

Summary Plan Description

PLAN B

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission



EMPLOYEES' RETIREMENT SYSTEM

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Dear Members and Beneficiaries:

The Board of Trustees of the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS) is pleased to present this Summary Plan Description (SPD) which covers Plan B of the ERS.

The ERS is a retirement benefit trust organized by the Commission and is a qualified plan under Section 401(a) of the Internal Revenue Code of 1986. The ERS was established July 1, 1972 to provide you with financial security at retirement. Understanding the fundamentals of retirement benefits is the first step towards an emotionally and financially satisfying retirement.

This SPD will educate you about the full spectrum of benefits including eligibility, contributions, credited service, death benefits and survivor options. Please save this SPD and reference whenever your life or work situation changes.

Sincerely,

The Board of Trustees

This SPD is for informational purposes only and provides general information designed to educate employees and retirees about the ERS. To the extent any term or figure in this SPD varies from the Plan, other governing documents or applicable law, those pertinent documents will control and the information provided in this SPD will not. The Plan documents and other governing documents, policies and procedures may be modified or amended from time to time consistent with applicable law and those amendments likewise will control. More generally, in all circumstances the governing documents, policies and procedures, and applicable law, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

SUMMARY PLAN DESCRIPTION

PLAN B

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INTRODUCTION

History of the Employees' Retirement System

The Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS) covers employees of the Commission, a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927. The Commission is the bi-county agency empowered to acquire, develop, and administer a regional system of parks in the defined Metropolitan District, and to prepare and administer a general plan for the physical development of a defined Regional District for Montgomery and Prince George's Counties.

The Commission established a single employer defined benefit pension plan (the Plan) effective July 1, 1972, in accordance with the Trust Agreement between the Commission and the ERS Board of Trustees. Prior to that date, Commission employees were covered under Maryland's State Retirement System. Employees who were covered by the State Retirement System were given the option of remaining with the State or transferring to the Commission's Plan.

Revisions to the Social Security tax structure and other fiscal considerations made it prudent to develop a new retirement plan, based on the principle of Social Security excess. Therefore, effective January 1, 1979, the Plan became The Maryland-National Capital Park and Planning Commission Employees' Retirement System, encompassing three defined benefit plans: Plan A, the original plan; Plan B, for non-police, integrated with Social Security; and Plan C, only for Park Police.

On July 1, 1990, a collectively bargained Plan D replaced Plan C, which was closed and all members transferred to the new Park Police Plan D. Effective July 1, 1993, again as a result of collective bargaining, Plan D was closed to new employees, and Plan C was amended and reopened to provide benefits for Park Police hired after July 1, 1993. Pursuant to a 2002 collective bargaining agreement, Plan D members were given a one-time election to transfer to Plan C on or before October 25, 2002.

Board of Trustees

A Board administers the ERS in accordance with the Trust Agreement between the Commission and the ERS Board of Trustees. The Board's main responsibility is to administer the ERS funds for the sole benefit of the members and to pay the promised benefits.

The Board meets on the first Tuesday of every month, except for August. Board meetings are open to all employees and members of the public. Trustees may be contacted in writing through the ERS.

Trustees serve for three-year terms. Trustees elect a chairman and vice chairman to serve for two-year terms.

The Board consists of 11 appointed and elected members as adopted by the Commission on July 24, 2001. Since members of the Board change from time to time, their names will be published in Update and posted on the Internet as the changes occur.

- Two Commissioners (one each from Montgomery and Prince George’s counties)
- The Commission’s Executive Director, Ex-Officio
- The Commission’s Secretary-Treasurer, Ex-Officio
- Three Open Trustees (one each from Montgomery and Prince George’s counties and one from the Bi-County office, effective July 2003)
- Two Public Members (one each from Montgomery and Prince George’s counties)
- Two Represented Trustees (one MCGEO Representative and one Fraternal Order of Police Representative)

The Board of Trustees
as of September 6, 2011

Elizabeth M. Hewlett, Chairman
Prince George’s County Commissioner

Guy Jones
FOP Represented Trustee

Casey Anderson, Vice Chairman
Montgomery County Commissioner

Lynn Kelly
Prince George’s County Open Trustee

Khalid Afzal
Montgomery County Open Trustee

Elton F. King
Montgomery County Public Member

Josh Ardison
MCGEO Represented Trustee

Barbara Walsh
Bi-County Open Trustee

Patricia Colihan Barney
Executive Director

Joseph C. Zimmerman, CPA
Secretary-Treasurer

Richard H. Bucher, Ph.D.
Prince George’s County Public Member

ERS Staff

The Board hires an Administrator who manages the staff and oversees the operations of the ERS. The Administrator reports directly to the Board through the Chairman of the Board. The ERS staff reports to the Administrator.

ERS Staff

Andrea L. Rose
Administrator

Heather D. Brown
Administrative Assistant

Member Relations Team
Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Senior Retirement Benefits Analyst

Angela Griggs-Montero
Member Relations Assistant

Technical and Accounting Services
Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager/Leader

Edward D. Sarkar
IT Manager/Leader

Trust Agreement

The Board administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Trust Agreement sets forth the powers, duties, and liabilities of the Trustees. Trustees have no personal liability for actions taken in good faith, but are responsible for willful neglect, misconduct, dishonesty, or breach of good faith.

The ERS is managed as a tax-exempt entity, and is deemed qualified under the terms of the Internal Revenue Code as a governmental plan. The Commission retains the power to amend or terminate the ERS, but may not alter the powers of the Board without its consent. No asset of the ERS may be used for any purpose except to provide benefits to members and beneficiaries of the ERS and to defray the reasonable cost of administering the ERS until all liabilities are satisfied.

Memorandum of Understanding

A Memorandum of Understanding between the Commission and the Board sets forth certain criteria pertaining to the administrative operation of the ERS and the cooperation required from all parties to carry out the functions of the ERS. The administrative office of the ERS separated from the Commission's Personnel Service's Office on October 21, 1981 and separated from the Commission's Department of Administration on January 30, 1982.

These are summaries of the original Trust Agreement and the Memorandum of Understanding. The full text of these documents governs over any information herein and is available at the ERS Office.

ELIGIBILITY AND MEMBERSHIP

Mandatory

Membership in Plan B is mandatory for:

- Full-time career employees
- Part-time career employees
- Employees of the ERS hired after March 1, 1994
- Appointed Officials – Commissioners, Executive Director, General Counsel and Secretary-Treasurer
- Employees exempt from the Merit System and appointed by the respective County Planning Board to serve as a Director

Employees Not Eligible

Employees not eligible to participate in the ERS include but are not limited to:

- Seasonal
- Intermittent
- Contractual
- Part-time non-career

CONTRIBUTIONS

Employee

Plan B participants contribute 3% of their base pay for each pay period up to the maximum Social Security Wage Base for that year, and 6% of their base pay in excess of the Social Security Wage Base.

The Social Security taxable wage base is the maximum amount of compensation that is subject to Social Security taxes each year. The Social Security wage base for 2011 is \$106,800 and is adjusted annually.

Employer

The Commission contributes each year to the ERS. The Commission's contribution is determined by an actuary following an actuarial valuation of the ERS. The actuary recommends a contribution to provide for the benefits of the ERS.

Investment Income

Employer and employee contributions are invested to provide additional income to the ERS. The Board of Trustees hires professional investment managers to invest the assets in various types of investment vehicles (stocks, bonds, mutual funds, etc.).

Interest

Each member's account is credited with 4.5% interest per year. Interest is added to the account on a monthly basis.

Tax Treatment

Employee contributions are deducted from pay on a pre-tax basis. Members do not pay income tax on employee contributions, the Commission's contributions, or on interest or investment income earned by the ERS until a benefit is received from the ERS.

Members may be entitled to a monthly tax exclusion on part of their annuity for contributions which were taxed (contributions made before January 1, 1984). The ERS calculates this amount and it is properly recorded at retirement on a 1099R Income Tax Statement.

COMPONENTS OF FORMULA

Credited Service

Credited service is one of the factors used to determine eligibility for retirement benefits. Credited service may include service from any of the following:

Employment

Credited service is granted for completed years and months while employed by the Commission and contributing to the ERS.

Participants in Plan B are limited to a maximum of 35 years of credited service, exclusive of sick leave, to be used in calculating retirement benefits.

Transfer

Service transferred from another governmental agency within the State of Maryland can count towards credited service. All members of an actuarially funded retirement system of the State of Maryland or any political subdivision of the State may apply to transfer credited service to any other retirement system of an applicable subdivision or the State **within one year of transfer** to the new system, as provided in state law. All service must be certified as transferable by the former system. The ERS is a contributory system. Therefore, transfers from a contributory system require transfer of contributions. Transfers from a non-contributory system will result in an actuarial deficiency at the time of retirement and a corresponding reduction in benefits. Transfers from the State of Maryland may require the transfer of employee contributions plus the payment of additional contributions. Members who have applicable prior service must request transfer of this service, in writing, to the Administrator of the ERS.

Sick Leave

Additional credited service is granted for earned, but unused sick leave. For every 22 days of sick leave at retirement, members receive one month of additional credited service.

A remainder of at least 15 days or more qualifies for an additional month. Members may use a maximum of 14 months to qualify for early or normal retirement. However, this credit cannot be used to meet the minimum retirement eligibility requirements for age.

Qualify for Early Retirement

Assume a member has 23 years 10 months of credited service. The member can use 1 year 2 months (14 months) of sick leave to qualify for early retirement with 25 years of credited service. Sick leave in excess of the 14 months is added on as additional credited service for retirement calculation purposes.

Qualify for Normal Retirement

Assume a member has 28 years 10 months of credited service. The member can use 1 year 2 months (14 months) of sick leave to qualify for normal retirement with 30 years of credited service. Sick leave in excess of the 14 months is added on as additional credited service for retirement calculation purposes.

Cannot Use for Age Qualification

Members may qualify for normal retirement at age 60 with a minimum of 5 years of credited service; however, sick leave cannot be used to meet the age qualification requirements. For example, a member age 59 years old cannot use 12 months of sick leave to reach age 60.

Used for Additional Credit Only

Sick leave in excess of 14 months is not lost. This sick leave is converted to additional credited service and added to credited service for retirement calculation purposes.

The following table can be used to convert your sick leave to additional credited service:

<u>Credited Service</u>	<u>Hours Based on 8.0 Hour Day</u>	<u>Credited Service</u>	<u>Hours Based on 8.0 Hour Day</u>
1 Year	2,112	06 Months	1,056
11 Months	1,936	05 Months	880
10 Months	1,760	04 Months	704
09 Months	1,584	03 Months	528
08 Months	1,408	02 Months	352
07 Months	1,232	01 Months	176

Military Furlough

The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides special rules relating to veterans' reemployment rights. If a member is on military furlough and does not make contributions to the ERS, USERRA provides a payment schedule equal to three times the period of qualified military furlough (but not greater than five years) to make up any missing contributions. Once all contributions are paid, the member receives credited service for the period of military furlough.

Represented Participant Buyback

Effective as of July 1, 2009, a participant represented by MCGEO may purchase additional credited service between 60 and 31 days prior to retirement for certain time in public service. The buyback may not exceed five years. Represented participants must contact the ERS for cost information.

Long-Term Disability

The ERS provides free credited service for participants who qualify to receive Long-Term Disability (LTD), prior to their normal retirement date. Participants could potentially receive free credited service in the ERS until their normal retirement date, as long as the Commission's Health and Benefits Office certifies their qualification for LTD as determined by the LTD insurance carrier.

Plan B participants are no longer eligible for free credited service upon reaching normal retirement. If Plan B participants return to work after normal retirement, they would start to accrue additional credited service from the time they returned to work.

The period of time from normal retirement to either actual retirement or return to work would be a period of leave without pay and no retirement credit would be given for this period. There are no provisions to make up missing service beyond normal retirement for Plan B participants.

Credited service is one component of the retirement formula that can be affected while on LTD. The other component is average annual earnings for retirement calculation purposes.

If a participant is on LTD less than three years, and retires immediately, then the participant's average annual earnings is the average of the annual base pay during the three consecutive years of credited service that produces the highest total base earnings prior to the date on which the participant qualified for and began receiving LTD.

If the participant is on LTD for at least three years prior to normal retirement, then the participant's average annual earnings shall be the highest base pay attained prior to the date the participant became eligible for LTD.

Leave of Absence

Plan B members cannot receive credited service for any period of employment by the Commission while in a non-pay status.

Average Annual Earnings

Average annual earnings is the average of the annual base pay of a participant while an employee of the Commission during the three consecutive years of credited service that produce the highest total earnings prior to the participant's actual retirement date; or prior to the date on which the participant qualifies for and begins receiving benefits under the Commission's LTD Plan; or if less than three years of credited service with the Commission, the average of the annual base pay for the period of credited service with the Commission.

If a participant qualifies for and begins receiving LTD for at least three years prior to normal retirement, average annual earnings is the highest base pay attained by the participant prior to the date eligible for LTD.

Average Annual Earnings

is also known as your

High-3

Section 415 of the Internal Revenue Code

Section 415 places a dollar limit on the annual benefit members can receive from a tax-qualified pension plan such as the ERS. Under Section 415 the maximum annual benefit at normal retirement age is \$195,000 for 2011 and is adjusted annually.

Social Security Covered Compensation Level

The Social Security Covered Compensation Level (SSCCL) is an average of the Social Security wage bases over a 35-calendar year period ending with the last day of the calendar in which a member attains Social Security retirement age. The SSCCL is determined at the time an employee separates from service based on year of birth. The SSCCL is an important concept for determining the integration level used in defined benefit plans.

The following SSCCL 2011 chart can be used for Plan B members to determine the SSCCL. The SSCCL chart is adjusted annually. The SSCCL 2011 chart in its entirety can be obtained from the ERS.

Social Security Covered Compensation Level
for Employees Separating in 2011

<u>Year of Birth</u>	<u>Social Security Normal Retirement Age Year</u>	<u>Average Social Security Covered Compensation</u>
1945	2011	61,884
1946	2012	64,464
1947	2013	67,008
1948	2014	69,408
1949	2015	71,724
1950	2016	73,920
1951	2017	76,044
1952	2018	78,084
1953	2019	80,052
1954	2020	81,972
1955	2022	85,620
1956	2023	87,384
1957	2024	89,064
1958	2025	90,660
1959	2026	92,184
1960	2027	93,648
1961	2028	95,052
1962	2029	96,372
1963	2030	97,680
1964	2031	98,940
1965	2032	100,116
1966	2033	101,220
1967	2034	102,192
1968	2035	103,068
1969	2036	103,824
1970	2037	104,448
1971	2038	105,012
1972	2039	105,552
1973	2040	106,032
1974	2041	106,392
1975	2042	106,656
1976 & Later	2043 & Later	106,800

Date Eligible for Unreduced Social Security Benefits

The chart that follows determines the date members are eligible for full Social Security benefits. It also determines the date that members of Plan B have their benefits stepped down or reduced. Members can take Social Security early at age 62 with a reduction; however, the ERS does not step down ERS benefits until members are eligible for full Social Security benefits.

For example, members born in 1942 are eligible for full Social Security benefits at age 65 years 10 months. These members can elect to receive Social Security early at age 62; receive full benefits at age 65 years 10 months; receive benefits any time between age 62 and age 65 years 10 months; or receive benefits after eligibility for full benefits. The ERS steps down/reduces benefits at age 65 years 10 months which is the date eligible for full Social Security benefits.

Date Eligible for Unreduced Social Security Benefits

<u>If You Were Born In</u>	<u>You Will Be Age 62 In</u>	<u>Your Age for Full Benefits Is</u>
1937 or earlier	1999 or earlier	65 years
1938	2000	65 years, 2 months
1939	2001	65 years, 4 months
1940	2002	65 years, 6 months
1941	2003	65 years, 8 months
1942	2004	65 years, 10 months
1943 – 1954	2005 – 2016	66 years
1955	2017	66 years, 2 months
1956	2018	66 years, 4 months
1957	2019	66 years, 6 months
1958	2020	66 years, 8 months
1959	2021	66 years, 10 months
1960 or later	2022 or later	67 years

NORMAL RETIREMENT

Eligibility

Members may retire with full benefits after:

- Attaining the age of 60, with at least five years of credited service
- Completing 30 years of credited service, regardless of age

Commissioners, the Executive Director, Secretary-Treasurer, General Counsel, and any other full-time position appointed by the Commission and exempted from the Merit System will reach Normal Retirement once they attain age 60 and five years have elapsed since enrollment in the Plan, regardless of whether five years of credited service was completed since the vesting requirement does not apply to persons serving in these positions.

Participants represented by MCGEO who have between 29 and 30 years of credited service effective January 1, 2009, 2011, 2013 and 2015 are eligible to retire any time prior to 30 years of credited service and not have an early retirement reduction applied to their benefit.

Calculating Your Normal Retirement Benefit

Plan B is considered an integrated retirement plan which means the ERS provides full retirement benefits until the member is eligible for full Social Security benefits and a reduced benefit following eligibility for full Social Security.

Plan B members receive an annual benefit from the date of retirement to the date of eligibility for full Social Security retirement benefits equal to 2% of average annual earnings, multiplied by years of credited service.

After the date of eligibility for full Social Security retirement benefits, the annual benefit equals 1.5% of average annual earnings up to the SSCCL, plus 2% of average annual earnings in excess of the SSCCL, multiplied by years of credited service.

EXAMPLE 1

Assumptions:

- Credited service = 30 years
- Average annual earnings = \$45,000
- SSCCL = \$69,408 (See chart on page 12)
- Age at nearest birthday = 63 (1948)
- Eligibility for full Social Security = 66

Prior to Eligibility for Full Social Security

Formula: average annual earnings x 2% x credited service

$$\begin{aligned} \$45,000 \times 2\% = \$900 \times 30 \text{ years} &= \$27,000 \text{ per year} \\ &= \$2,250 \text{ per month} \end{aligned}$$

After Eligibility for Full Social Security

Formula: lesser of average annual earnings or SSCCL x 1.5% x credited service

$$\begin{aligned} \$45,000 \times 1.5\% = \$675 \times 30 \text{ years} &= \$20,250 \text{ per year} \\ &= \$1,688 \text{ per month} \end{aligned}$$

Eligibility for full Social Security can be determined by looking up year of birth on the chart titled "Date Eligible for Unreduced Social Security Benefits" on page 13.

EXAMPLE 2

Assumptions:

- Credited service = 20 years
- Average annual earnings = \$70,000
- SSCCL = \$61,884 (See chart on page 12)
- Age at nearest birthday = 66 (1945)
- Eligibility for full Social Security = 66 years

Prior to Eligibility for Full Social Security

Formula is not applicable. Member is eligible at retirement for full Social Security benefits.

After Eligibility for Full Social Security

Formula: SSCCL x 1.5% x credited service, plus difference between average annual earnings and SSCCL x 2% x credited service

$$\begin{aligned} \$61,884 \times 1.5\% &= \$928 \times 20 \text{ years} &= \$18,560 \text{ per year} \\ \$8,116 \times 2\% &= \$162 \times 20 \text{ years} &= \underline{\$3,240 \text{ per year}} \\ &&= \$21,800 \text{ per year} \\ &&= \$1,817 \text{ per month} \end{aligned}$$

* Figures used in calculation are rounded.

EARLY RETIREMENT

Eligibility

Members may retire early with reduced benefits after:

- Attaining the age of 55, with at least 15 years of credited service
- Completing 25 years of credited service, regardless of age

Early Retirement Reduction

If a Plan B member retires early, the annual retirement benefit is reduced by 1/180 for each month by which the early retirement date precedes the normal retirement date. The reduction is approximately 6.667% per year. Members must be within five years of normal retirement in order to retire early. The maximum reduction is 33.33%.

Calculating Your Early Retirement Benefit

- Unreduced retirement benefit = \$27,000 per year
- Credited service at early retirement = 25 years
- Credited service at normal retirement = 30 years
- Member is retiring 5 years (60 months) early

$$\begin{aligned} \text{Formula: unreduced retirement benefit} &\times \text{months early} \times 1/180 \\ \$27,000 \times 60 \times 1/180 &= \$9,000 \text{ (early retirement reduction)} \\ \$27,000 - \$9,000 &= \$18,000 \text{ per year} \\ &= \$1,500 \text{ per month} \end{aligned}$$

PART-TIME CAREER EMPLOYEES

Effective January 1, 1994, part-time employees make retirement contributions based on the actual number of hours worked which cannot exceed the weekly full-time hours (40). Part-time

employees are granted credited service at a ratio based on the actual number of paid hours in a calendar year divided by the normal full-time hours (2080) for benefit calculation purposes¹.

Eligibility for receipt of benefits will be based on calendar years and months of credited service.

EXAMPLE

Assumption:

- Member works 25 hours per week (1300 hours per year) for 30 years

Formula: actual paid hours/full-time hours x years worked

$\frac{1300 \text{ hours}}{2080 \text{ hours}} = .625 \text{ year} \times 30 \text{ years} = 18 \text{ years and 9 months credited service}$

¹Part-time credited service accrued prior to January 1, 1994 will be retained at 20 hours per week for benefit calculation purposes.

COST-OF-LIVING ADJUSTMENTS

There are cost-of-living adjustments (COLAs) for retirees and beneficiaries who have been receiving a benefit for at least six months. The COLA is applied annually on July 1st and is based on the change in the Consumer Price Index (CPI). COLAs are provided at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a maximum of 5%.

The COLA can go up (increasing the monthly benefit) or down (decreasing the monthly benefit), but never results in a benefit less than the initial benefit.

EXAMPLE

If the CPI is 4% then retirees and beneficiaries receive 100% up to 3%, plus half of 1% (which is the excess above 3%). Therefore, the COLA would be 3% + .5% = 3.5%

STANDARD FORM OF PAYMENT

All retirement benefits provided by the ERS are guaranteed for the lifetime of the retiree. The standard form of payment under the ERS depends upon the Plan in which the member is enrolled.

Return of Contributions

The standard form of payment for Plan B members is the Return of Contributions. Under the Return of Contributions if the retiree dies before receiving benefits equal to the retiree's contributions and interest, the difference is payable to the listed beneficiary(ies). The retiree may change the designated beneficiary at any time.

OPTIONAL FORMS OF PAYMENT

In addition to this standard form, there are optional methods of payment which will guarantee continuation of benefits to beneficiaries or contingent beneficiaries.

Members who terminate and elect to defer benefits until their normal retirement date rather than receive an early retirement benefit may irrevocably preselect one of the optional forms of payment that are available to retiring members. Once the member becomes eligible for normal retirement, the benefit will be paid according to the preselected option. Deferring the benefit to normal retirement eliminates the early retirement penalty.

10-Years Certain

Under the 10-Years Certain benefits are guaranteed to continue for 10 years from the date of retirement whether the retiree lives or dies. If the retiree dies in less than 10 years, the listed beneficiary receives payments until the 10 year period is completed. If the retiree lives more than 10 years, all benefits stop at the retiree's death. The retiree may change the designated beneficiary at any time.

Contingent Annuity Options

If a member elects a contingent annuity option, the benefit is reduced to reflect that payments are guaranteed for two lifetimes. The amount of the reduction is based on the member's age and the age of the member's contingent beneficiary at retirement.

100%, 75% and 50% Contingent Annuity Options

Benefits are guaranteed to the retiree for the retiree's lifetime. A percentage of the monthly benefit (100%, 75% or 50% depending on the chosen option) will be paid to the surviving contingent beneficiary after the death of the retiree. The contingent beneficiary cannot be changed after retirement.

100%, 75% and 50% Contingent Annuity with Pop-Up Options

Benefits are guaranteed to the retiree for the retiree's lifetime. A percentage of the monthly benefit (100%, 75% or 50% depending on the chosen option) is paid to the surviving contingent beneficiary after the death of the retiree. However, if the contingent beneficiary dies before the retiree, the retiree's benefit reverts (*pops-up*) to the unreduced amount originally calculated, adjusted for cost-of-living adjustments granted since benefits began. The contingent beneficiary cannot be changed after retirement.

The table below illustrates the amounts payable under the different payment options in Plan B for a member retiring at age 60 with an annual benefit of \$35,000 and a contingent beneficiary age 60. The member is eligible for full Social Security benefits at age 66.

<u>Payout Options</u>	<u>Retiree Amount</u> <u>Pre-Stepdown</u>	<u>Contingent Beneficiary Amount</u> <u>Pre-Stepdown</u>	<u>Retiree Amount</u> <u>Post-Stepdown</u>	<u>Contingent Beneficiary Amount</u> <u>Post-Stepdown</u>
Return of Contributions	\$2,917	N/A	\$2,188	N/A
10-Years Certain	\$2,803	N/A	\$2,055	N/A
Contingent Annuity Options:				
100%	\$2,811	\$2,811	\$1,671	\$1,671
75%	\$2,840	\$2,130	\$1,776	\$1,332
50%	\$2,870	\$1,435	\$1,895	\$948
Contingent Annuity with Pop- Up Options:				
100% Pop-Up	\$2,806	\$2,806	\$1,512	\$1,512
75% Pop-Up	\$2,837	\$2,128	\$1,638	\$1,229
50% Pop-Up	\$2,868	\$1,434	\$1,788	\$894

ASSIGNMENT OF BENEFITS

Benefits under the ERS cannot be assigned and are not subject to garnishment or attachment, except to the extent permitted by law for child and/or spousal support, for the division of marital property (Domestic Relations Orders – DRO), or for the payment of tax levies.

DOMESTIC RELATIONS ORDER

A Domestic Relations Order (DRO) is a court order that recognizes an alternate payee’s right to receive a portion of benefits payable with respect to a member under a pension plan. An alternate payee can be a spouse, former spouse, child, or dependent of the member.

The ERS works with members to ensure the ERS can comply with the DRO provisions. However, the ERS does not provide legal advice.

BENEFIT RESTRICTIONS

Incapacity of Member

If it is determined that a member is legally incompetent or incapable of receiving benefits, the Board of Trustees may, in accordance with the rules of the Plan, take action to redirect the benefits to a legal guardian or representative.

Missing Member or Beneficiary

If the ERS is unable to locate a member or beneficiary after making every reasonable effort for two years and eleven months, the member’s or beneficiary’s benefit shall be forfeited. If the

member or beneficiary is subsequently located the ERS will pay the forfeited benefit without interest.

Reduction of Benefits

If a member is entitled to benefits under another Plan for service which is also service in the ERS then benefits are reduced. Social Security benefits are excluded.

DEATH BENEFITS

Spouse and Children

If a participant is survived by a spouse, who has not been specifically excluded from benefits, and dies as a result of a service-connected accident or illness, the spouse is entitled to an annual benefit, payable until death, in an amount equal to the larger of the following:

- An amount equal to the benefit at normal retirement on the basis that the deceased had continued as a participant at the same annual earnings received during the participant's last completed year of employment; or
- 25% of the final annual base pay of the participant.

If the participant is survived by a spouse and dies as a result of a non-service-connected accident or illness, the spouse is entitled to an annual benefit, payable until death, in an amount equal to 25% of the final annual base pay of the participant.

In both instances of service-connected and non-service-connected deaths, if the participant does not leave a surviving spouse entitled to benefits or if the surviving spouse dies the benefits are payable to eligible children (under the age of 18, under the age of 23 if a full-time student, or regardless of age if permanently disabled).

Ordinary – No Spouse and Children

If a participant or vested member dies and does not leave a surviving spouse or eligible children, the beneficiary(ies) designated by the participant or vested member is entitled to a lump-sum cash payment equal to the sum of the following:

- 50% of the participant's or vested member's average annual earnings, plus
- The participant's or vested member's total contributions and interest in the ERS.

Vested Member

If a vested member who has preselected an optional form of payment dies prior to normal retirement, the designated beneficiary(ies) will receive the appropriate benefit on the date that would have been the deceased member's Normal Retirement date.

Post-Retirement Death Benefit

There is a \$10,000 Post-Retirement Death Benefit payable to the listed beneficiary(ies) following a retiree's death. The benefit is not life insurance and is taxable to the beneficiary(ies).

A beneficiary form for the Post-Retirement Death Benefit must be completed and returned to the ERS. A retiree is allowed to list a trust or any other entity as the beneficiary for the Post-Retirement Death Benefit as long as the retiree provides a Federal Tax ID number for the trust or entity.

NAMING A BENEFICIARY

In order to designate a beneficiary(ies) while an active member, a beneficiary form must be completed and returned to the ERS. Unlike most beneficiary designations, the ERS plan specifies the first and second payer of benefits when there is a spouse or eligible children.

The ERS Plan states the first payer of benefits is an eligible spouse. In order to exclude a spouse from benefits, members must complete a spousal exclusion form. If there is no eligible spouse or the spouse has been excluded, the ERS pays eligible children (under the age of 18, under the age of 23, if a full-time student, or regardless of age if permanently disabled). Eligible children may not be excluded.

Despite the Plan Document provisions concerning beneficiaries it remains important for members to update their beneficiary information with the ERS in the event of birth, marriage, death, adoption or divorce.

EXAMPLE 1

Assume the member is legally married and lists a brother as the primary beneficiary. The spouse automatically receives the benefits, if the member dies in active service and does not complete a spousal exclusion form.

EXAMPLE 2

Assume the member is divorced, has a child under age 18 and lists a best friend as the primary beneficiary. The child automatically receives the benefits up to age 18 or age 23, if a full-time student, or permanently if disabled, if the member dies in active service.

OPTIONS UPON TERMINATION OF EMPLOYMENT

Members who terminate employment with the Commission have the following options:

Vested

Members who terminate with at least 5 years of credited service can receive a guaranteed retirement benefit payable at what would have been normal retirement. Effective September 1, 2001, employees are 100% vested with 5 years of credited service. Commissioners and appointed officials are vested immediately.

Members who terminated prior to September 1, 2001 are vested based on the following scale:

<u>Years of Credited Service</u>	<u>Percentage Vested</u>
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

A member whose job is abolished (including those terminated as a result of a reduction in force) and who is not offered a substantially equal job with the Commission is considered 100% vested.

Non-Vested

Members who terminate with less than 5 years of credited service are not entitled to an annuity. Members who choose to keep contributions in the ERS and later return to employment with the Commission are credited with the initial period of credited service.

Withdrawal

Members can withdraw contributions. This decision is irrevocable and terminates all entitlement to any benefits from the ERS. The ERS is required to withhold estimated income tax. The payment may also be subject to an additional excise tax.

Transfer

Members may be able to transfer credited service to other eligible governmental retirement systems in the State of Maryland. This may require the concurrent transfer of accumulated contributions to the new system. Please refer to the Maryland Annotated Code or inquire with the new retirement system.

Rollover

Members can roll over contributions to another qualified retirement system or an individual retirement account without penalty or immediate income taxability.

BENEFIT DISPUTES AND APPEALS

General Article 2.8 of the ERS' Plan Document, states that *"Any Member or Beneficiary who wishes to appeal a decision of the Administrator on any matter regarding his/her rights under the Employees' Retirement System may file an appeal, in writing, to the Board of Trustees. Such appeal shall state, in detail, the pertinent facts relative to the action, which he/she is appealing. The Board of Trustees may decide the appeal on the written submission, it may permit oral argument, or it may conduct whatever hearing it deems necessary or desirable. In any appeal, the*

burden of proof shall be on the applicant to establish the entitlement to benefits, and the burden of proof shall be on the Board of Trustees where it is proposed that benefits be removed from a Member or Beneficiary”.

The Board has adopted procedures for appeals, which allow a member to appeal a decision of the Administrator to the Board in writing within 60 days of the Administrator’s decision.

Members wishing to appeal a decision of the Administrator should contact the ERS to obtain a copy of the Procedures for Processing Retirement Benefit Disputes and Appeals.

Following receipt of an appeal, the Board has three options available:

- Refer the appeal to the Administrator for reconsideration
- Decide the claim based upon the submitted record after discussion
- Hold a hearing

The Board will issue their decision within 120 days from receipt of the appeal unless special circumstances require an extension of 30 additional days.

MEMBER EDUCATION AND SERVICES

The ERS designs its member education programs to encourage lifelong financial planning and retirement planning. The ERS is committed to providing each member with the resources necessary to anticipate future financial needs.

Workshops

FOCUS on Retirement encourages new members to take an active role in retirement planning at the beginning of their careers. Members are provided information that will facilitate full understanding of their retirement benefits and how those benefits fit into the overall retirement picture.

Full-day Retirement Seminars bring together professionals who are experts in the areas of retirement benefits, social security, financial planning and legal for estate and retirement planning. These seminars are targeted to specific segments of the general membership (i.e. members eligible to retire, those with at least 15 years of service, and retirees)

On-site Workshops require the ERS staff to travel to pre-arranged Commission facilities to present a retirement planning program. On-site workshops are designed for mid-career and veteran employees; therefore, the content is more in-depth. Presentations cater to the needs and interests of participating employees. Invited speakers may include the Commission’s benefits staff and deferred compensation representatives.

Publications

The Comprehensive Annual Financial Report provides in-depth information about the financial, investment and actuarial aspects of the ERS.

The Popular Annual Financial Report (PAFR) summarizes the ERS' more detailed Comprehensive Annual Financial Report. Each year, the ERS mails the PAFR to all active members, retirees and beneficiaries.

ERS LifeTimes is the ERS' means of communicating important timely information to all active members. It is published monthly in *Update* the Commission's monthly employee newsletter.

The Plan Document describes the terms and conditions related to the operation and administration of the ERS.

The Summary Plan Description (SPD) is a summary of the ERS' provisions and its benefits. The SPD must be distributed every five years to members.

The Summary Description of Material Modifications includes a description of any plan amendment that modifies the Plan Document or the Summary Plan Description.

Copies of all publications are available at the ERS Office or on the website at <http://ers.mncppc.org>.

Member Services

An **Annual Benefit Statement** is automatically sent to all active, vested and non-vested members each year. This statement provides members with their account balance and a projection of benefits at normal retirement, if applicable.

The **ERS website** is intended to provide all our members and beneficiaries with current information about the ERS and retirement benefits. Visit us at <http://ers.mncppc.org>.

One-on-One Counseling is available to all active members and potential retirees to discuss benefits, calculations and retirement options.

A **Retirement Benefit Estimate** is a report that provides members with a projection of their retirement annuity based upon a future retirement date, projected credited service and calculation of the high three average salary. Members can request a benefit estimate at any time.

A **Retirement Counseling Session** is provided for all those retiring from the Commission. The session is not mandatory, but highly recommended. ERS staff review retirement benefits, options, and assist members in completing the necessary paperwork in order to begin benefits.

RETIREMENT CHECKLIST

The retirement checklist below cites a few things that members should consider and includes actions to take in order to make the transition to retirement simple and straightforward. The checklist is designed to ensure members receive their retirement benefits in a timely fashion.

One to Three Years Prior to Retirement

- Attend pre-retirement education programs offered by the ERS.
- Request a Retirement Benefits Estimate and schedule a One-on-One Counseling session. The Estimate is designed for planning purposes and provides specifics on retirement benefits and options. During the session someone from the Member Relations Team reviews the data and answers questions.
- Consider meeting with a financial planning professional.
- Consider the Deferred Compensation "catch-up" provision that is available in the ICMA-RC or MetLife Resource (formerly Citistreet) 457 Plan. Contributions from annual leave to the 457 Plan may be possible depending upon whether the annual plan maximum has been reached. For more information, please contact the Health and Benefits Office.

Twelve Months Prior to Retirement

- Thoroughly review your Social Security Statement. The Statement is a concise, easy-to-read personal record of the earnings on which you have paid Social Security taxes and a summary of the estimated benefits as a result of those earnings. Keep the Statement with other important papers.
- Select a retirement date for planning purposes. The effective date for retirement must be the first of the month (e.g., January 1 or July 1).

Six Months Prior to Retirement

- Discuss estimated benefits/options with family and/or a financial advisor.
- Prepare a retirement budget, estimating retirement expenses versus the ERS benefit, Social Security benefit and any other income and/or savings.
- Undergo a complete medical check-up.
- Update or prepare a Will and other estate plan documents.

Three Months Prior to Retirement

- Contact Social Security to file for benefits. Full-retirement age has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. Early retirement is still age 62; however, there is a reduction for electing to receive benefits early.
- Sign up for Medicare if you are 65 years of age.

- Request an updated Retirement Benefits Estimate; especially if there have been salary changes and/or leaves of absence since the last estimate.
- Review retirement planning and retirement living information. The Internet has an extensive amount of helpful information on the subjects. Libraries are filled with magazines, books, and videos that can help ease the adjustment to retirement.
- Discuss retirement benefit payment options with your spouse or planning partner.

Two Months Prior to Retirement

- Contact the ERS (301-454-1415) to make an appointment for a final Retirement Counseling session. Usually the appointment is made for the following month.
- Gather proof of birth for contingent beneficiary and contact information for all beneficiaries.
- Obtain direct deposit information from the ERS. Direct deposit makes certain that the retirement (annuity) check is deposited by the first of every month via electronic transfer to a bank, savings institution or credit union.

One Month Prior to Retirement

- Submit a formal letter of retirement. Submission requirements may vary by department; therefore, inquire about the procedure in your department. The ERS does not need a copy of the retirement letter.
- Sign a Personnel Action (PA-2) form for retirement. Individual departments prepare PA-2's and forward them to the Commission's Personnel Office. The ERS must receive a copy of the PA-2 from Personnel.
- Attend a pre-scheduled Retirement Counseling session to complete final paperwork.

PLAN OPERATIONS

Plan Document

The ERS is administered in accordance with the Plan Document (Plan) and construed according to applicable state and federal laws.

Plan Amendments

The Commission may amend the provisions of the Plan at any time; however, the amendment will not adversely affect benefits that members have already accrued unless the amendment is required to maintain the Plan's qualification.

Plan Termination

The ERS is expected to operate indefinitely. However, if for some unlikely reason it is terminated, your benefits are determined as specified in the Plan.

FREQUENTLY ASKED QUESTIONS

What is the ERS?

The ERS is the Commission's primary retirement system for its employees. The ERS was established on July 1, 1972 and has been periodically amended. It is a defined benefit plan qualified in accordance with the IRS Code, Section 401(a). The ERS consists of four Plans: A, B, C and D. Plans A and B are for general employees and Plans C and D are for park police. This Summary Plan Description covers Plan B only.

What does a defined benefit retirement plan mean?

This means the retirement benefit you will be paid is a guaranteed benefit based on your salary and your credited service in the ERS. It does not depend on the contributions you have made to the ERS or the amount of investment income the ERS has earned.

How does being IRS qualified affect you as a member?

You do not have to pay any income tax on your contributions to the ERS until you receive a benefit from the ERS. This is called an "Employer Pick-Up" provision. You do not pay taxes on the Commission's contributions or on interest and investment income earned by the ERS until you receive a benefit.

Does the Commission make a contribution?

The Commission contributes each year to the ERS. The Commission's contribution is determined by an actuary following an actuarial valuation of the ERS. The actuary recommends a contribution to provide for the benefits of the ERS.

Where is the money; is it protected?

The Board engages investment managers responsible for investing plan assets. The assets are held by multiple custodian banks. The ERS staff accounts for all the assets and payments of the ERS. An independent accounting firm audits the ERS every year. The ERS has received the highest possible evaluation for its accounting and internal controls.

When can I expect to receive my first retirement check?

You can typically expect to receive your first retirement check during the first week of the month following your retirement date provided adequate notice was provided to the ERS of your intention to retire.

Can I have my benefit check directly deposited into my bank?

Yes. In fact, direct deposit is mandatory at retirement.

How much of my pension benefit comes from my contributions?

Although your benefit does not consider your contributions in the formula, an amount equivalent to your contributions is usually paid back to you by your monthly annuity benefit within the first three years. After that, funds used to pay your benefits have been accumulated from the earnings of the ERS and the Commission's contributions.

What happens in the case of an underpayment or overpayment of contributions/benefits?

The Plan provides for the recapture of required deficient contributions and the refund of surplus contributions. Similarly, the ERS is authorized to pay any underpayment of benefits to members/beneficiaries in a lump sum or recoup any overpayments of benefits to members/beneficiaries in a series of payments.

Is there a cost-of-living adjustment to protect against inflation?

There are cost-of-living adjustments (COLAs) for retirees and beneficiaries who have been receiving a benefit for at least six months. The COLA is applied annually on July 1st and is based on the change in the Consumer Price Index (CPI). COLAs are provided at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a maximum of 5%. The COLA can go up (increasing the monthly benefit) or down (decreasing the monthly benefit), but never results in a benefit less than the initial benefit.

Is there life insurance when I retire?

No. However, upon the death of a retired member, a \$10,000 lump sum death benefit is paid to the designated beneficiary and is taxable.

How does accumulated sick leave affect my benefit?

You can receive additional credited service for your earned, but unused sick leave. You receive one month of additional credited service for every 22 days of sick leave you have at retirement. A remainder of at least 15 days or more qualifies you for an additional month. You may use a maximum of 14 months to qualify for early or normal retirement. However, this credit cannot be used to meet the minimum retirement eligibility requirements for age.

Is there Disability Retirement?

Effective August 1, 1982, disability retirement benefits were discontinued under the ERS in favor of a comprehensive Commission sponsored Long-Term Disability Insurance Plan. Members receive free credited service until their normal retirement date as long as they qualify for the disability insurance benefits.

When do I start paying income taxes on my retirement annuity?

Income taxes are due as soon as you begin receiving benefits. You may have taxes withheld by the ERS and then file once per year as most active employees do. You may choose to have no

taxes withheld, but may be required to file quarterly estimated taxes. You may owe the government a penalty if you do not pay sufficient taxes on time. You may be entitled to a monthly tax exclusion on part of your annuity for contributions that were taxed (contributions paid before January 1, 1984). The ERS calculates this amount and our custodian bank records it on your 1099R Income Tax Statement issued each year.

Are loans possible from the Plan?

The ERS does not allow loans or partial withdrawals under any circumstances. You can only withdraw contributions upon termination of your employment with the Commission.

What deductions are taken from my retirement check?

There are only five deductions taken from your retirement check: medical (which includes medical, dental, vision and prescription), credit union, legal resources, state tax and federal tax.

What if I don't leave a surviving spouse or children?

If you die before retirement and do not leave a surviving spouse or children eligible for the survivorship benefit, your designated beneficiary shall be entitled to a lump sum cash payment in an amount equal to the sum of the following: (a) 50% of your average annual earnings; plus, (b) your total contributions to the ERS with interest thereon at a rate of 4.5% per annum. This provision applies to participants and vested members.

How do I apply for retirement benefits?

You need to contact the ERS to make an appointment for your final retirement counseling session approximately two months prior to retirement. Usually the appointment is made for the following month. You must also submit a formal letter of retirement to your direct supervisor and sign a Personnel Action Form (PA-2) for retirement.

When is the best time to retire?

There is not necessarily a "best" time to retire; however, when making the decision to retire you may want to consider the following:

- Cost-of-living adjustments (COLAs) are issued each July 1 to retirees and beneficiaries who have been receiving a payment for at least six months. Therefore, if you retire by January 1 of any given year you are entitled to a COLA July 1 of that same year. If you retire after January 1 you are not eligible until July 1 of the following year.
- Annual Leave, Holiday Pay and Comp Time are received in the pay period following your last pay period. You may want to consider delaying your retirement to January 1 so that this payoff is made in the following tax year.

SOME TERMS YOU SHOULD KNOW

Actuary

A person professionally trained in the technical and mathematical aspects of insurance, pensions and related fields. The actuary estimates how much money must be contributed to a pension fund each year in order to support the benefits that will become payable in the future.

Average Annual Earnings

The average of the annual base pay of a participant while an employee of the Commission during the three consecutive years of credited service that produce the highest total earnings prior to the participant's actual retirement date; or prior to the date on which the participant qualifies for and begins receiving benefits under the Commission's Long-Term Disability Plan.

Base Pay

The established rate of gross earnable compensation at which a participant is employed by the Commission, exclusive of any overtime pay or additional compensation of any kind.

Beneficiary

A retired participant, contingent annuitant, any person or other designee named by the member, including his/her executors and administrators, entitled to receive benefits.

Benefit

Rights of the participant or beneficiary to a lump sum or monthly benefit after meeting the eligibility requirements of the pension plan. Pension benefits usually refer to monthly payments payable on retirement.

Benefit Multiplier

A percentage multiplied by a participant's average salary to determine a benefit.

Contingent Annuity Option

An annuity option that provides benefit payments for the retiree and contingent beneficiary (usually the spouse). The retiree's benefit is reduced to guarantee payments for two lifetimes. The amount of the reduction is based on the retiree's age and the age of the contingent beneficiary at retirement. A Contingent Annuity Option is also called a Joint and Survivor Option.

Credited Service

The total period of years and months of completed service as credited under the terms and conditions of the ERS.

Fiscal Year

The ERS operates on a fiscal year calendar which is July 1 to June 30 each year.

Member

Any employee or retiree included in the membership of the ERS.

Participant

An employee currently employed and making contributions to the ERS.

Represented Participant

A participant who is represented by the Municipal and County Government Employees Organization collective bargaining unit.

Retiree (also known as Annuitant)

A retired participant who is entitled to receive benefits as provided by the ERS.

Vested Member

A former participant who has terminated employment with the Commission, has qualified under the vested benefits provision, and has not elected a refund of accumulated contributions.

Vested Participant

A participant with five or more years of credited service or a Commissioner with immediate vesting.