



City of Baltimore

Legislative File Number 06-0370 (version 0)

Fire and Police Employees' Retirement System - DROP 2

FOR the purpose of providing a new deferred retirement option plan (DROP 2) for certain members of the Fire and Police Employees' Retirement System; clarifying certain provisions pertaining to the System's existing DROP; mandating the performance of a cost savings test by the System's actuary with regard to the DROP 2 benefit; providing the City with the option of legislatively modifying or terminating the DROP 2 benefit if certain cost savings are not realized; providing certain transitional rules; clarifying, correcting, and conforming certain language; providing for a special effective date; and generally relating to the Fire and Police Employees' Retirement System.

BY repealing and reordaining, with amendments

Article 22 - Retirement Systems

Section(s) 36B(a)(i) and (ii), (c)(1) and (2), (e), (h), (i), (j)(4), (5), and (6), (k)(2), (m), (n), and (o)

Baltimore City Code

(Edition 2000)

BY adding

Article 22 - Retirement Systems

Section(s) 36C

Baltimore City Code

(Edition 2000)

SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the Laws of Baltimore City read as follows:

Baltimore City Code

Article 22. Retirement Systems

§ 36B. Deferred Retirement Option Plan.

(a) Eligibility.

(i) Any active employee who becomes a member of this system on or before June 30, 2003, and who has acquired at least 20 years of service AS OF JUNE 30, 2006, is eligible to participate in the DROP PROVIDED BY THIS § 36B by making an election in the manner prescribed in paragraph (iii) of this subsection. ANY MEMBER WHO DOES NOT MEET THE ELIGIBILITY REQUIREMENTS OF THIS § 36B, EFFECTIVE JULY 1, 2006, WILL BE COVERED BY THE PROVISIONS OF § 36C OF THIS SUBTITLE.

(ii) Any active employee who becomes a member of this system on or after July 1, 2003, and who, in

addition to having acquired at least 20 years of service, has acquired at least 10 years of service as a contributing member of this system AS OF JUNE 30, 2006, is eligible to participate in the DROP by making an election in the manner prescribed in paragraph (iii) of this subsection.

(c) Status of DROP participants.

(1) During DROP participation period.

(A) Notwithstanding any other provision of this subtitle to the contrary, a member shall remain a member of the Retirement System during the DROP participation period, provided, however, that the member shall not be credited with service during such period, and that, except with regard to the calculation of a member's intermediate DROP retirement benefit under subsection (f)(2), compensation, pay or salary earned during that period shall be disregarded in calculating the member's average final compensation.

(B) A member who becomes a participant in the DROP shall continue to make the contributions that are required under § 36(h) of this subtitle for members earning service credit. These contributions shall be accumulated in a subaccount within the Annuity Savings [Fund] RESERVE, but shall be credited with interest compounded annually in the same manner and at the same interest rate as though the contributions had been accumulated in the member's DROP account as provided under subsection (d). Contributions that are required under § 36(h) of this subtitle of any member entitled to protection of retirement benefits and credits on account of military service under § 32(e) of this subtitle, shall be paid by the system into the member's subaccount on his or her behalf for the duration of his or her absence from employment on account of military service.

(C) The contributions described in the preceding paragraph shall be treated as being "picked up" by the City of Baltimore within the meaning of § 414(h)(2) of the Internal Revenue Code of 1986, as amended. The contributions described in the preceding paragraph shall not be considered "accumulated contributions", as defined in § 30(10) of this subtitle.

(2) After DROP participation period.

(A) Any member who becomes a participant in the DROP may retire or terminate service, and thereby discontinue participation in the DROP, at any time during the DROP participation period or may retire or terminate service at the conclusion of that period.

(B) A member may elect to discontinue participation in the DROP and resume earning service credit in the system only as of the 1st or 2nd anniversary of the effective date of the member's DROP participation period.

(C) The election to discontinue participation shall be made on forms provided for that purpose by the Board of Trustees and shall be filed with the Board no less than 30 days AND NO MORE THAN 90 DAYS before the effective date of the discontinuance of participation.

(D) THE ADDITIONAL ACCRUAL RATE PROVIDED BY § 36B(F)(2) OR § 36B(G)(2) SHALL ONLY BE APPLIED TO THE MEMBER'S COMPLETED YEARS OF DROP PARTICIPATION.

(E) A member who continues employment at the conclusion of a full, 3-year DROP participation period shall resume earning service credit in the system.

(F) A member who becomes ineligible to participate in the DROP pursuant to subsection (a) or who elects to discontinue participation in the DROP pursuant to this subsection (b) may not elect to again participate in the DROP.

(e) Basic DROP retirement benefit.

Notwithstanding § 34(b) of this subtitle, any member who retires during or at the conclusion of a DROP participation period shall receive "a basic DROP retirement benefit" equal to:

(1) the service retirement allowance the member would have received under § 34(b) had the member retired from service and commenced a service retirement allowance on the effective date of the DROP participation period;

(2) the balance in the member's DROP account at the time of retirement, payable pursuant to the member's election under subsection (n) of this section; and

(3) the balance in the member's Annuity Savings [Fund] RESERVE subaccount accumulated under subsection (c) of this section, payable pursuant to the member's election under subsection (n) of this section.

(h) Non-line-of-duty disability benefit.

Notwithstanding § 34(d) of this subtitle, any member who retires on account of non-line-of-duty disability:

(1) during or at the conclusion of a DROP participation period, shall receive a non-line-of-duty disability benefit equal to the "basic DROP retirement benefit" provided under subsection (e) of this section;

(2) less than 18 months following the conclusion of a DROP participation period, shall receive [an ordinary] A NON-LINE-OF-DUTY disability benefit equal to the "intermediate DROP retirement benefit" provided under subsection (f) of this section; and

(3) 18 or more months following the conclusion of a DROP participation period, shall receive [an ordinary] A NON-LINE-OF-DUTY disability benefit equal to the "full DROP retirement benefit" provided under subsection (g) of this section.

(i) Line-of-duty disability benefit.

Any member who retires on account of line-of-duty disability under [§ 34(f)] § 34(E-1) OR (F-1) of this subtitle during or after a DROP participation period shall receive the line-of-duty disability benefits provided under [§ 34(f)] § 34(E-1) OR (F-1) in place of any DROP benefits provided by this § 36B (including any balance in the member's DROP account and Annuity Savings [Fund] RESERVE subaccount), as though the member had never participated in the DROP.

(j) Non-line-of-duty death benefit.

Notwithstanding § 34(h) of this subtitle, the non-line-of-duty death benefit payable on the death of a member who dies during or after a DROP participation period shall equal the non-line-of-duty death benefit provided in § 34(h), plus the balance of the member's DROP account and Annuity Savings [Fund]

RESERVE subaccount at the time of death, subject to the following:

(4) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(1) and (2) of this subtitle, the balance of the deceased member's DROP account and Annuity Savings [Fund] RESERVE subaccount shall be payable in one lump sum;

(5) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(3) of this subtitle, the balance of the deceased member's DROP account and Annuity Savings [Fund] RESERVE subaccount shall be payable pursuant to the election of the recipient under subsection (n) of this section; and

(6) for a recipient electing to receive non-line-of-duty death benefits under § 34(h)(4) of this subtitle, the balance of the deceased member's DROP account and Annuity Savings [Fund] RESERVE subaccount shall be payable pursuant to the election of the recipient under subsection (n) of this section.

(k) Line-of-duty death benefit.

(2) Line-of-duty death benefit.

On the receipt of a written application, proper proof of death, and an award by a hearing examiner of a line-of-duty death benefit as provided for in paragraph (1) of this subsection, the Board of Trustees shall pay either:

(A) the ordinary death benefit payable on the death of a member under subsection (j) of this section; or

(B) the line-of-duty death benefit payable under § 34(i) in lieu of any DROP benefits provided by this Section, including any balance in the member's DROP account and [annuity savings fund] ANNUITY SAVINGS RESERVE subaccount, as though the member had never participated in the DROP.

(m) Post-retirement increases.

(1) [Notwithstanding § 36A of this subtitle, for] FOR a member who retires during or at the conclusion of a DROP participation period, the member's DROP participation period shall be counted toward the eligibility requirement for post-retirement benefit increases under [§ 36A] § 36A-1 OR § 36A-2, AS APPLICABLE.

(2) However, if a member resumes earning service credit following the conclusion of a DROP participation period, then the DROP participation period shall not be counted toward the eligibility requirement for post-retirement increases.

(3) Post-retirement benefit increases for former DROP participants shall be applied prospectively only (i.e., no increase shall be provided to make up for any post-retirement benefit increases that the member would have received if the member had retired from service in lieu of electing to participate in the DROP).

(4) If a member elects under subsection (n) to receive the balance of his or her DROP account in the form of periodic payments, those payments shall be eligible for post-retirement benefit increases under [§ 36A] § 36A-1 OR § 36A-2, AS APPLICABLE, upon satisfaction by the member of the eligibility requirements of [§ 36A(a), as modified by this subsection (m)] § 36A-1(A) OR § 36A-2, AS

APPLICABLE.

(n) Form of payment of DROP account balance.

[The total balance of a member's DROP account and Annuity Savings Fund subaccount shall be payable in one lump sum as soon as administratively feasible after the member's retirement or death. However, a member may elect to receive the actuarial equivalent of that balance in the same form of periodic payments in which the member has elected to receive the remainder of his or her retirement benefit; and upon the retired member's death, the DROP account and the Annuity Savings Fund subaccount shall be paid in the same manner as the member's Annuity Savings Fund account.]

(1) The election of the form of payment of the MEMBER'S DROP account balance shall be made on forms provided by the Board of Trustees and shall be filed with the Board.

(2) A MEMBER OR A BENEFICIARY, IF APPLICABLE FOR BENEFITS PAYABLE UNDER § 36B(J), MAY ELECT TO RECEIVE HIS OR HER DROP ACCOUNT BALANCE IN EITHER:

(A) A LUMP SUM, WHICH CAN BE:

(I) TRANSFERRED OR ROLLED OVER IN TOTAL OR IN PART TO A FINANCIAL INSTITUTION(S) OR PENSION PLAN IN ACCORDANCE WITH § 34(W) OF THIS SUBTITLE AND INTERNAL REVENUE REGULATIONS, AND/OR

(II) PAID IN TOTAL OR IN PART DIRECTLY TO THE MEMBER OR BENEFICIARY; OR

(B) AN ANNUITY, WHICH SHALL BE:

(I) PAID IN THE SAME FORM OF PERIODIC PAYMENTS THAT THE MEMBER OR BENEFICIARY HAS ELECTED TO RECEIVE THE RETIREMENT OR DEATH BENEFIT; AND

(II) PAID IN THE SAME MANNER AS THE MEMBER'S ANNUITY SAVINGS RESERVE ACCOUNT, UPON THE DEATH OF THE RETIRED DROP PARTICIPANT.

(3) THE LUMP SUM PAYMENT OF THE MEMBER'S DROP ACCOUNT ELECTED UNDER PARAGRAPH (2)(A) OF THIS SUBSECTION SHALL BE MADE AS SOON AS ADMINISTRATIVELY FEASIBLE AFTER THE MEMBER'S RETIREMENT OR DEATH.

(o) Conflicts in elections for death benefits.

In the event of conflicting death benefit elections under this subtitle, an election for [special] LINE-OF-DUTY death benefits made by an eligible surviving spouse shall override an election for [ordinary] NON-LINE-OF-DUTY death benefits made by a designated beneficiary.

§ 36C. DEFERRED RETIREMENT OPTION PLAN 2.

(A) SCOPE OF SECTION.

EFFECTIVE JULY 1, 2006, A MEMBER WHO IS MAKING REGULAR MANDATORY

CONTRIBUTIONS PURSUANT TO § 36(H) MAY ELECT TO BECOME A PARTICIPANT IN THIS DEFERRED RETIREMENT OPTION PLAN 2 (DROP 2), SUBJECT TO THE FOLLOWING PROVISIONS.

(B) DEFINITIONS.

- (1) "DROP 2" MEANS THE BENEFITS ESTABLISHED UNDER THIS § 36C.
- (2) "DROP 2 START DATE" MEANS THE FIRST DAY OF A MEMBER'S 3-YEAR DROP PARTICIPATION PERIOD.
- (3) "DROP 2 END DATE" MEANS THE LAST DAY OF A MEMBER'S 3-YEAR DROP PARTICIPATION PERIOD.
- (4) "DROP 2 PARTICIPATION PERIOD" MEANS A TIME PERIOD OF 3 CONSECUTIVE YEARS DURING WHICH DROP CONTRIBUTIONS AND BENEFITS ARE ACCUMULATED ON BEHALF OF A DROP PARTICIPANT.
- (5) "DROP 2 PARTICIPANT" MEANS A MEMBER WHO HAS ELECTED TO BE COVERED BY THE BENEFITS OF THIS § 36C.
- (6) "DROP 2 INTEREST RATE", WHENEVER USED IN THIS § 36C, MEANS REGULAR INTEREST FOR THE ANNUITY SAVINGS RESERVE AS DEFINED IN § 30(9) OF THIS SUBTITLE.
- (7) "EARLY DROP 2 SERVICE RETIREMENT" MEANS RETIREMENT WITH LESS THAN 6 YEARS OF SERVICE ACQUIRED THROUGH EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S 3-YEAR DROP PARTICIPATION PERIOD.
- (8) "NORMAL DROP 2 SERVICE RETIREMENT" MEANS RETIREMENT WITH 6 OR MORE YEARS OF SERVICE ACQUIRED THROUGH EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S 3-YEAR DROP PARTICIPATION PERIOD.

(C) ELIGIBILITY AND APPLICATION.

(1) NOTWITHSTANDING § 30(6) OF THIS SUBTITLE, AN ACTIVE EMPLOYEE WHO HAS ACQUIRED AT LEAST 20 YEARS OF CONTINUOUS SERVICE THROUGH EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS SYSTEM IS ELIGIBLE TO PARTICIPATE IN THIS DROP 2 BY MAKING AN ELECTION IN THE MANNER PRESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION.

(2) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN DROP 2 BY:

(A) FILING A WRITTEN APPLICATION ON A FORM APPROVED BY THE BOARD OF TRUSTEES,

(B) FILING THE APPLICATION NOT LESS THAN 30 DAYS NOR MORE THAN 90 DAYS

BEFORE THE MEMBER'S DROP 2 START DATE, AND

(C) SELECTING THE MEMBER'S DROP 2 START DATE.

(3) THE ELECTION TO PARTICIPATE IN DROP 2 AND THE ELECTION TO CLAIM ANY BENEFIT UNDER THIS § 36C MUST BE MADE ON FORMS PROVIDED FOR THAT PURPOSE BY THE BOARD OF TRUSTEES AND FILED WITH THE BOARD.

(4) A MEMBER'S DROP 2 PARTICIPATION PERIOD ALWAYS BEGINS ON THE FIRST DAY OF A MONTH.

(5) ANY MEMBER IN SERVICE WHO TERMINATES EMPLOYMENT, RETIRES, OR DIES BECOMES INELIGIBLE TO ELECT TO PARTICIPATE OR TO CONTINUE PARTICIPATION IN DROP 2.

(6) ANY MEMBER WHO VOLUNTARILY OR INVOLUNTARILY TERMINATES EMPLOYMENT, OR RETIRES DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL NOT BE ENTITLED TO ANY BENEFITS UNDER THIS § 36C AND SHALL ONLY BE ENTITLED TO BENEFITS UNDER § 34 OF THIS SUBTITLE.

(7) A DROP 2 PARTICIPANT SHALL NOT BE PERMITTED TO DISCONTINUE DROP 2 PARTICIPATION AND REMAIN EMPLOYED.

(8) THE BENEFICIARY OR BENEFICIARIES OF ANY MEMBER WHO DIES DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL NOT BE ENTITLED TO BENEFITS UNDER THIS §36C AND SHALL ONLY BE ENTITLED TO BENEFITS UNDER § 34 OF THIS SUBTITLE.

(9) UNLESS STATED WITHIN THIS § 36C, THE APPLICATION REQUIREMENTS OF § 34 OF THIS SUBTITLE APPLY TO THE APPLICABLE SERVICE RETIREMENT, DISABILITY RETIREMENT, AND DEATH BENEFITS PROVIDED BY THIS SECTION.

(10) NOTWITHSTANDING § 34(E-1)(2)(II) AND § 34(F-1)(2)(II), A DROP 2 PARTICIPANT MAY NOT FILE FOR LINE-OF-DUTY DISABILITY RETIREMENT BENEFITS UNDER § 36C(J) IF THE MEMBER HAS RETIRED ON A DROP 2 SERVICE RETIREMENT PURSUANT TO § 36C(G) OR (H), OR IF THE MEMBER HAS RETIRED ON A DROP 2 NON-LINE-OF-DUTY DISABILITY RETIREMENT BENEFIT PURSUANT TO § 36C(I).

(11) A MEMBER WHO PARTICIPATES OR HAS PARTICIPATED IN THE DROP PROVIDED BY § 36B MAY NOT PARTICIPATE IN DROP 2.

(12) A MEMBER WHO BECOMES INELIGIBLE TO PARTICIPATE IN DROP 2 PURSUANT TO THIS SUBSECTION (C) OR A MEMBER WHO WAS ELIGIBLE TO HAVE PARTICIPATED IN EITHER THE DROP, PROVIDED BY § 36B, OR THIS DROP 2, BUT FAILED TO PARTICIPATE AND INSTEAD RETIRED OR TERMINATED EMPLOYMENT MAY NOT ELECT TO PARTICIPATE IN DROP 2 IF REEMPLOYED IN A POSITION COVERED BY THIS SYSTEM.

(13) A DROP 2 PARTICIPANT WHO RETIRES WITH A BENEFIT UNDER THIS SECTION IS SUBJECT TO THE PROVISIONS OF § 48 OF THIS ARTICLE CONCERNING

CONTEMPORANEOUS MEMBERSHIP IN MORE THAN ONE CITY OF BALTIMORE RETIREMENT SYSTEM.

(D) PARTICIPATION PERIOD, MEMBERSHIP STATUS, AND SERVICE CREDITS.

(1) A MEMBER'S DROP 2 PARTICIPATION PERIOD SHALL BE A SINGLE TERM OF 3 CONSECUTIVE YEARS COMMENCING WITH THE MEMBER'S DROP 2 START DATE, AS PROVIDED IN SUBSECTION (C)(4) OF THIS SECTION.

(2) A MEMBER'S DROP 2 PARTICIPATION PERIOD SHALL TERMINATE IF A MEMBER BECOMES INELIGIBLE TO PARTICIPATE OR TO CONTINUE PARTICIPATION IN DROP 2 PURSUANT TO SUBSECTION (c) OF THIS SECTION.

(3) A MEMBER SHALL REMAIN AN ACTIVE MEMBER OF THIS SYSTEM DURING THE MEMBER'S DROP 2 PARTICIPATION PERIOD.

(4) A MEMBER SHALL NOT EARN SERVICE CREDIT FOR EMPLOYMENT DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD.

(5) NOTWITHSTANDING PARAGRAPH (4) OF THIS SUBSECTION, A DROP 2 PARTICIPANT MAY CONTINUE MAKING VOLUNTARY CONTRIBUTIONS FOR THE PURCHASE OF ADDITIONAL SERVICE CREDITS AS PROVIDED PURSUANT TO § 32 OF THIS SUBTITLE AND SUBSECTION (E)(6) OF THIS SECTION.

(6) A MEMBER WHO CONTINUES EMPLOYMENT COVERED BY THIS SYSTEM AT THE CONCLUSION OF HIS OR HER 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL RESUME EARNING SERVICE CREDIT IN THIS SYSTEM.

(E) MEMBER CONTRIBUTIONS BY DROP 2 PARTICIPANTS.

(1) A MEMBER WHO BECOMES A DROP 2 PARTICIPANT MUST CONTINUE TO MAKE THE REGULAR MANDATORY MEMBER CONTRIBUTIONS REQUIRED UNDER § 36(H) OF THIS SUBTITLE FOR MEMBERS EARNING SERVICE CREDIT.

(2) THE REGULAR MANDATORY MEMBER CONTRIBUTIONS REQUIRED UNDER § 36 (H) AND MADE DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD:

(A) SHALL BE ACCUMULATED IN A SUBACCOUNT WITHIN THE ANNUITY SAVINGS RESERVE AND SHALL BE CREDITED TO THE MEMBER'S DROP 2 ACCOUNT DEFINED IN SUBSECTION (F) OF THIS SECTION; AND

(B) SHALL NOT BE CONSIDERED "ACCUMULATED CONTRIBUTIONS", AS DEFINED IN § 30 (10) OF THIS SUBTITLE.

(3) THE CONTRIBUTIONS DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION SHALL BE TREATED AS BEING "PICKED UP" BY THE CITY OF BALTIMORE WITHIN THE MEANING OF § 414(H)(2) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

(4) CONTRIBUTIONS THAT ARE REQUIRED UNDER § 36(H) OF THIS SUBTITLE OF ANY MEMBER ENTITLED TO PROTECTION OF RETIREMENT BENEFITS AND CREDITS ON ACCOUNT OF MILITARY SERVICE UNDER § 32(E) OF THIS SUBTITLE, SHALL BE PAID ON BEHALF OF THE MEMBER BY THE SYSTEM INTO THE MEMBER'S DROP 2 SUBACCOUNT SHOULD THE MEMBER BE ABSENT FROM EMPLOYMENT ON ACCOUNT OF MILITARY SERVICE DURING THE MEMBER'S DROP PARTICIPATION PERIOD.

(5) CONTRIBUTIONS REQUIRED TO BE MADE BY THE MEMBER DURING THE 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL BE CREDITED WITH INTEREST COMPOUNDED ANNUALLY AS PROVIDED UNDER SUBSECTION (F) OF THIS SECTION.

(6) DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, A MEMBER MAY CONTINUE TO MAKE VOLUNTARY CONTRIBUTIONS FOR THE PURCHASE OR THE TRANSFER-IN OF SERVICE CREDITS UNDER § 32 OF THIS SUBTITLE. VOLUNTARY CONTRIBUTIONS SHALL NOT BE CREDITED TO THE MEMBER'S DROP 2 ACCOUNT.

(7) A MEMBER WHO CONTINUES EMPLOYMENT AT THE CONCLUSION OF HER OR HIS 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL CONTINUE MAKING REQUIRED MANDATORY MEMBER CONTRIBUTIONS. THESE CONTRIBUTIONS SHALL BE CREDITED TO THE MEMBER'S ANNUITY SAVINGS ACCOUNT AND SHALL BE "ACCUMULATED CONTRIBUTIONS".

(F) DROP 2 ACCOUNT.

(1) A DROP 2 ACCOUNT SHALL BE MAINTAINED FOR EACH MEMBER WHO BECOMES A DROP 2 PARTICIPANT. THE ACCOUNT SHALL COMPRISE:

(A) DROP 2 MEMBER CONTRIBUTIONS, WHICH SHALL BE MAINTAINED IN THE ANNUITY SAVINGS RESERVE, AND

(B) DROP 2 BENEFITS, WHICH SHALL BE MAINTAINED IN THE PENSION ACCUMULATION RESERVE.

(2) THE MEMBER CONTRIBUTIONS CREDITED TO THE DROP 2 ACCOUNT ARE THE CONTRIBUTIONS DESCRIBED IN SUBSECTION (E)(1) OF THIS SECTION AND ARE CREDITED TO THE DROP 2 ACCOUNT, PLUS INTEREST.

(3) THE BENEFITS CREDITED TO THE DROP 2 ACCOUNT ARE AS FOLLOWS:

(A) FOR EACH FULL YEAR OF A MEMBER'S DROP 2 PARTICIPATION PERIOD, AN AMOUNT EQUAL TO THE ANNUAL SERVICE RETIREMENT ALLOWANCE THE MEMBER WOULD HAVE RECEIVED UNDER § 34(B)(4) OF THIS SUBTITLE HAD THE MEMBER RETIRED FROM SERVICE AND COMMENCED RECEIVING THE MAXIMUM SERVICE RETIREMENT ALLOWANCE UNDER THE PROVISIONS OF THIS SECTION AND THIS SUBTITLE ON THE MEMBER'S DROP 2 START DATE, PLUS INTEREST.

(B) FOR EACH MONTH OF A PARTIAL YEAR OF A MEMBER'S DROP 2 PARTICIPATION PERIOD, AN AMOUNT EQUAL TO ONE-TWELFTH OF THE MEMBER'S ANNUAL BENEFIT

CALCULATED IN SUBPARAGRAPH (A) OF THIS PARAGRAPH (3), PLUS INTEREST.

(C) NOTWITHSTANDING SUBPARAGRAPH (A) OF THIS PARAGRAPH (3) AND § 32(F) OF THIS SUBTITLE, A MEMBER WHO FAILS TO PROPERLY APPLY FOR CREDIT FOR PRE-EMPLOYMENT MILITARY SERVICE AND WHO FAILS TO SUPPLY TO THIS SYSTEM THE PROPER AND COMPLETE DOCUMENTATION FOR THE MEMBER'S PRE-EMPLOYMENT MILITARY SERVICE PRIOR TO THE MEMBER'S DROP 2 PARTICIPATION START DATE SHALL NOT HAVE SUCH CREDIT INCLUDED IN THE CALCULATION OF THE MEMBER'S "SERVICE RETIREMENT ALLOWANCE" AS USED IN THIS SUBSECTION (F) OF THIS SECTION TO CALCULATE THE MEMBER'S DROP 2 BENEFITS FOR CREDIT TO THE MEMBER'S DROP 2 ACCOUNT.

(D) NOTWITHSTANDING SUBPARAGRAPH (C) OF THIS PARAGRAPH (3), A MEMBER, WHO SUBSEQUENT TO THE MEMBER'S DROP 2 START DATE, PROPERLY APPLIES FOR CREDIT AND PROVIDES THIS SYSTEM THE PROPER AND COMPLETE DOCUMENTATION FOR PRE-EMPLOYMENT MILITARY SERVICE WILL HAVE CREDIT FOR HIS OR HER PRE-EMPLOYMENT MILITARY SERVICE, AS PROVIDED IN § 32(F) OF THIS SUBTITLE, INCLUDED IN THE MEMBER'S RETIREMENT ALLOWANCE.

(4) SHOULD A MEMBER NOT MAKE A REQUIRED MANDATORY CONTRIBUTION FOR A PAY PERIOD DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, EXCEPT IN THE CASE OF A MEMBER WHO IS ON LEAVE DUE TO MILITARY SERVICE, DROP BENEFITS SHALL NOT BE CREDITED TO THE MEMBER'S DROP 2 ACCOUNT FOR THAT SAME PAY PERIOD.

(5) INTEREST SHALL BE CREDITED AND COMPOUNDED ANNUALLY TO THE MEMBER'S DROP 2 ACCOUNT AT THE DROP 2 INTEREST RATE:

(A) UTILIZING THE SAME METHODOLOGY AS USED TO CREDIT INTEREST ON THE MEMBER'S NON-DROP ANNUITY SAVINGS ACCOUNT, AND

(B) FROM THE START DATE OF THE MEMBER'S DROP 2 PARTICIPATION PERIOD THROUGH THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM.

(G) EARLY DROP 2 SERVICE RETIREMENT BENEFIT.

(1) EMPLOYMENT AND SERVICE REQUIREMENTS.

A DROP 2 PARTICIPANT MAY RETIRE WITH AN EARLY DROP 2 SERVICE RETIREMENT BENEFIT IF, ON THE MEMBER'S LAST DAY OF EMPLOYMENT COVERED BY THIS SYSTEM, THE MEMBER MEETS THE FOLLOWING EMPLOYMENT AND SERVICE REQUIREMENTS:

(A) THE MEMBER:

- (I) COMPLETES HER OR HIS 3-YEAR DROP 2 PARTICIPATION PERIOD; AND
- (II) RETIRES ON THE DAY IMMEDIATELY FOLLOWING THE FINAL DAY OF THAT

PERIOD; OR

(B) THE MEMBER:

(I) COMPLETES HER OR HIS 3-YEAR DROP 2 PARTICIPATION PERIOD;

(II) RESUMES EARNING SERVICE CREDIT FOR EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE COMPLETION OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD; AND

(III) RETIRES WITH LESS THAN 6 YEARS OF SERVICE CREDIT ACQUIRED THROUGH EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS SYSTEM FOLLOWING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD.

(2) APPLICATION.

TO RETIRE WITH AN EARLY DROP 2 RETIREMENT BENEFIT UNDER THIS SUBSECTION, A DROP 2 PARTICIPANT MUST:

(A) APPLY TO THE BOARD OF TRUSTEES ON A FORM APPROVED BY THE BOARD;

(B) SET FORTH HIS OR HER RETIREMENT DATE; AND

(C) SUBMIT THE APPLICATION TO THE BOARD NO LESS THAN 30 DAYS NOR MORE THAN 90 DAYS BEFORE THE DATE OF RETIREMENT.

(3) MAXIMUM ALLOWANCE ON EARLY DROP 2 SERVICE RETIREMENT.

THE MAXIMUM EARLY DROP 2 SERVICE RETIREMENT BENEFIT SHALL BE A PERIODICALLY PAID ALLOWANCE, WHICH SHALL CONSIST OF:

(A) AN ANNUITY WHICH SHALL BE, AS OF THE MEMBER'S RETIREMENT DATE, THE ACTUARIAL EQUIVALENT OF:

(I) THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE MEMBER'S DROP 2 START DATE, PLUS INTEREST; PLUS

(II) THE MANDATORY MEMBER CONTRIBUTIONS MADE AFTER THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, PLUS INTEREST; PLUS

(III) ANY VOLUNTARY CONTRIBUTIONS MADE TO PURCHASE ADDITIONAL SERVICE CREDITS UNDER § 32 OF THIS SUBTITLE DURING AND AFTER THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, PLUS INTEREST; PLUS

(IV) ANY CONTRIBUTIONS MADE ON BEHALF OF A MEMBER WHO SERVED IN THE MILITARY SERVICE DURING EMPLOYMENT AS THOSE CONTRIBUTIONS WOULD BE CREDITED TO THE MEMBER'S ACCUMULATED CONTRIBUTIONS ACCORDING TO § 32 (E) OF THIS SUBTITLE; AND

(B) A PENSION, WHICH TOGETHER WITH THE MEMBER'S ANNUITY SHALL BE EQUAL TO:

(I) 2.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF THE FIRST 20 YEARS OF SERVICE; PLUS

(II) 2% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF SERVICE OVER 20 YEARS, PRORATED FOR PARTIAL YEARS, UP TO BUT NOT INCLUDING THE MEMBER'S DROP 2 START DATE; PLUS

(III) 2% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE DAY BEFORE THE MEMBER'S DROP 2 START DATE IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF SERVICE, PRORATED FOR PARTIAL YEARS, NOT ALREADY INCLUDED IN THE CALCULATION OF THE MEMBER'S RETIREMENT ALLOWANCE UNDER SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH (B), FOR SERVICE PURCHASED OR GRANTED UNDER § 32 OF THIS SUBTITLE DURING OR AFTER THE MEMBER'S DROP 2 PARTICIPATION PERIOD; PLUS

(IV) 3.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION FROM CITY EMPLOYMENT COVERED BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH FULL YEAR OF SERVICE CREDIT, PRORATED FOR PARTIAL YEARS, NOT TO EXCEED 6 YEARS, EARNED BY THE MEMBER THROUGH CONTINUOUS EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD.

(4) ACCOUNT PAYOUT.

IN ADDITION TO RECEIVING A PERIODIC EARLY DROP 2 SERVICE RETIREMENT BENEFIT, A DRP 2 PARTICIPANT RETIRING UNDER THIS SUBSECTION SHALL RECEIVE THE BALANCE IN HIS OR HER DROP 2 ACCOUNT WITH INTEREST CREDITED FROM THE MEMBER'S DROP 2 START DATE TO THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM, PAYABLE PURSUANT TO THE MEMBER'S ELECTION UNDER SUBSECTION (O) OF THIS SECTION.

(5) OPTIONAL SURVIVORSHIP ELECTIONS.

THE BENEFITS PAYABLE UNDER THIS SUBSECTION ARE SUBJECT TO THE MEMBER'S ELECTION OF OPTIONAL FORMS OF PAYMENT UNDER § 34 (K) OF THIS SUBTITLE.

(H) NORMAL DROP 2 SERVICE RETIREMENT BENEFIT.

(1) EMPLOYMENT AND SERVICE REQUIREMENTS.

A DROP 2 PARTICIPANT MAY RETIRE WITH A NORMAL DROP 2 SERVICE RETIREMENT

BENEFIT IF ON THE MEMBER'S LAST DAY OF EMPLOYMENT COVERED BY THIS SYSTEM THE MEMBER MEETS THE FOLLOWING EMPLOYMENT AND SERVICE REQUIREMENTS:

(A) THE MEMBER COMPLETES HER OR HIS 3-YEAR DROP 2 PARTICIPATION PERIOD;
AND

(B) THE MEMBER ACQUIRES 6 OR MORE YEARS OF SERVICE CREDIT THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD.

(2) APPLICATION.

TO RETIRE WITH A NORMAL DROP 2 RETIREMENT BENEFIT UNDER THIS SUBSECTION, A DROP 2 PARTICIPANT MUST:

(A) APPLY TO THE BOARD OF TRUSTEES ON A FORM APPROVED BY THE BOARD;

(B) SET FORTH HIS OR HER RETIREMENT DATE; AND

(C) SUBMIT THE APPLICATION TO THE BOARD NO LESS THAN 30 DAYS NOR MORE THAN 90 DAYS BEFORE THE DATE OF RETIREMENT.

(3) MAXIMUM ALLOWANCE ON NORMAL DROP 2 SERVICE RETIREMENT.

THE MAXIMUM NORMAL DROP 2 SERVICE RETIREMENT BENEFIT SHALL BE A PERIODICALLY PAID ALLOWANCE WHICH SHALL CONSIST OF:

(A) AN ANNUITY, WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF THE MEMBER'S ACCUMULATED CONTRIBUTIONS AS OF THE MEMBER'S RETIREMENT DATE, AND

(B) A PENSION, WHICH TOGETHER WITH THE MEMBER'S ANNUITY, SHALL BE EQUAL TO:

(I) 2.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF THE FIRST 20 YEARS OF SERVICE; PLUS

(II) 2% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH YEAR OF SERVICE OVER 20 YEARS, PRORATED FOR PARTIAL YEARS, BUT EXCLUDING FROM THIS CALCULATION THE MEMBER'S EMPLOYMENT DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD; PLUS

(III) 1.0% OF THE MEMBER'S AVERAGE FINAL COMPENSATION, CALCULATED AS OF THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM IN

ACCORDANCE WITH § 30(11) OF THIS SUBTITLE, FOR EACH OF THE 6 YEARS OF SERVICE CREDIT EARNED BY THE MEMBER THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD.

(4) ACCOUNT PAYOUT.

IN ADDITION TO RECEIVING A PERIODIC NORMAL DROP 2 SERVICE RETIREMENT BENEFIT, A DROP 2 PARTICIPANT RETIRING UNDER THIS SUBSECTION SHALL RECEIVE THE BALANCE IN HER OR HIS DROP 2 ACCOUNT WITH INTEREST CREDITED FROM THE MEMBER'S DROP 2 START DATE TO THE MEMBER'S DATE OF TERMINATION FROM EMPLOYMENT COVERED BY THIS SYSTEM, PAYABLE PURSUANT TO THE MEMBER'S ELECTION UNDER SUBSECTION (O) OF THIS SECTION.

(5) OPTIONAL SURVIVORSHIP ELECTIONS.

THE BENEFITS PAYABLE UNDER THIS SUBSECTION ARE SUBJECT TO THE MEMBER'S ELECTION OF OPTIONAL FORMS OF PAYMENT UNDER § 34(K) OF THIS SUBTITLE.

(I) DROP 2 NON-LINE-OF-DUTY DISABILITY BENEFIT.

(1) IN ACCORDANCE WITH SUBSECTION (C)(6) OF THIS SECTION, ANY MEMBER, WHO RETIRES ON ACCOUNT OF NON-LINE-OF-DUTY DISABILITY DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, SHALL RECEIVE THE NON-LINE-OF-DUTY DISABILITY BENEFIT PROVIDED IN § 34(D) OF THIS SUBTITLE IN LIEU OF ANY DROP 2 BENEFITS PROVIDED BY THIS § 36C, INCLUDING ANY BALANCE IN THE MEMBER'S DROP 2 ACCOUNT, AS THOUGH THE MEMBER HAD NEVER PARTICIPATED IN DROP 2.

(2) NOTWITHSTANDING § 34(D) OF THIS SUBTITLE, ANY MEMBER WHO RETIRES ON ACCOUNT OF NON-LINE-OF-DUTY DISABILITY FOLLOWING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL RECEIVE DROP 2 BENEFITS AS FOLLOWS:

(A) IF THE MEMBER RETIRES AFTER THE END OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD WITH LESS THAN 6 YEARS OF SERVICE ON ACCOUNT OF EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, THE MEMBER SHALL RECEIVE A NON-LINE-OF-DUTY DISABILITY BENEFIT EQUAL TO THE "EARLY DROP 2 SERVICE RETIREMENT BENEFIT" PROVIDED UNDER SUBSECTION (G) OF THIS SECTION.

(B) IF THE MEMBER RETIRES WITH 6 OR MORE YEARS OF SERVICE ON ACCOUNT OF EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE END OF THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, THE MEMBER SHALL RECEIVE A NON-LINE-OF-DUTY DISABILITY BENEFIT EQUAL TO THE "NORMAL DROP 2 SERVICE RETIREMENT BENEFIT" PROVIDED UNDER SUBSECTION (H) OF THIS SECTION.

(J) DROP 2 LINE-OF-DUTY DISABILITY BENEFIT.

(1) ANY MEMBER WHO RETIRES ON ACCOUNT OF LINE-OF-DUTY DISABILITY EITHER DURING OR AFTER THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL RECEIVE THE LINE-OF-DUTY DISABILITY BENEFITS PROVIDED UNDER § 34 (E-1) OR (F-1) OF THIS SUBTITLE, AS APPLICABLE, INSTEAD OF ANY DROP 2 BENEFITS PROVIDED BY THIS § 36C, INCLUDING ANY BALANCE IN THE MEMBER'S DROP 2 ACCOUNT.

(2) A DROP 2 PARTICIPANT WHO RETIRES ON LINE-OF-DUTY DISABILITY SHALL BE TREATED AS THOUGH THE MEMBER HAD NEVER PARTICIPATED IN DROP 2.

(3) A DROP 2 PARTICIPANT WHO RETIRES ON A SERVICE RETIREMENT PURSUANT TO SUBSECTION (G) OR (H) OF THIS SECTION OR A NON-LINE-OF-DUTY DISABILITY RETIREMENT BENEFIT PURSUANT TO SUBSECTION (I) OF THIS SECTION MAY NOT FILE FOR LINE-OF-DUTY DISABILITY BENEFITS UNDER EITHER THIS § 36C OR § 34 (E-1) OR (F-1) SUBSEQUENT TO THE MEMBER'S LAST DAY IN EMPLOYMENT COVERED BY THIS SYSTEM.

(K) DROP 2 NON-LINE-OF-DUTY DEATH BENEFIT.

(1) IN ACCORDANCE WITH SUBSECTION (C)(8) OF THIS SECTION, ON THE DEATH OF A MEMBER WHO DIES DURING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, THE NON-LINE-OF-DUTY DEATH BENEFIT PAYABLE UNDER § 34(H) OF THIS SUBTITLE SHALL BE PAYABLE INSTEAD OF ANY DROP 2 BENEFITS PROVIDED BY THIS SECTION, INCLUDING ANY BALANCE IN THE MEMBER'S DROP 2 ACCOUNT, AS THOUGH THE MEMBER HAD NEVER PARTICIPATED IN DROP 2.

(2) NOTWITHSTANDING SUBSECTION (O) OF THIS § 36C, THE NON-LINE-OF-DUTY DEATH BENEFIT PAYABLE ON THE DEATH OF A MEMBER WHO DIES AFTER THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD SHALL BE DETERMINED BY THE ELIGIBILITY AND BENEFIT PROVISIONS OF § 34(H) OF THIS SUBTITLE, PLUS THE BALANCE OF THE MEMBER'S DROP 2 ACCOUNT AT THE TIME OF DEATH, SUBJECT TO THE FOLLOWING:

(A) FOR A RECIPIENT OR RECIPIENTS ELECTING TO RECEIVE LUMP SUM NON-LINE-OF-DUTY DEATH BENEFITS UNDER § 34(H)(2) OF THIS SUBTITLE, THE BALANCE OF THE DECEASED MEMBER'S DROP 2 ACCOUNT SHALL BE PAYABLE IN ONE LUMP SUM ONLY.

(B) FOR A MEMBER WHO DIES WITH LESS THAN 6 YEARS OF SERVICE CREDIT THROUGH EMPLOYMENT COVERED BY THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, THE DEATH BENEFIT PAYABLE UNDER § 34(H)(3) OF THIS SUBTITLE SHALL BE:

(I) APPLIED BY ASSUMING THAT THE MEMBER HAD ELECTED TO HAVE A SERVICE RETIREMENT ALLOWANCE CALCULATED UNDER SUBSECTION (G) OF THIS SECTION, AND

(II) PAID UNDER THE 100% SURVIVORSHIP OPTION OF § 34(K) OF THIS SUBTITLE, AND

(III) THE BALANCE OF THE DECEASED MEMBER'S DROP 2 ACCOUNT SHALL BE PAYABLE PURSUANT TO THE ELECTION OF THE RECIPIENT UNDER SUBSECTION (O) OF THIS SECTION.

(C) FOR A MEMBER WHO DIES WITH 6 OR MORE YEARS OF SERVICE THROUGH CONTINUOUS EMPLOYMENT AS A CONTRIBUTING MEMBER OF THIS SYSTEM IMMEDIATELY FOLLOWING THE MEMBER'S 3-YEAR DROP 2 PARTICIPATION PERIOD, § 34 (H)(3) OF THIS SUBTITLE SHALL BE:

(I) APPLIED BY ASSUMING THAT THE MEMBER HAD ELECTED TO HAVE A SERVICE RETIREMENT ALLOWANCE CALCULATED UNDER SUBSECTION (H) OF THIS SECTION, AND

(II) PAID UNDER THE 100% SURVIVORSHIP OPTION OF § 34(K) OF THIS SUBTITLE, AND

(III) THE BALANCE OF THE DECEASED MEMBER'S DROP 2 ACCOUNT SHALL BE PAYABLE PURSUANT TO THE ELECTION OF THE RECIPIENT UNDER SUBSECTION (O) OF THIS SECTION.

(D) FOR A RECIPIENT OR RECIPIENTS ELECTING TO RECEIVE NON-LINE-OF-DUTY DEATH BENEFITS UNDER § 34(H)(4) OF THIS SUBTITLE, THE BENEFIT PAYABLE SHALL BE:

(I) 50% OF THE MEMBER'S EARNABLE COMPENSATION AT THE TIME OF THE MEMBER'S DEATH, PLUS

(II) A LUMP SUM PAYMENT OF THE BALANCE OF THE DECEASED MEMBER'S DROP 2 ACCOUNT.

(L) DROP 2 LINE-OF-DUTY DEATH BENEFIT.

(1) SCOPE OF SUBSECTION.

THIS SUBSECTION APPLIES ONLY TO AN ACTIVE MEMBER:

(A) WHO DIES WHILE A DROP 2 PARTICIPANT; AND

(B) WHOSE DEATH HAS BEEN DETERMINED BY A HEARING EXAMINER, AS PROVIDED IN § 33 (L) OF THIS SUBTITLE, TO HAVE ARISEN:

(I) OUT OF AND IN THE COURSE OF THE ACTUAL PERFORMANCE OF DUTY; AND

(II) WITHOUT WILLFUL NEGLIGENCE ON THE PART OF THE MEMBER.

(2) LINE-OF-DUTY DEATH BENEFIT.

ON THE RECEIPT OF A WRITTEN APPLICATION, PROPER PROOF OF DEATH, AND AN AWARD BY A HEARING EXAMINER OF A LINE-OF-DUTY DEATH BENEFIT AS PROVIDED FOR IN PARAGRAPH (1) OF THIS SUBSECTION, THE BOARD OF TRUSTEES SHALL PAY EITHER:

(A) THE LINE-OF-DUTY DEATH BENEFIT PAYABLE UNDER § 34(I) OF THIS SUBTITLE INSTEAD OF ANY DROP 2 BENEFITS PROVIDED BY THIS SECTION, INCLUDING ANY BALANCE IN THE MEMBER'S DROP 2 ACCOUNT, AS THOUGH THE MEMBER HAD NEVER PARTICIPATED IN DROP 2; OR

(B) THE NON-LINE-OF-DUTY DEATH BENEFIT PAYABLE ON THE DEATH OF A MEMBER UNDER SUBSECTION (K) OF THIS § 36C.

(3) SPECIAL ELECTION RULE.

THE ELECTION TO RECEIVE A DEATH BENEFIT UNDER EITHER PARAGRAPH (2)(A) OR (2)(B) OF THIS SUBSECTION SHALL BE MADE:

(A) BY THE MEMBER'S SURVIVING SPOUSE;

(B) IF THERE IS NO SURVIVING SPOUSE, BY THE LEGAL GUARDIAN OF THE MEMBER'S MINOR CHILD OR CHILDREN;

(C) IF THERE IS NO SURVIVING SPOUSE OR MINOR CHILDREN, BY EITHER OR BOTH OF THE MEMBER'S SURVIVING DEPENDENT PARENTS WHO ARE DESIGNATED BENEFICIARIES;

(D) IF THERE IS NO SURVIVING SPOUSE OR MINOR CHILDREN AND IF THE DECEASED MEMBER DID NOT DESIGNATE A SURVIVING PARENT AS BENEFICIARY, BY EITHER OR BOTH OF THE MEMBER'S SURVIVING DEPENDENT PARENTS, AS THAT TERM IS DEFINED IN § 34(I)(2)(B) OF THIS SUBTITLE; OR

(E) IF THERE IS NO SURVIVING SPOUSE, MINOR CHILD, MINOR CHILDREN, OR DEPENDENT PARENTS, BY THE MEMBER'S DESIGNATED BENEFICIARY OR BENEFICIARIES.

(4) CONFLICTS IN ELECTIONS FOR DEATH BENEFITS.

IN THE EVENT OF CONFLICTING DEATH BENEFIT ELECTIONS UNDER THIS SUBTITLE, AN ELECTION FOR LINE-OF-DUTY DEATH BENEFITS MADE BY AN ELIGIBLE SURVIVING SPOUSE SHALL SUPERSEDE AN ELECTION FOR NON-LINE-OF-DUTY DEATH BENEFITS MADE BY A DESIGNATED BENEFICIARY.

(M) BENEFITS FOR RE-EMPLOYED DROP 2 PARTICIPANTS.

(1) NOTWITHSTANDING § 31(1) OF THIS SUBTITLE, IF A MEMBER RETIRES AND BEGINS RECEIVING A DROP 2 RETIREMENT BENEFIT UNDER SUBSECTION (G), (H), OR (I) OF THIS § 36C, AND IS RE-EMPLOYED BY THE CITY OF BALTIMORE IN A POSITION

COVERED BY THIS SYSTEM, ALL RETIREMENT BENEFIT PAYMENTS TO THE RE-EMPLOYED MEMBER SHALL BE SUSPENDED AS OF THE DATE OF THE MEMBER'S RE-EMPLOYMENT.

(2) UPON THE MEMBER'S SUBSEQUENT RETIREMENT ON ACCOUNT OF EITHER SERVICE OR DISABILITY, THE MEMBER SHALL:

(A) RESUME RECEIVING THE BENEFITS UNDER SUBSECTION (G), (H), OR (I) OF § 36C THAT HAD BEEN SUSPENDED AT THE TIME OF THE MEMBER'S RE-EMPLOYMENT, AND

(B) RECEIVE 2% OF THE MEMBER'S CURRENT AVERAGE FINAL COMPENSATION FOR EACH YEAR OF SERVICE CREDIT, PRORATED FOR PARTIAL YEARS, EARNED BY THE MEMBER DURING THE PERIOD OF RE-EMPLOYMENT.

(3) NOTWITHSTANDING § 31(1) OF THIS SUBTITLE, IF A MEMBER RETIRES AND BEGINS RECEIVING A DROP 2 LINE-OF-DUTY DISABILITY RETIREMENT BENEFIT UNDER SUBSECTION (J) OF THIS § 36C, AND IS RE-EMPLOYED BY THE CITY OF BALTIMORE IN A POSITION COVERED BY THIS SYSTEM:

(A) ALL RETIREMENT BENEFIT PAYMENTS TO THE RE-EMPLOYED MEMBER SHALL BE TERMINATED AS OF THE DATE OF THE MEMBER'S RE-EMPLOYMENT, AND

(B) UPON THE SUBSEQUENT RETIREMENT OF THE MEMBER, A RETIREMENT BENEFIT SHALL BE CALCULATED:

(I) AS IF THE MEMBER RETIRED ON A DROP 2 SERVICE RETIREMENT BENEFIT PURSUANT TO EITHER § 36C(G) OR (H) AT THE TIME OF THE MEMBER'S ORIGINAL RETIREMENT DATE, AND,

(II) ADDITIONAL BENEFITS SHALL BE CALCULATED AS PROVIDED BY PARAGRAPH (2)(B) OF THIS SUBSECTION.

(4) NOTWITHSTANDING § 34 (E-1) AND (F-1) AND § 36C(J) OF THIS SUBTITLE, THE RETIREMENT BENEFITS UNDER PARAGRAPHS (2) AND (3) OF THIS SUBSECTION (M) SHALL ALSO APPLY TO A RE-EMPLOYED MEMBER WHO IS SUBSEQUENTLY DISABLED AS A RESULT OF AN INJURY IN THE LINE-OF-DUTY.

(5) NOTWITHSTANDING § 34 (H) AND (I) OF THIS SUBTITLE, IF A MEMBER RECEIVING BENEFITS UNDER SUBSECTION (G), (H), (I), OR (J) OF THIS § 36C, IS SUBSEQUENTLY RE-EMPLOYED IN A POSITION COVERED BY THIS SUBTITLE, AND DIES DURING EMPLOYMENT, THE BENEFIT PAYABLE UPON THE DEATH OF THE MEMBER, REGARDLESS OF WHETHER THE DEATH OCCURRED AS THE RESULT OF A LINE-OF-DUTY INJURY, SHALL EQUAL THE DEATH BENEFIT PAYABLE UNDER § 36C(K) AND § 34 (H) OF THIS SUBTITLE, EXCEPT THAT:

(A) § 34(H)(3) SHALL BE APPLIED BY CALCULATING THE MEMBER'S SERVICE RETIREMENT ALLOWANCE UNDER PARAGRAPH (2) OR (3) OF THIS SUBSECTION, AND

(B) THE BENEFICIARY UNDER § 34(H)(3) SHALL BE PAID UNDER THE 100% SURVIVORSHIP OPTION BENEFIT OF § 34(K)(1) OF THIS SUBTITLE.

(6) NOTWITHSTANDING § 34(I) AND § 36C(L) OF THIS SUBTITLE, THE RETIREMENT BENEFITS UNDER PARAGRAPHS (2) AND (3) OF THIS SUBSECTION (M) SHALL ALSO APPLY TO A RE-EMPLOYED MEMBER WHO DIES AS THE RESULT OF AN INJURY THAT OCCURRED IN THE LINE-OF-DUTY.

(7) FOR PURPOSES OF PARAGRAPHS (2) AND (3) OF THIS SUBSECTION (M), IF A MEMBER RETIRES LESS THAN 18 MONTHS AFTER RE-EMPLOYMENT, "AVERAGE FINAL COMPENSATION" SHALL INCLUDE COMPENSATION EARNED IMMEDIATELY PRIOR TO THE MEMBER'S INITIAL RETIREMENT AND SHALL BE IN ACCORDANCE WITH § 30(11) OF THIS SUBTITLE.

(8) FOR PURPOSES OF THE ABOVE BENEFITS, ANY POST-RETIREMENT BENEFIT INCREASE(S) THAT THE MEMBER WOULD HAVE RECEIVED HAD THE MEMBER NOT RETURNED TO EMPLOYMENT COVERED BY THIS SYSTEM SHALL NOT BE ADDED TO THIS RETIREMENT BENEFIT WHEN THE MEMBER SUBSEQUENTLY RETIRES.

(9) UPON THE SUBSEQUENT RETIREMENT OF A MEMBER WHO HAS RETURNED TO EMPLOYMENT UNDER THIS SUBSECTION, THE RETIRING MEMBER WILL AGAIN HAVE TO MEET THE POST-RETIREMENT ELIGIBILITY REQUIREMENTS OF § 36A-2 OF THIS SUBTITLE.

(N) POST-RETIREMENT INCREASES.

(1) DROP 2 PARTICIPANTS MUST MEET THE ELIGIBILITY REQUIREMENTS UNDER § 36A-2 OF THIS SUBTITLE TO BECOME ELIGIBLE FOR POST-RETIREMENT BENEFIT INCREASES.

(2) A MEMBER'S DROP 2 PARTICIPATION PERIOD SHALL NOT BE COUNTED TOWARD THE ELIGIBILITY REQUIREMENT FOR POST-RETIREMENT BENEFIT INCREASES.

(3) POST-RETIREMENT BENEFIT INCREASES FOR DROP 2 PARTICIPANTS SHALL BE APPLIED PROSPECTIVELY ONLY. NO INCREASE(S) SHALL BE PROVIDED FOR ANY POST-RETIREMENT BENEFIT INCREASES THAT THE MEMBER WOULD HAVE RECEIVED HAD THE MEMBER RETIRED FROM SERVICE IN LIEU OF ELECTING TO PARTICIPATE IN DROP 2.

(4) IF A MEMBER ELECTS UNDER SUBSECTION (O) OF THIS SECTION TO RECEIVE THE BALANCE OF HIS OR HER DROP 2 ACCOUNT IN THE FORM OF AN ANNUITY, THOSE BENEFIT PAYMENTS RESULTING FROM THE ANNUITY OF THE MEMBER'S DROP 2 ACCOUNT SHALL BE ELIGIBLE FOR POST-RETIREMENT BENEFIT INCREASES UNDER § 36A-2 OF THIS SUBTITLE.

(O) FORM OF PAYMENT OF DROP 2 ACCOUNT BALANCE.

(1) THE ELECTION OF THE FORM OF PAYMENT OF THE MEMBER'S DROP 2 ACCOUNT BALANCE SHALL BE MADE ON FORMS PROVIDED BY THE BOARD OF TRUSTEES AND SHALL BE FILED WITH THE BOARD.

(2) A MEMBER OR A BENEFICIARY, IF APPLICABLE FOR BENEFITS PAYABLE UNDER § 36C(K), MAY ELECT TO RECEIVE HIS OR HER DROP 2 ACCOUNT BALANCE IN EITHER:

(A) A LUMP SUM, WHICH CAN BE:

(I) TRANSFERRED OR ROLLED OVER IN TOTAL OR IN PART TO A FINANCIAL INSTITUTION(S) OR PENSION PLAN IN ACCORDANCE WITH § 34(W) OF THIS SUBTITLE AND INTERNAL REVENUE REGULATIONS, AND/OR

(II) PAID IN TOTAL OR IN PART DIRECTLY TO THE MEMBER OR BENEFICIARY; OR

(B) AN ANNUITY, WHICH SHALL BE:

(I) PAID IN THE SAME FORM OF PERIODIC PAYMENTS WHICH THE MEMBER OR BENEFICIARY HAS ELECTED TO RECEIVE THE RETIREMENT OR DEATH BENEFIT; AND

(II) PAID IN THE SAME MANNER AS THE MEMBER'S ANNUITY SAVINGS RESERVE ACCOUNT, UPON THE DEATH OF THE RETIRED DROP 2 PARTICIPANT.

(3) THE LUMP SUM PAYMENT OF THE MEMBER'S DROP 2 ACCOUNT ELECTED UNDER PARAGRAPH (2)(A) OF THIS SUBSECTION SHALL BE MADE AS SOON AS ADMINISTRATIVELY FEASIBLE AFTER THE MEMBER'S RETIREMENT OR DEATH.

(P) DROP 2 EXPERIENCE REPORTS AND SAVINGS TESTS.

(1) BEGINNING WITH THE FISCAL YEAR ENDED JUNE 30, 2007, AND ANNUALLY THEREAFTER, THE ENROLLED ACTUARY RETAINED BY THE SYSTEM SHALL PROVIDE THE BOARD OF TRUSTEES A DROP 2 EXPERIENCE REPORT WHICH SHALL BE INCLUDED IN THE ANNUAL ACTUARIAL VALUATION REPORT.

(A) THE DROP 2 EXPERIENCE REPORT SHALL INCLUDE:

(I) THE DROP 2 PARTICIPATION RATES,

(II) A COMPARISON OF ACTUAL TO EXPECTED TIMING OF RETIREMENT, AND

(III) THE ACTUARY'S ASSESSMENT OF THE IMPLICATIONS OF DROP 2 EXPERIENCE FOR THE CITY OF BALTIMORE'S EXPECTATIONS OF CONTRIBUTION REDUCTIONS (AS DEFINED IN PARAGRAPH (2)(F) OF THIS SUBSECTION) DUE TO THE CHANGES IN THE DROP EFFECTIVE JULY 1, 2006.

(B) THE BOARD OF TRUSTEES SHALL FORWARD THE DROP 2 EXPERIENCE REPORT TO THE DIRECTOR OF FINANCE OF THE CITY OF BALTIMORE ALONG WITH ANY

COMMENTARY OR RECOMMENDATIONS IT HAS FOR CHANGES TO THE DROP 2.

(2) BEGINNING WITH THE FISCAL YEAR ENDED JUNE 30, 2010, AND EVERY 3 YEARS THEREAFTER, THE ENROLLED ACTUARY RETAINED BY THE SYSTEM SHALL PROVIDE THE BOARD OF TRUSTEES WITH THE RESULTS OF A DROP 2 SAVINGS TEST.

(A) IN THE DROP 2 SAVINGS TEST, THE SYSTEM'S ACTUARY SHALL DETERMINE WHETHER THE CITY OF BALTIMORE'S EXPECTATIONS OF CONTRIBUTION REDUCTIONS (AS DEFINED SUBPARAGRAPH (F) OF THIS PARAGRAPH (2)) HAVE BEEN REALIZED.

(B) IF SUCH SAVINGS TEST INDICATES THAT THE CITY'S EXPECTATIONS OF CONTRIBUTION REDUCTIONS HAVE NOT BEEN REALIZED, THEN THE CITY OF BALTIMORE SHALL HAVE THE OPTION OF ENACTING LEGISLATION TO MODIFY OR TERMINATE DROP 2, BUT ONLY WITH RESPECT TO MEMBERS WHO ARE NOT ELIGIBLE FOR DROP 2 ON THE DATE OF SUCH MODIFICATION OR TERMINATION.

(C) ANY SUCH LEGISLATION ENACTED TO MODIFY OR TERMINATE DROP 2 SHALL HAVE NO EFFECT ON ANY OTHER BENEFITS PAYABLE UNDER THE SYSTEM APART FROM DROP 2.

(D) THE FAILURE OF THE CITY OF BALTIMORE TO EXERCISE THE OPTION OF ENACTING LEGISLATION TO MODIFY OR TERMINATE THE DROP 2 AFTER 1 SAVINGS TEST OR 2 SUCCESSIVE SAVINGS TESTS SHALL NOT PRECLUDE THE CITY OF BALTIMORE FROM EXERCISING SUCH OPTION IF THE THIRD SAVINGS TEST INDICATES THAT ITS EXPECTATIONS OF CONTRIBUTION REDUCTIONS HAVE NOT BEEN REALIZED.

(E) HOWEVER, IF THE CITY OF BALTIMORE FAILS TO EXERCISE SUCH OPTION AFTER 3 SUCCESSIVE SAVINGS TESTS, THEN THIS SECTION SHALL AUTOMATICALLY BECOME NULL AND VOID, AND OF NO FURTHER EFFECT.

(F) FOR PURPOSES OF THIS SECTION, THE CITY OF BALTIMORE'S EXPECTATIONS OF CONTRIBUTION REDUCTIONS SHALL BE DEEMED TO BE:

(I) \$7 MILLION FOR THE FISCAL YEAR BEGINNING JULY 1, 2006, THE "BASE YEAR" WHEN DROP 2 WAS ESTABLISHED, AND

(II) \$7 MILLION AS ADJUSTED FOR PAYROLL CHANGES FOR EACH FISCAL YEAR AFTER THE BASE YEAR.

SECTION 2. AND BE IT FURTHER ORDAINED, That the catchlines contained in this Ordinance are not law and may not be considered to have been enacted as a part of this or any prior Ordinance.

SECTION 3. AND BE IT FURTHER ORDAINED, That this Ordinance takes effect on July 1, 2006.

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