



ANNE ARUNDEL COUNTY GOVERNMENT RELATIONS OFFICE

Legislative and Fiscal Summary of Administration Legislation

To: Members, Anne Arundel County Council

From: Ethan Hunt, Director of Government Affairs /s/

Date: June 16, 2025

Subject: Bill No. 59-25 – 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

This summary was prepared by the Anne Arundel County Government Relations Office for use by members of the Anne Arundel County Council during consideration of Bill No. 59-25.

Summary

This Ordinance is submitted by the Administration on behalf of the Office of Personnel. The bill implements specific changes to pension plans based on the results of union negotiations with various collective bargaining units that represent County employees. It adds a 7th year of Deferred Retirement Option Program (“DROP”) participation for classifications of CPS I/II and CJPS (Correctional Program Specialist and Criminal Justice Program Specialist). It changes the number of International Association of Fire Fighters (“IAFF”) member participants eligible to enter DROP in the Fire Plan from four per month to 20 per quarter (capped at 72 annually). The ordinance also modifies the annual interest rate for DROP accounts for participants in Police Service Retirement Plan and IAFF member participants in Fire Service Retirement Plan from 4.25% to 5.0%; and increases the amount of employee pension contributions for IAFF member participants in Fire Service Retirement Plan from 7.25% to 8.0%, and for all participants in Police Plan from 7.25% to 8.25%. This bill also cleans up some missing changes in section 5-1-205(a) and 5-4-103.

Some of the changes with respect to DROP will go into effect July 1, 2025 and those for employee contribution rates will be effective January 1, 2026.

Note: This Legislative and Fiscal Summary provides a synopsis of the legislation as introduced. It does not address subsequent amendments to the legislation.

Purpose

Negotiated Plan Changes

The primary purpose of this bill is to implement changes to the Fire Service Retirement Plan, Police Service Retirement Plan, and Detention Officers' and Deputy Sheriffs' Retirement Plan as a result of FY 2026 negotiations with the IAFF, Fraternal Order of Police ("FOP"), Battalion Chiefs, and Correctional Program Specialists (CPS's).

DROP Entry (Fire) – The bill amends section 5-1-505 to increase the number of participants in job classifications represented by IAFF who may go into the DROP each month. The number would increase from four per month to 20 per calendar quarter (with a FY cap of 72).

7th Year of DROP (DODS) – The bill also amends section 5-1-506(b)(7) to allow those participants in the classification of CPS I or II to extend DROP participation for a seventh year, as agreed upon in negotiations. That section is also changed to give Criminal Justice Program Supervisors (Non-Represented) the seventh year of DROP. These changes are effective July 1, 2025.

Interest on DROP Accounts (Fire, Police) – The bill amends Section 5-1-508 regarding DROP accounts to increase the amount of interest earned on a participant's account during the DROP period, as negotiated. In the Police Service Retirement Plan, the annual interest rate on the DROP accounts of all participants who enter DROP on or after July 1, 2025, will increase from 4.25% to 5.00% (5-1-508(c)(2)(iii)).

In the Fire Service Retirement Plan, participants entering DROP after July 1, 2025, who are in job classifications represented by IAFF will have an annual increase in interest from 4.25% to 5.00% (5-1-508(c)(2)(v)). The remaining participants in that plan (Battalion Chiefs up through Chief) who enter DROP after July 1, 2025, will have an annual interest increase to 4.75% (5-1-508(c)(2)(vi)).

The bill has no effect on the interest accrued on the DROP accounts of any participants currently in DROP. The interest rate for current DROP participants in those plans will remain 4.25%.

Employee Pension Contributions (Fire) – The bill amends section 5-4-103(b) to increase the percentage of annual basic pay that participants in classifications represented by IAFF contribute to the Fire Service Retirement Plan from 7.25% to 8.00%. This increase in employee contributions does not go into effect until January 1, 2026. Participants in the Fire Plan who are not represented by IAFF will continue to contribute 7.25% of their annual basic pay.

As clarification, the bill also adds section 5-4-103(d) stating that participants are not required to make contributions after first to occur of their death, termination of employment, disability, or retirement. This language was added to be consistent with current provisions of the Police Service Retirement Plan (5-5-103(d)).

Employee Pension Contributions (Police) – The bill amends section 5-5-103(b) to increase the percentage of annual basic pay that all plan participants contribute to the Police Service Retirement Plan from 7.25% to 8.25%. The increase to 8.25% was agreed upon in negotiations with the FOP and was expanded to include all participants. This increase will go into effect on January 1, 2026.

Clarification of Credited Service

The bill amends section 5-1-205 to clarify that “credited service” includes purchased service in accordance with section 5-1-212. Bill No. 85-23 established purchased prior service for new hires participating in Fire and Police plans as credited service. While that provision was codified in section 5-1-212, section 5-1-505(a) was not updated in Bill No. 85-23 to include the reference.

Fiscal Impact

Please see the Fiscal Note the Budget Office has prepared for an explanation of the fiscal impact of this Bill.

Additional Information

The Government Relations Office is available to answer any additional questions regarding this Bill. Specific questions should be directed to Lori Blair Klasmeier, Office of Law, or Kelly Lovett, Assistant Personnel Officer. Thank you.

cc: Honorable Steuart Pittman, County Executive
Christine Anderson, Chief Administrative Officer
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