

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

**BILL NUMBER: 56-26**

**INTRO. DATE: June 15, 2026**

**FISCAL NOTE**

**BILL: Pensions – Reemployment – DROP Accounts – Fire Service Retirement Plan – Detention Officers’ and Deputy Sheriffs’ Retirement Plan**

**SUMMARY OF LEGISLATION**

This bill makes a number of changes to the Deferred Retirement Option Program (DROP) and other retirement provisions as they affect certain upper-ranking Fire Department and Sheriff’s Office employees (referred to as fire management and battalion chiefs). These changes were negotiated as part of the FY27 collective bargaining agreements.

- It eliminates the requirement that the specified upper-ranking DROP participants who are in the Fire Service Retirement Plan and are re-employed receive a reduction in their retirement benefits.
- It extends the maximum DROP period from six years to seven for certain participants in the Office of the Sheriff.
- It increases the interest earnings from the equivalent of 4.75 percent (annual rate) to the equivalent of 5 percent for certain Fire Department participants who enter the DROP program after June 1, 2027.
- It makes technical and clarifying changes related to retirement benefits paid after re-employment and related to death benefits.
- It increases the employee contribution to the pension fund for the specified Fire Department classifications from the current 7.25 percent to be 8 percent.
- It updates the names of various Sheriff’s Office classifications in the Detention Officers’ and Deputy Sheriffs’ Retirement Plan title of the Code.

**FISCAL IMPACT**

Operating Budget – Personal Services: No effect. This bill will not require additional staffing.

Operating Budget – Other Operating Costs: No effect in fiscal years 2026 and 2027. The provisions related to upper-ranking Fire Department personnel affect 31 total positions.

Capital Budget: No effect.

Revenues: No effect in fiscal years 2026 and 2027.

Indirect and future fiscal effects: This bill will affect participants beginning in fiscal year 2028.

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.

The change in the guaranteed annual interest rate will affect the participants as shown in Exhibit 1. Currently, there are 15 Fire Management & Battalion Chiefs in DROP with an average of 4.2 years in DROP. Five of them are in their seventh year of DROP, meaning that they will retire in 2027 prior to the effective date of the DROP interest rate increase, leaving ten affected by the change in interest accumulation.

Exhibit 1									
	# of Members	Average DROP Payment	Years in DROP	Current Annual Yield	Proposed Annual Yield	Current Interest per Member	New Interest per Member	Difference	Total Cost
Fire Mgmt/Battlion Chiefs	10	467,619	4.2	4.75%	5.00%	40,424	45,386	4,963	49,627
<b>Total</b>									<b>49,627</b>

The bill will increase the employee pension contribution rate for Fire plan participants in classification of Battalion Chief and non-represented Fire management from 7.25 percent to 8.00 percent of their annual basic pay. Based on fiscal year 2027 salaries, the change would increase pension fund contributions by \$44,627 annually. Assuming all things equal, this increased revenue would reduce the County's annual General Fund pension contribution by the same amount. This increase will go into effect until the first full pay period on or after June 1, 2027 (fiscal year 2028).

The addition of a seventh year of DROP for certain members in the DODS retirement plan will have de minimis impact.

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 future participation, the salaries, and length of time in the DROP program.

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

6/9/2026  


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**Date**

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