. Why 3 or 5 years? Why can't a participant elect a 1, 2, or 4 year period?

The proposed DROP does allow for a participant to elect a four year period (or any period between 3 years and 5 years). The DROP period doesn't have to be an integer number of years, it can be anywhere from 36 months to 60 months). The idea of capping to 5 years was added because of the potential "promotion block" issue it creates the longer a participant is allowed to remain in DROP. It also limits the size of the DROP lump sum which can become a political and cash flow issue. Five (5) years is a number that is commonly used and is often thought to be both sufficiently large but not too large.

There is a desire for there to be a minimum threshold because offering the DROP for less than the threshold (we use three year as this is also commonly used) would defeat the main purpose of the DROP ó to retain quality employees past their normal retirement age and encourage experienced employees to work longer.

- 3. Retiree health insurance premiums are based on an employee’s years of credited service (which excludes military service). Employees with 25 years of credited service currently receive the maximum subsidy with the County paying 85% of the cost of the health insurance. If an employee enters the drop with 20 years of service, will the five years in the DROP program count as credited service in order to receive the maximum health insurance subsidy of 85%?**

Yes. Years of service in the DROP program will count towards years of County service for calculating the cost of retiree insurance coverage.

- 4. Can you confirm that Drop funds can be rolled over to the County’s 457 deferred compensation plan?**

DROP funds can be rolled over to the 457(b) deferred compensation plan.

- 5. If employees with 25 or more years of service have a 90-day window to enter the DROP program for 5 years, can the Plan support a windfall of 17 participants?**

Response from Tom Lowman: The Plan could support payments to the 17 participants. These participants could get paid annuity payments now even without a DROP plan.. DROP balances are basically the present value of the retirement benefit equal to what they would have received anyway had they not elected DROP.

- 6. Would it be beneficial to change the “transition rules” so that employees could only participate in the DROP until they reach the 30-year mark? For example, an employee with 26 years of service could only participate for 4 years; an employee with 27 years could only participate for 3 years, etc.**

Response from Tom Lowman: The proposed transition rules apply to those with at least 25 years of Credited Service at the inception date for the DROP program. For these participants, DROP entry/exit in terms of years of Credited Service looks like this:

<u>Years of CS at DROP inception*</u>	<u>Years of CS at DROP exit (min/max)</u>
25	28-30
26	29-31
27	30-32
28	30-33
29	30-34
30	30-35
31	31-36
32	32-37

*entry date subject to the 90 day window

The suggested change would not affect the health of the plan, but it could serve to reduce some of the promotion block concerns discussed earlier. The rule that is being suggested in this question is the same rule as the proposed entry/ exit rules for those who have less than 25 years of Credited Service at the inception date for the DROP program. The modification would effectively prevent anyone currently with more than 30 years now from having the opportunity to enter DROP. The County and the members need to decide how to balance the issue of promotional blockage with availability of DROP. For the transition participants, DROP entry/exit in terms of years of Credited Service looks like this under this change:

<u>Years of CS at DROP entry</u>	<u>Years of CS at DROP exit (min/max)</u>
25	28-30
26	29-30
27	30-30
28	30-30
29	30-30
30 & above	not available

7. Based on the number of employees who currently have 25 or more years of service, can you prepare a chart showing how many employees would retire at the same time?

Response from Tom Lowman:

DROP TRANSITION
(Assuming 4/1/2016 transition date and retire at 30 years)

YEARS OF SERVICE	DROP YEARS	RETIRE	# of Deputies
25 ó 26	3-5	30	6
26 ó 27	3-4	30	1
27 ó 28	2-3	30	1
28 ó 29	1-2	30	4
29 ó 30	0-1	30	1
30 and above	none	30	6

The only opportunity for staggering the exit dates is if the participants preselect DROP periods that vary, i.e. not all at the maximum 5 years.

The Board discussed the proposed transition rule options: 1) allow employees with 30 or more years of service to enter the DROP program, or 2) employees with 30 or more years of service would not be eligible to enter the DROP program.

Edward Evans made a motion, seconded by Jeannett Cudmore, to amend the proposed transition rules to allow all to enter the DROP program for at least 2 years; they can be in longer than 2 years, but not if it takes them beyond 30 ears of total service. Employees with 30 or more years of service at the inception of the DROP may enter the DROP program for a maximum of 2 years. Motion carried.

Request from Sheriff Timothy Cameron dated February 19, 2016

Sheriff Cameron asked the SORP Board of Trustees to consider amending the SORP plan document to exclude contractual sworn employees from being eligible to participate in the Sheriff's Office Pension Plan, or allow retired St. Mary's County Deputy Sheriffs to return to work as contractual Deputy Sheriffs without having to participate in the SORP.

The Board asked the Plan's attorney to draft tentative language to amend the Plan to read that contractual deputies are not considered "Covered Employees" and are excluded from enrolling in the SORP retirement plan and also to provide the pros and cons of hiring contractual deputies.

Administrator's Report

BILLS PAID SINCE LAST MEETING:

DATE	PAYEE	TYPE SERVICE	AMOUNT
01/20/16	Bolton Partners	Professional services rendered through 12/31/15. Lump sum distribution calculation for J. Davis.	\$ 131.00
02/04/16	Whiteford, Taylor and Preston	Professional services rendered through 01/31/16. Responses to DROP program questions.	\$ 350.00
02/17/16	Bolton Partners	Professional services rendered through 01/31/16. Lump sum distribution calculations for M. Grimes and A. Cole. Retirement calculation for S. Dorsey.	\$ 488.00
TOTAL:			\$ 969.00

NEXT MEETING

The next meeting is scheduled for Thursday, March 24, 2016.
The meeting was later rescheduled to Thursday, March 31, 2016

ADJORNMENT

The meeting adjourned at approximately 2:08 p.m.

Respectfully submitted,

Karen Gates
SORP Plan Coordinator

APPROVED:

Dr. Rebecca B. Bridgett
Chair