**Open Work Session**
**Collective Bargaining Agreement**
**February 16, 2016**

Ms. Michele Ennis, Director of Human Resources, Mr. Bill Karbon with CBIZ, Inc. and Mr. Kent Croft with Croft Leominster, Inc., and Mr. Wayne Strausburg, Director of Administration, came before Council. Ms. Ennis introduced Mr. Karbon and Mr. Croft and said they are here to help explain the DROP program. Mr. Karbon said the Deferred Retirement Option Plan is also referred to as DROP. The plan is available to employees, who would otherwise be entitled to retire and receive benefits, decide to continue to work. Instead of continued compensation and additional years of service taken into account for purposes of determining benefits, an employee has a sum of money credited during each year of the continued employment to a separate account under the County's plan. The account earns interest as defined by the plan. The account is paid to the employee, in addition to whatever benefit the employee has earned under the plan based on earlier years of service, when the employee eventually retires. Mr. Karbon explained that the proposed DROP is voluntarily. An employee can enter the DROP at the time they reach normal retirement age for a period of up to 60 months. During the DROP period, the participant remains an employee of the County and does not accrue any further benefits. The benefit is calculated based on the number of years of service and average monthly compensation as of normal retirement date. Mr. Karbon continued, he said the monthly pension is credited to the DROP account with interest at an annual rate of 4.0%. At the end of the DROP period, money in the DROP account will be paid to the participant in a lump-sum amount. In addition, he said the actuarial value of the benefit does not increase. The potential for adding cost to the plan is that trust assets do not yield 4.0%. DROP assets will not be in a separate trust. The value of the participant's DROP account will be determined by the plan actuary. Mr. Dodd asked what is considered normal retirement, age or length of service, to which Mr. Karbon responded 25 years of service. Mr. Davis asked who pays the 4% interest, to which Mr. Karbon explained over a 5-year rolling average of a 60%/40% portfolio (S&P500/10 year Treasury)the 4% threshold is met 72.6% of the time. Mr. Kilmer said a quarter of the five year periods, the portfolio does not reach the 4%, so 25% of the time we are losing money. Mr. Karbon explained that three-fourth of the time the portfolio is earning an excess of the 4%. Mr. Kilmer said there is no guarantee as you are working off of models, to which Mr. Karbon confirm that is correct. He said there is risk for the employee. Mr. Kilmer said there is also risk for the County. Mr. Karbon also went over the 10-year rolling average of returns as well as the 15- year rolling average of returns. Mr. Karbon then went over some of the advantages and disadvantages of the DROP. He said some of the advantages are, (1) the County will retain experienced employees (2) defer cost of hiring and training replacements and attain some certainty about retirements for planning purposes (3) provide an additional retirement option and some flexibility to members retiring under the retirement system (4) save money by not making contributions for members in DROP. He explained that some DROP plans add a Cost of Living Adjustment (COLA), however, the proposed DROP does not have a COLA. He also said assets are for the long term. Mr. Davis asked if they have taken the salary of one of the officers and put them in retirement to see what the cost would be over a five year period, to which Mrs. Ennis said she would provide that information. Ms. Ennis clarified that a Sheriff Deputy is eligible to retire with at least 25 years of service, including up to five years of service based on military service or at the age of 55. Mr. Strausburg said if they lower the retirement age, we have to pay full benefits over a longer period of time. There would not, however, be any impact on post-retirement medical. Mr. Kevin Karpinski, Esq., who was delayed in joining the meeting, said the DROP is part of the Collective Bargaining Agreement. If the Council decided not to move forward with the DROP portion of the agreement, the entire Collective Bargaining Agreement would need to be renegotiated. Mr. Marty Fisher (FOP Chapter President) came to the podium. He said most likely there would only be five people in the DROP at a time. He said this is a five year agreement, perhaps we could give it a trial run and, if it does not work out, then we do not have to include it in the next agreement. He does not want to come to an impasse. Mr. Cannon said Council is just trying to think everything through. Mr. Joe Holloway said he received a question from a County employee about the DROP. He said the employee understands the Sheriff's Office is on a different pay scale because of the risks associated with their jobs. The question was why was this being proposed for just the Sheriff Officers and not all County employees because the DROP has nothing to do with the pay scale; it is retirement. Mr. Fisher said they contribute to their disability and they have unique circumstances, but they are no better than any County employee, they are just different. He said it is just like firefighters, they are no better, they just have different circumstances. Mr. Fisher said he advocates for the men and women of the Sheriff's Office because he has seen what they have gone through. He said the Sheriff's Office does not have young people coming in. They have men and women in their 30's. They do not see people leave the Sheriff's Office, so they have to do something. DROP may help move 20 senior people out and 20 young people in and give up the senior salaries. Mr. Fisher said we do not need a bunch of 55 year olds working the roads in Wicomico County. He said we need to do whatever we can with retirement as well as recruitment and retention of employees for the sake of the County. He reiterated that he does not want to file an impasse, but he is going to be getting pressure to do that, which will then end up in arbitration and, if we end up in arbitration, it can be very costly; the losing side pays all the legal fees. Mr. Fisher said if this goes to court, this is the contract that was presented to the FOP. Mr. Cannon asked for clarification on what he meant by that statement, to which Mr. Fisher said the FOP was offered a contract by the County Executive. The FOP did not counter as they considered it a fair contract, so they accepted it. He said the five year time period of the contract is longer than anticipated, but the County Executive was fair in his offer. Mr. Cannon asked if the DROP was proposed by the County Executive, to which Mr. Fisher said yes. Mr. Kilmer asked if the salary increase was proposed by the County Executive. Ms. Ennis said the contract was actually negotiated because the FOP asked for a pension buy-back in the negotiations. Mr. Fisher said that was something carried over from the last contract. The buy-back was for people like him who was told when he was hired there was no retirement but, in fact, there is one. Mr. Karpinksi said to clarify, the FOP did have a proposal and there were lots of things that were rejected in the proposal. He said what he thinks Mr. Fisher is saying is that the County Executive came back with what he thought was a fair proposal, and because he felt it was a fair proposal, no further negotiations were needed. Mr. Cannon asked how things were changed in reference to Social Security as he recalls once Social Security begins the retirement benefits would stop. Mr. Strausburg said you are talking about the death and disability benefit that was part of the last contract. In the last contract when the disability benefit was negotiated and the trust was established in a manner so that the payments from the trust would be tax free. Mr. Cannon asked if there was a cut off age for when Social Security would start. Mr. Strausburg asked if he was talking about the $15,000 offset. Mr. Cannon said the $15,000 offset was relating to secondary employment not Social Security. Mr. Strausburg said if this contract is ratified, that provision would go away. Mr. Cannon then asked if he would explain for the public and Council the impact of the before and after, regarding the accidental disability provision. Mr. Strausburg deferred the question to Ms. Ennis. She said they have not had any claims yet on the accidental disability. If an officer had secondary employment, $15,000 would offset 66.67% of what they would receive for the disability benefit. Mr. Cannon asked for clarification that if they had another job up to $15,000 would be subtracted, to which Ms. Ennis responded, yes, and that would be equilvant to minimum wage. Mr. Hall confirmed that the County has not had any claims for accidental disability, then asked if an officer can go back four years, to 2012, to submit a claim. Mr. Strausburg said that provision was effective in 2012 but there was not a look back on the benefit. Mr. Hall then asked if he was disabled in 2013 but did not file a claim, could he go back and claim disability from 2013 to date. Mr. Strausburg explained that there is a time period in the trust document for making a disability claim. When the County agreed to the disability benefit in the last contract, we stipulated that there would not be a look back period from the date of inception. In other words, the date the contract took effect, we precluded a deputy's ability to say I was disabled back in 2009and I would like that to bring that forward now. It was only provided that a prospective event could trigger a disability claim. Mr. Strausburg said there are requirements inside the benefit document that stipulate how a claim would be made and there are time periods involved. Mr. Cannon asked why was the section in reference to$15,000 deleted. Mr. Strausburg said it is a matter of financial negotiation. He said it is a benefit to the deputies and they are ones who requested for the provision to be stricken. Mr. Cannon said he would have thought it would have been an initiative on the part of the County, not the FOP on striking that provision. Mr. Strausburg said in the first meeting there was a series of requests presented to the County by the FOP. The requests were considered and County Executive Culver came back with a proposal that included some of their requests but not all. Mr. Cannon said in another section of the agreement it indicates "A member who commences receiving AD Benefit payments during the period in this subsection who does not attain his or her Social Security Retirement Age on or before June 30, 2018 shall continue to receive such payments", asking if this language is new. Ms. Ennis said that language was in the prior agreement. The only thing that is new is they struck the $15,000 as far as accidental disability is concerned.

*Signatures are on the next page.*

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John T. Cannon, President

Matt Holloway, Vice President

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Marc Kilmer, District 2

Larry W. Dodd, District 3

John B. Hall, District 4

Joe Holloway, District 5

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