



The Mayor and Commissioners  
of the Town of Elkton

**Ordinance 10 - 2017**

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BY: Mayor and Commissioners

INTRODUCTION: August 16, 2017

ADOPTION: September 6, 2017

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**AN ORDINANCE CONCERNING**

**The Code of the Town of Elkton**

**Title 2**

**Chapter 2.28**

**Elkton Police Pension Plan**

**FOR THE PURPOSE** of amending the Code of the Town of Elkton, Title 2, Chapter 2.28 – Elkton Police Pension Plan, adding provisions for a Deferred Retirement Option Plan (DROP).

**WHEREAS**, Article XI-E., Constitution of the State of Maryland; Section 4-103(b)(3), Subtitle 1, Title 4, Division II, Local Government Article, Annotated Code of Maryland; and the Charter and Code of the Town of Elkton provide the authority under which the Board of Commissioners may adopt, repeal, and/or amend the ordinances of the Town of Elkton; and

**WHEREAS**, the Mayor and Commissioners have determined that the aforementioned Chapter 2.28 shall be amended to add provisions for a Deferred Retirement Option Plan (DROP) applicable to participants in the Elkton Police Pension Plan who have reached twenty-five (25) years of service and wish to participate in the DROP program as set forth hereinafter.

**NOW, THEREFORE**, the Board of Commissioners of the Town of Elkton hereby ordain that:

Section 1. The Code of the Town of Elkton, Title 2, Chapter 2.28, shall be amended to add Section 2.28.285, which shall read as follows:

**Code of the Town of Elkton**  
**Title 2**  
**Chapter 2.28**  
**Elkton Police Pension Plan**

**§2.28.285**                    **Deferred Retirement Option Program.**

A.     *Definitions.*

In this section, the following words have the meanings indicated:

- (1)     *DROP* means the Deferred Retirement Option Program established under this Section 2.28.285, pursuant to which a Participant agrees to delay receipt of retirement benefits while the Participant continues to work.
- (2)     *DROP Participant* means a Participant who is eligible for and who elects to participate in *DROP*.
- (3)     *DROP Participation Period* means the time during which a Participant participates in *DROP* while actively employed by the Town.
- (4)     *DROP Account* means the account established for a *DROP Participant* in accordance with subsection G. to which the Participant's retirement benefits are credited while the Participant continues to work for the Town.
- (5)     *DROP Effective Date* means **November 1, 2017**.

B.     *Eligibility.*

- (1)     A Participant who has completed 25 Years of Service as of the *DROP Effective Date* shall be eligible to participate in *DROP* as of the *DROP Effective Date*.
- (2)     A Participant who has not completed 25 Years of Service as of the *DROP Effective Date* shall be eligible to participate in *DROP* on the date the Participant has completed 25 Years of Service.

C.     *Term of DROP Participation.*

Except as provided in subsection L., the maximum term of a *DROP Participation Period* shall be five (5) years.

D. *Application for DROP Participation.*

An eligible Participant who elects to participate in DROP shall complete and submit to the Finance Director:

- (1) A written application on a form approved by or acceptable to the Committee, stating the Participant's intention to participate in DROP;
- (2) An election as to whether the Participant's retirement benefits will be credited to his or her DROP Account in the normal form described in Section 2.28.210 or in one of the optional forms of benefit described in Section 2.28.320;
- (3) A binding letter of resignation accepted by the Town Administrator stating that the Participant will terminate employment on the last day of his or her DROP Participation Period;
- (4) Such other information required by the Committee to implement *DROP* with respect to the Participant.

E. *Timing of Application*

The Participant shall submit the items described in subsection D. to the Finance Director by the date provided in paragraphs (1) or (2) below:

- (1) If the Participant has completed at least 25 Years of Service as of the DROP Effective Date, the application is due to be submitted no later than 30 days before the DROP Effective Date.
- (2) If the Participant has not completed 25 Years of Service as of the DROP Effective Date, the application is due to be submitted no later than 30 days before the date the Participant earns 25 Years of Service.

F. *Irrevocability of Election or Failure to Elect.*

- (1) A Participant's election to participate in DROP is irrevocable on the date the election to participate is submitted to the Finance Director.
- (2) Failure to elect to participate in DROP at the time prescribed in paragraph (2) of subsection D. is deemed to be an irrevocable election not to participate in DROP.

G. *DROP Account.*

- (1) The Finance Director shall establish and maintain a DROP Account for each DROP Participant. The DROP Account is maintained solely for purposes of accounting for the DROP Participant's benefit from the DROP. The Committee shall be under no obligation to segregate funds from the Trust for the Participant's DROP Account.
- (2) During the DROP Participation Period, the Finance Director shall credit to the DROP Participant's DROP Account the DROP Participant's monthly retirement income determined pursuant to Section 2.28.210 or 2.28.320. No interest will accrue on this amount.
- (3) At least once a year, the Finance Director shall provide to a DROP Participant a statement of the account balance credited to the DROP Account as described in paragraph (2).

H. *Status during Participation.*

During the DROP Participation Period:

- (1) A DROP Participant will remain an active Participant in the Plan;
- (2) A DROP Participant will not accrue credit for Years of Service;
- (3) A DROP Participant's Compensation shall not be subject to the Town pick up contributions provided for in Section 2.28.200;
- (4) A DROP Participant's Compensation shall not be used to increase the DROP Participant's Average Compensation;
- (5) A DROP Participant shall continue to be eligible to participate in any health and welfare plan or deferred compensation plan, and receive any other benefits otherwise available to Town employees who are sworn police officers; and
- (6) A DROP Participant shall continue to be subject to the personnel laws, regulations and policies applicable to Town employees who are sworn police officers.

I. *Death of a DROP Participant.*

If during the DROP Participation Period, the Participant reaches a Termination Date by reason of death, the Participant's Beneficiary will receive (1) the balance of the Participant's DROP Account plus (2) the death benefit described in subsection B. of Section 2.28.290.

J. *Payment of Retirement Income and DROP Account at Termination Date.*

- (1) Upon the termination of a DROP Participant's employment with the Town at the end of the DROP Participation Period, the Trustee shall pay to the Participant the amount accrued in the Participant's DROP Account, determined in accordance with paragraph G. at the end of the DROP Participation Period, in the form of: (a) an eligible rollover distribution, pursuant to Section 2.28.340; (b) a lump sum distribution, reduced by any withholding taxes remitted to the Internal Revenue Service or other taxing authority; (c) the normal form of monthly benefit specified in Section 2.28.210 if the Participant's monthly income is payable in the normal form of monthly benefit specified in Section 2.28.210; or (d) the form of monthly benefit elected by the DROP Participant in accordance with paragraph (2) of subsection D.
- (2) The form of payment shall be at the election of the DROP Participant or the DROP Participant's Beneficiary, as applicable. In the event the DROP Participant or the DROP Participant's Beneficiary elects payment in the form described in subparagraph (c) or (d) of paragraph (1) of this subsection J., the monthly benefit shall be the actuarial equivalent of the balance of the DROP Account as of the last day of the DROP Participation Period.
- (3) Upon the termination of a DROP Participant's employment with the Town at the end of the DROP Participation Period pursuant to subsection D., the Participant will receive the monthly retirement income determined in accordance with Section 2.28.210 or 2.28.320.
- (4) If the DROP Participant reaches a termination date, other than by reason of death, prior to the end of the DROP Participation Period pursuant to subsection D., without regard to whether the termination of employment is voluntary by the Participant or involuntary and at the request of the Town (a) the Participant will receive the balance of his or her DROP Account; and (b) the Participant's monthly retirement income shall be determined in accordance with the election made during the application for participation in DROP.

*K. Termination Date.*

The Termination Date of a DROP Participant shall be the last day of his or her DROP Participation Period. The DROP Participant will begin receiving a retirement benefit as of the first day of the month following the end of the DROP Participation Period.

*L. Participation of the Police Chief in DROP*

Notwithstanding any other provision of this Section 2.28.285, the Town may provide by written agreement between the Town Administrator and the Chief of Police for a DROP Participation Period for the Chief of Police that is longer than five (5) years.

*M. Adjustment for Maximum Limitations on Benefits.*

The benefits payable pursuant to this Section 2.28.285 shall be adjusted, if necessary, to conform to the limitations on the accrual of benefits pursuant to Section 2.28.260.

**END OF SECTION**

DATE OF EFFECT

THIS ORDINANCE shall be effective on the 26<sup>th</sup> day of September, 2017.

Mayor and Commissioners  
of the Town of Elkton

Mayor Robert J. Alt  
Commissioner Charles H. Givens, Sr.  
Commissioner Mary Jo Jablonski  
Commissioner Earl M. Piner, Sr.