

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN  
BOARD OF TRUSTEES MEETING  
August 27, 2015**

**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:** Susan Sabo, Plan Administrator  
Karen Gates, Recorder  
Tom Lowman, Bolton Partners  
Mary Claire Chesshire, Whiteford, Taylor and Preston

**CALL TO ORDER**

The meeting was called to order at 1:04 p.m.

**ACCEPTANCE OF THE AGENDA**

The agenda was accepted as presented by Dr. Bridgett.

**APPROVAL OF MINUTES**

Terry Black made a motion, seconded by Lt. Evans, to approve the October 23, 2014 and July 23, 2015 meeting minutes. Motion carried.

**DISCUSSION ITEMS**

**Maximum Unused Sick Leave for Creditable Service**

Under the Sheriff's Office Retirement Plan document, a participant of the Plan may receive additional credit for Years of Credited Service for unused sick leave to a maximum of 15 days per Year of Credited Service. Tom Lowman was asked to cost out how removing the cap on the unused sick leave would impact the Plan financially. Tom Lowman will follow up with cost information.

**Consideration of DROP plan**

Tom Lowman (the Plan's actuary) and Mary Claire Chesshire (the Plan's attorney) discussed the pros and cons of a DROP plan. The following is a synopsis of their presentation:

A DROP is a pension plan provision that treats employees eligible for normal retirement as if they retired. First, their benefit amount is frozen upon entry to a DROP. Next, the benefit payments that a participant would have received had they actually retired are accumulated in an account, while the participant continues to work. Typically the account is credited with interest on the retirement payments from the date the payments would have been made until the employee actually retires.

Then at retirement the employee receives a check for the accumulated retirement payments (the DROP account), as well as a retirement benefit based on the participant's salary and service as of the date the employee entered the DROP. Typically the period of time an employee may be in a DROP is limited to 3 to 5 years. Also, frequently, the employee must pick a retirement date (the end of the DROP period) when entering the DROP. Employees electing DROP are typically no longer eligible for disability benefits.

#### Advantages of a DROP

- Employees get a big lump sum
- Employees may work longer
- Employees like DROPs
- Employer will have a good idea when people will retire

#### Disadvantages of a DROP

- Cost is unknown, but often there is a cost
- Cost depends on design
- Likely to slow down promotion if employees work longer
- Negative publicity associated with large DROP payments

The cost of a DROP depends on the design elements such as:

- Eligibility
- DROP period
- Employee contributions (continue or stop while in DROP)
- Credited with interest
- Survivor benefits - based on election upon entering DROP
- Disability benefit is not provided if disability occurs while in DROP

Of the 23 Maryland Counties other than St. Mary's, 9 provide their police officers retirement benefits from the State-run pension plan LEOPS. Of the remaining 14 counties, 7 provide a DROP and 7 do not.

Why might we want to implement a DROP?

- Is there a retirement problem we are trying to solve?
- Do we want to create an orderly transition of officers coming in and out?
- Do we want a DROP so we know when employees will retire and we can plan academy training dates?

#### Administration Issues to Consider

- How many years is the DROP period?
- What happens if an employee leaves voluntarily or non-voluntarily before the end of the DROP period?
- Issues with beneficiaries who do not get balance of DROP account upon employee's death
- Issues with ex-spouses wanting a share of the DROP

- What if an employee doesn't want to leave at the end of the DROP period?

### Next Steps

Tom Lowman will conduct a study and provide a DROP plan similar to that of other counties which is cost neutral and offer his recommendation of whether to implement a DROP or not. Mary Claire Chesshire will review Tom's proposal and also offer her recommendation.

### Administrator's Report

#### BILLS PAID SINCE LAST MEETING:

DATE	PAYEE	TYPE SERVICE	AMOUNT
08/06/15	Whiteford, Taylor & Preston	<p>Professional services rendered through 07/31/15.</p> <p>Telephone conference with Mary Claire Chesshire on 7/23/15 regarding Section 4.01. Clarification that a plan participant does not have to retire at a certain age or after a certain number of years.</p> <p>Telephone conference with Mary Claire Chesshire on 7/27/15 regarding the 45 day waiting period before an SORP retiree may be rehired.</p> <p>Email correspondence with Mary Claire Chesshire. Interpretation of a participant's Qualified Domestic Relations Order and how benefit payments are to be calculated.</p>	\$ 665.00
08/14/15	Bolton Partners	<p>Professional services rendered through 07/31/15.</p> <p>Retirement calculations for J. Schwab and T. Bellavoine. Interpretation and benefit calculation of participant's Qualified Domestic Relations Order.</p> <p>SORP Benefit Statements as of</p>	<p>\$ 678.00</p> <p>\$2,000.00</p>

		7/1/15 (partial fee).	
			TOTAL: \$ 3,343.00

**NEXT MEETING**

The next meeting is scheduled for September 24, 2015.

**ADJORNMENT**

The meeting adjourned at approximately 2:11 p.m.

Respectfully submitted,

Karen Gates  
SORP Plan Coordinator

APPROVED:

Dr. Rebecca B. Bridgett  
Chair