

**ANNE ARUNDEL COUNTY, MARYLAND  
OFFICE OF THE BUDGET**

**BILL NUMBER: 59-25**

**INTRO. DATE: June 16, 2025**

**FISCAL NOTE**

**BILL: AN ORDINANCE CONCERNING: PENSIONS – CREDITED SERVICE – DEFERRED RETIREMENT OPTION PROGRAM (“DROP”) – NUMBER OF PARTICIPANTS – TERM OF PARTICIPATION PERIOD – INTEREST ON DROP ACCOUNT – EMPLOYEE CONTRIBUTIONS TO PENSION FUND**

**SUMMARY OF LEGISLATION**

The purpose of this legislation is clarify credited service; modify the number of certain participants eligible to enter the DROP for the Fire Service Retirement Plan; modify the DROP participation period for certain participants in the Detention Officers’ and Deputy Sheriffs’ Retirement Plan; modify the annual interest rate for DROP accounts for certain participants in the Police Service Retirement Plan and the Fire Service Retirement Plan; and modify the employee contributions for certain participants in the Fire Service Retirement Plan and in the Police Service Retirement Plan.

**FISCAL IMPACT**

This legislation increases the guaranteed annual interest rate for the Deferred Retirement Option Plan (DROP) for members of the Police and Fire Service Retirement Plans. This change will increase future benefit payments from the County's pension fund.

Exhibit 1 summarizes the estimated fiscal impact based on the most recent available data. This data reflects payouts for employees who entered the DROP several years ago. As employee salaries rise, the principal amounts deposited into future DROP accounts will also increase. Consequently, the fiscal impact of the higher interest rate is expected to grow over time.

The pension fund is supported by contributions from multiple sources, including the County's General Fund. The increase in benefit payments will be incorporated into future actuarial valuations to determine the required adjustments to these contributions. The exact fiscal impact will be dependent upon the salary and length of time in the DROP program.

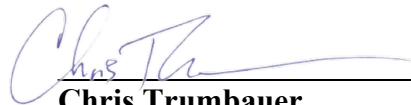
In addition, the legislation alters the participant cap for the DROP program. This provision has an indeterminate fiscal impact because it could either generate savings or create costs, depending on how it influences employees' retirement timing.

Exhibit 1 – DROP Interest Rate Fiscal Impact.

	# of	Average DROP Payment	Years in DROP	Current Annual Yield	Proposed Annual Yield	Current Interest per Member	New Interest per Member	Differnece	Total Cost
Police	62	330,060	4.85	4.25%	5.00%	32,710	38,811	6,101	378,265
Fire	55	306,473	5.11	4.25%	5.00%	31,913	37,891	5,978	328,783
Fire Mgmt/Battlion Chiefs	9	467,619	5.22	4.25%	4.75%	49,686	55,883	6,197	55,774
<b>Total</b>									<b>762,821</b>

This legislation increases the employee contribution rate for the Fire Service and Police Service Retirement Plans from 7.25% to 8.00% of salary.

Based on salaries in the FY2026 Proposed Budget, this change is projected to generate an additional \$1,375,000 in annual revenue to the pension fund from employee contributions. All other factors remaining equal, this increased revenue is expected to reduce the County's General Fund pension contribution by a corresponding amount.



**Chris Trumbauer**  
**Budget Officer**

6/9/2025

**Date**

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