



Montgomery County Employees' Retirement System

(Optional and Integrated Plans)

Summary Description

*Sheriffs and Public Safety Correctional Officers
Retirement Group E*

August 2023

Montgomery County Employees' Retirement System

The purpose of this Summary Description is to provide employees with an informal guide to the key provisions of the Employees' Retirement System (Montgomery County Code, Chapter 33, Article III). Every effort has been made to accurately summarize the retirement plan in this booklet. However, you are cautioned that this summary may not reflect all of the provisions of the Employees' Retirement System. If you retired before 2017, you may receive different benefits due to different laws in effect at the time of your retirement. The provisions of the Employees' Retirement System and the collective bargaining agreements, with the Employees' Retirement System given priority, will govern in the event that there is an inconsistency or any ambiguity. Montgomery County reserves the right to change or discontinue any of the terms of the Employees' Retirement System at any time, subject to applicable laws and collective bargaining agreements.

For more information on these plans, please contact Montgomery County Employee Retirement Plans (MCERP) at 240-777-8230, via e-mail at retirement@montgomerycountymd.gov or online at <https://www.montgomerycountymd.gov/mcerp/actives.html>.

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Participating in the Plan

The Montgomery County Employees' Retirement System (the "Plan") provides:

- a pension based on your earnings and service
- survivor benefits even if you die before retirement
- benefits in the event of disability or certain job losses

This booklet provides a summary of the Plan. Please review the Plan features carefully.

Eligibility

You are eligible to participate in the Plan if you work in a permanent position for Montgomery County Government as a sworn deputy sheriff, uniformed correctional officer in the position of Correctional Officer I, Correctional Officer II, Correctional Officer III, Correctional Dietary Officer I, Correctional Dietary Officer II, Correctional Supervisor-Sergeant, Correctional Dietary Supervisor, Correctional Shift Commander-Lieutenant, Correctional Unit Commander-Captain, Deputy Warden or Warden (only if hired into an ERS eligible position) as:

- a full-time paid employee
- a part-time paid employee

If you have reached your early retirement date, you may continue Plan participation if you transfer from your position into another position not listed above.

If you are temporarily transferred from your position, you may continue Plan participation for up to three years.

If you were hired on or after October 1, 1994 and do not meet the eligibility requirements stated above, you are generally not eligible to participate in the Plan.

How to enroll

If you are an eligible full-time employee, you automatically participate in the Plan.

If you are an eligible part-time employee, participation is optional. If you wish to enroll, contact MCERP.

Your plan and membership group

Within the Employees' Retirement System there are different membership groups representing different classifications of employees. Different provisions apply to each group.

All County employees are divided into membership groups depending upon type of position and whether or not the position is subject to a collective bargaining agreement. This booklet is designed for the following group:

	Public Safety
Sworn deputy sheriff, uniformed correctional officer in the position of Correctional Officer I, Correctional Officer II, Correctional Officer III, Correctional Dietary Officer I, Correctional Dietary Officer II, Correctional Supervisor-Sergeant, Correctional Dietary Supervisor, Correctional Shift Commander-Lieutenant, Correctional Unit Commander-Captain, Deputy Warden or Warden (only if hired into an ERS eligible position) Resident Supervisors I, Resident Supervisors II, Resident Supervisors III, Public Safety Emergency Communications Specialist I, Public Safety Emergency Communications Specialist II, Public Safety Emergency Communications Specialist III, Public Safety Emergency Communications Specialist IV, Senior Public Safety Emergency Communications Specialist, Public Safety Communications Supervisor, Public Safety Emergency Communications Manager, or Emergency Communications MLS Manager 2	E

Your group is further designated depending upon when you became a member.

Enrollment	Plan	Group
Before 7/1/78	Optional Non-Integrated	E
Before 7/1/78	Optional Integrated	EZ
On or After 7/1/78	Mandatory Integrated	EK

If you are a member of the Optional Non-Integrated Plan, you may elect to transfer to the Optional Integrated Plan. To do so, contact MCERP for information and a transfer application. Once you transfer, you may not return to the optional non-integrated plan.

Contributions

Member contributions

A percentage of your regular earnings is automatically deducted from your paycheck, pre-tax, and deposited in the Plan's trust fund. Your regular earnings include all hours for which you are paid, including differentials, if applicable, but exclude overtime. Regular earnings also include any amounts you did not receive due to a furlough. This percentage depends on your plan. Your member contributions earn 4% annual interest.

Optional non-integrated plan	<i>Member contribution</i>
E	As of July 1, 2012: 10.5% of your regular earnings

Optional integrated plan	<i>Member contribution</i>
EZ	As of July 1, 2012: 6.75% of your regular earnings up to the maximum Social Security wage base*, plus 10.5% of your earnings above that

Mandatory integrated plan	<i>Member contribution</i>
EK	As of July 1, 2012: 6.75% of your regular earnings up to the maximum Social Security wage base*, plus 10.5% of your earnings above that

**Note: The Social Security wage base is the maximum amount of earnings that can be used to compute Social Security benefits and is subject to the full Social Security taxes (established by the Federal Social Security Act). This amount changes each year.*

County Contributions

Every year the County, based on an actuary's calculations, determines how much the County should contribute in order to fund the Plan on an actuarial basis.

Vesting

You are vested in County provided pension benefits after five years of Plan membership. If you transfer service credit from a Maryland public retirement system, that service credit counts towards Plan vesting. When you are vested, you have a right to your pension, even if you leave County employment before retirement. However, you give up this right if you request and receive a refund of your contributions and interest upon termination of employment.

You are always vested in your member contributions and the 4% annual interest earned.

Credited service

Credited service is one of the factors used to determine the amount of your pension benefit. Credited service may include service under the Plan, purchased service, transferred service from another eligible plan, sick leave credits and certain military service.

Your credited service accumulates at the following rates:

- If you work on a continuous full-time basis, you receive credited service for the time you work or are on paid leave. One year of full-time work equals one year of credited service.
- If you work on a continuous part-time basis and elect to participate in the Plan, you receive one year of credited service for each 12-month period.

If you work full-time *and* part-time during your career, your credited service will be based on the number of hours you worked or were paid during your career. For each fiscal year that you worked, divide those hours by 176. This determines the number of months of credited service in each fiscal year period.

Note: Part-time service is only adjusted to determine credited service for your benefit calculation. It is not adjusted to determine your eligibility for vesting or retirement.

If you have unused sick leave, you will receive one month of credited service for every 176 hours. The maximum amount of unused sick leave available for pension credit is 4,136 hours, or 24 months. The table below shows the conversion of your unused sick leave to credited service.

Credited Month of Service	Minimum Number of Hours of Unused Sick Leave
00	Less than 88
01	88
02	264
03	440
04	616
05	792
06	968
07	1144
08	1320
09	1496
10	1672
11	1848
12	2024
13	2200
14	2376
15	2552
16	2728
17	2904
18	3080
19	3256
20	3432
21	3608
22	3784
23	3960
24	4136 or greater

Special Rule for Sick Leave Post Retirement Adjustments

For purposes of applying any post retirement adjustment, any sick leave will be credited as years and months of service as of the date of retirement. This means that if you retire after July 1, 2011, any post retirement adjustment will not exceed 2.5% on any sick leave credited as years and months of service.

Military Service

If you leave employment in order to perform certain military service, you may receive credit for that service. You may receive up to five years of service if you return to County employment within one year of leaving military service (two years in the case of recovery from a military related illness or injury) without being employed elsewhere. If you withdraw your contributions, you must repay the contributions with 6.5% interest in order to receive the credit for the period of military service. You must make the repayment within a required time period (i.e., while employed by the County and within the lesser of the period of military service or five years.)

If you die while performing certain military service, your designated beneficiary will receive benefits as if you had resumed employment and then terminated on account of a non-service-connected death. If you were not already vested in your benefit, you will become vested.

Transferred Service

You may also be eligible to transfer service credit from another public retirement system in the State of Maryland. To do so, send your written request to MCERP *within one year* from your hire date with the County. Your prior employee contributions from the other retirement system must be transferred to the Plan. If the previous plan did not require employee contributions, your benefit may be reduced but your service credit will still be counted. If you leave County employment within five years of the transfer, your benefits are limited to what you would have received under your previous plan. Please contact MCERP for additional information.

Special Rule for Transferred Service Post Retirement Adjustments

For purposes of applying any post retirement adjustment, any transferred service will be credited as years and months of service as of the date you file a properly completed application with MCERP. This means that if you file an application to transfer service credit after June 30, 2011, any post retirement adjustment will not exceed 2.5% on the transferred service.

Purchased Service

You may purchase credit for:

- certain prior military service (up to 48 months)
 - member with 5 years of membership may obtain up to a maximum of 2 years of credit at no cost
- retirement membership from your employment with the:
 - Federal government
 - Any state government
 - Any municipal government
- prior Montgomery County service (including service with a participating agency)
- prior State of Maryland service
- sick leave without pay (up to a maximum of one year and the purchase must be made while on leave without pay)

Purchases are computed based on a variety of factors including your age, salary and service at the time you request the purchase. If you purchase the service, the service counts only for retirement service credit. This additional time will not enhance any other benefit such as retiree group insurance continuation or seniority in employment. **Note: Purchased service credit does not count towards vesting or eligibility for retirement until you have five years of Plan membership.**

You generally may purchase the service on an after-tax basis over a period of time not exceeding five years. If you use a payment period, you will have to pay an additional 6.5% interest per year.

You may use your account balance in an eligible governmental 457(b) plan to pay for the service credit on a pre-tax basis.

If you purchase service and the Plan is later changed to reduce the maximum years of service for which you purchased credit, you may be eligible for a refund of the portion of the purchase, with interest, provided you request the refund prior to your retirement.

Note: You may not purchase credit if you retain a right to a retirement benefit from the system for which you are purchasing service credit. Service may only be transferred or purchased for service in a defined benefit plan. Defined benefit plans with defined contribution features are not eligible plans.

Special Rule for Purchased Service Post Retirement Adjustments

For purposes of applying any post retirement adjustment, any purchased service will be credited as years and months of service as of the date you file a properly completed application with MCERP. This means that if you file an application to purchase service credit after June 30, 2011, any post retirement adjustment will not exceed 2.5% on the purchased service.

For more information, contact MCERP.

Average final earnings

Another factor used to determine the amount of your pension is your average final earnings. Your earnings include all hours for which you are paid, including applicable differentials, but excluding overtime. Earnings also include any amounts you did not receive due to a furlough. For fiscal year 2010, earnings also include an additional 4.5%. Average final earnings are calculated differently, depending on the membership group you participate in:

- If you participate in either the optional non-integrated or the optional integrated plan, average final earnings are your earnings for the 12-month period before you retire (or any consecutive 12-month period, if greater), excluding overtime.

If you had been a full-time employee but are a part-time employee at retirement, your average final earnings are your average hourly rate of earnings during the last 12 months before you retire (or any consecutive 12-month period, if greater), multiplied by two thousand eighty (2,080). The average hourly rate is the total regular earnings divided by the total number of hours worked, excluding overtime.

- If you participate in the mandatory integrated plan, average final earnings are the average of annual earnings for the 36-month period before you retire (or any consecutive 36-month period, if greater), excluding overtime.

If you had been a full-time employee but are a part-time employee at retirement, your average final earnings are your average hourly rate of earnings during the last 36-months before you retire (or any consecutive 36-month period, if greater), multiplied by two thousand eighty (2,080). The average hourly rate is the total earnings divided by the total number of hours worked, excluding overtime.

When you can retire

You may retire on one of the following:

- your normal retirement date
- an early retirement date
- a trial retirement date (available for unrepresented employees)

Normal retirement

Your normal retirement date depends on your membership group, your age and how many years of credited service* you have:

<i>If you participate in group</i>	<i>And you have credited service* of at least</i>	<i>You can retire as early as</i>
E, EZ, EK	15 years	55
	OR	
	25 years	46

Before you retire, you must submit a properly completed written application at least 30 days before the date you wish to retire. At least 3 months prior to submitting an application, you should attend an *ERS Planning for Retirement* seminar. The seminar schedule is available at www.montgomerycountymd.gov/retirement.

** Years of membership service for combined full-time and part-time service. Part-time service is not adjusted to a full-time equivalency to determine eligibility for retirement. You use your membership in the Plan plus any purchased or transferred service, and sick leave credit to compute your credited service.*

Early retirement

If you are eligible, you may elect to retire early. However, you may receive a smaller benefit than if you had retired at your normal retirement date. You are also eligible if your age plus credited service equal 85 (as long as you have at least 35 years of credited service). If you meet this requirement, you may elect early retirement without receiving a reduction in benefits.

Here are the requirements for early retirement:

<i>If you participate in group</i>	<i>And you have credited service* of at least</i>	<i>You can retire as early as</i>
E, EZ, EK	15 years	45
	OR	
	20 years	41

Before you retire, you must submit a properly completed written application at least 30 days before the date you wish to retire. At least 3 months prior to submitting an application, you should attend an *ERS Planning for Retirement* seminar. The seminar schedule is available at www.montgomerycountymd.gov/retirement.

** Years of membership service for combined full-time and part-time service. Part-time service is not adjusted to a full-time equivalency to determine eligibility for retirement. You use your membership in the plan, plus any purchased or transferred service, and sick leave credit to compute your credited service.*

Trial retirement

If you are an unrepresented employee, you may be eligible to retire on a trial basis if you meet the requirements for normal retirement. Trial retirement can be for up to nine months. To do so, send a written notification to MCERP at least 30 days before you would like to begin your trial retirement.

To end your trial retirement before the end of the nine-month period, write to the Chief Administrative Officer at least 30 days before you would like to return to service. You will be offered your same job, if available, or a job with similar salary and grade level. If you refuse the job offered to you, you may be considered permanently retired.

If you do not write to the Chief Administrative Officer to end your trial retirement, you will automatically be permanently retired at the end of the nine-month period.

You may only elect a trial retirement once.

You may not elect a trial retirement if you are:

- an elected official
- a non-merit appointed official
- covered under a bargaining agreement
- a non-County government employee

What you receive at retirement

The pension you receive at retirement depends on your earnings, your total credited service, and your membership group. Benefits may be limited or subject to change in order to comply with the provisions of the Internal Revenue Code.

Regular pension

Optional non-integrated plan

If you participate in the optional non-integrated plan, your benefit will equal:

$$\begin{aligned} & 2.6\% \times \text{average final earnings} \times \text{credited service up to 25 years} \\ + & 2.25\% \times \text{average final earnings} \times \text{credited service years 26 through 30} \end{aligned}$$

- + 2% x average final earnings x sick leave (up to 2 years* not used above)
 (*2.4% for sick leave credits used for years up to 25 years; 2% for sick leave credits used for years over 25 years.)

The maximum benefit cannot exceed 80.25% of average final earnings.

For example, if your average final earnings equal \$60,000, and you have 28 years of credited service plus six months of unused sick leave, your benefit would be calculated as follows:

$$[2.4\% \times \$60,000 \times 25] + [2\% \times \$60,000 \times (3 + 6/12)] = \$40,200 \text{ per year}$$

OR

$$\$36,000 + \$4,200 = \$40,200 \text{ per year}$$

Optional integrated and mandatory integrated plans

If you participate in the optional integrated or mandatory integrated plan, your benefit will be calculated according to two different formulas: (1) for payments before you reach Social Security Normal Retirement Age, (2) for payments after you reach Social Security Normal Retirement Age. Your Social Security Normal Retirement Age depends on when you were born, as follows:

<i>If you were born:</i>	<i>Your Social Security Normal Retirement Age is:</i>
Before 1938	65
During or after 1938 and before 1955	66
During or after 1955	67

Effective 7/1/2024: If you participate in the optional integrated or mandatory integrated plan, your benefit will be calculated according to two different formulas: (1) for payments before you reach Social Security Normal Retirement Age, (2) for payments after you reach Social Security Normal Retirement Age. Your Social Security Normal Retirement Age depends on what Social Security deems as the maximum retirement age when you retire.

Here is how your benefit is calculated:

Before your Social Security Normal Retirement Age, your benefit will equal:

- 2.6% x average final earnings x credited service (up to 25)
- + 2.25% x average final earnings x credited service (for years 26-30)
- + 2% x average final earnings x sick leave (up to 2 years not used above)*

After your Social Security Normal Retirement Age, your benefit will equal:

- 1.65% x AFE **up to** Social Security Covered Compensation Limit (SSCCL) x credited service (for years 1-30)
- + 1.65% x AFE **up to** SSCCL x sick leave credits (up to 2 years not used above)
- + 2.6% x AFE **over** SSCCL x credited service (for years 1-25)
- + 2.25% x AFE **over** SSCCL x credited service (for years 26-30)
- + 2% x AFE **over** SSCCL x sick leave credits (up to 2 years not used above)*

(*2.6% for sick leave credits used for years up to 25 years; 2% for sick leave credits used for years over 25 years.)

The maximum benefit cannot exceed 80.25% of average final earnings.

For example, if your average final earnings equals \$60,000 and you have 28 years of credited service plus six months of unused sick leave, your benefit would be calculated as follows:

$$[2.6\% \times \$60,000 \times 25] + [2.25\% \times \$60,000 \times (3 + 6/12)] = \$39,000 + \$5,250 = \$44,250 \text{ per year}$$

$$\text{After age 66, your annual benefit would be: } 1.25\% \times \$60,000 \times [28 + 6/12] = \$21,375 \text{ per year}$$

Social Security Covered Compensation

Social Security Covered Compensation is an average of 35 wage bases prior to Social Security Normal Retirement Age. Future wage bases are assumed to be equal to the current wage base. The amount of Social Security Covered Compensation changes every year and varies by year of birth.

If you retire early

If you choose to retire early, your regular pension benefit will be reduced based on how many years you retire before your normal retirement date.

Years before your normal Retirement date:	Your benefit will be reduced by:	Percentage of normal retirement benefit you will receive
1	2%	98%
2	5%	95%
3	9%	91%
4	14%	86%
5	20%	80%
6	28%	72%
7	36%	64%
8	44%	56%
9	52%	48%
10	60%	40%

Your benefit will not be reduced if your age plus credited service equals at least 85, **and** you have at least 35 years of credited service.

Limits on Retirement Benefits

Internal Revenue Code (IRC) Section 415 limits the benefit you may receive from the Plan. If your benefit is limited, you will be notified, and you will receive the amount over the limit from the County’s Non-Qualified Plan (which is paid by the County), as required by the County Code. The amount paid from the Non-Qualified Plan will be adjusted as the IRC Section 415 limit change, and/or your benefit changes for cost-of-living increases, if applicable. The

taxability of the benefit you receive from the Non-Qualified Plan will be reported by the County on a W-2.

Post-retirement adjustments

After you retire, your benefit will be adjusted each year to reflect the increase **or** decrease in the Consumer Price Index (CPI) – All Urban Consumers, Washington-Baltimore, DC-VA-WVA. The percentage of the change in the CPI that you receive depends on the membership plan in which you participate and your date of retirement:

- If you participate in the ***optional non-integrated*** or ***optional integrated*** plan, your benefit will adjust by 100% of the change in the CPI for the Washington Metro Area for years and months of credited service before July 1, 2011. For years and months of credited service after June 30, 2011, any adjustment will not exceed 2.5%.
- If you participate in the ***mandatory integrated plan***, your benefit will adjust by 100% of the change in the CPI up to 3%; and 60% of any change in the CPI greater than 3%, not to exceed a total of 7.5% for years and months of credited service before July 1, 2011. The maximum 7.5% does not apply to disability retirees or retirees over age 65 for years of service before July 1, 2011. For years and months of credited service after June 30, 2011, any adjustment will not exceed 2.5%.

Special Rule for Disability Retirement

If you receive a disability retirement benefit for a disability occurring after June 30, 2011, any adjustment of your benefit payment will not exceed 2.5%.

Special Rules for Transferred Service, Purchased Service and Sick Leave

Sick Leave: For purposes of applying any post retirement adjustment, any sick leave will be credited as years and months of service as of the date of retirement. This means that if you retire after July 1, 2011, any post retirement adjustment will not exceed 2.5% on any sick leave credited as years and months of service.

Transferred Service: For purposes of applying any post retirement adjustment, any transferred service will be credited as years and months of service as of the date you file a properly completed application with MCERP. This means that if you file an application to transfer service credit after June 30, 2011, any post retirement adjustment will not exceed 2.5% on the transferred service.

Purchased Service: For purposes of applying any post retirement adjustment, any purchased service will be credited as years and months of service as of the date you file a properly completed application with MCERP. This means that if you file an application to purchase service credit after June 30, 2011, any post retirement adjustment will not exceed 2.5% on the purchased service.

Forms of benefit

Once you have chosen your payment option, your choice is irrevocable, and cannot be changed.

Normal payout form

Unless you elect otherwise, you will automatically receive your normal benefit form according to your plan:

<i>Plan</i>	<i>Normal payout form</i>
Optional non-integrated plan	10-year certain and continuous benefit
Optional integrated plan	10-year certain and continuous benefit
Mandatory integrated plan	Modified cash refund annuity

Choosing an optional benefit form

You may choose to have your benefit in a form other than your normal benefit form. The forms are adjusted actuarially.

You may not choose an optional form of payment if you qualify for a non-service-connected disability retirement before becoming eligible for early retirement.

The payment options

Modified Cash Refund Annuity

You will receive a monthly benefit for your lifetime. If you die before receiving benefits equal to all the member contributions you made during participation plus interest, the remaining amount will be paid to your beneficiary in a lump sum. The Modified Cash Refund option is the normal benefit form for members of the Mandatory Integrated plan (hired on/after July 1, 1978).

If you do not designate a beneficiary, or if your beneficiary dies before you and you do not choose another one, your designated beneficiary is your surviving spouse, or if you have no surviving spouse, your surviving children. If you have no surviving children, benefits will be paid to your estate in a lump sum. To designate a beneficiary, contact the County's Office of Human Resources (OHR).

10 Year Certain and Continuous Benefit

The 10-year certain and continuous benefit provides you with a monthly payment until you die. If you die before you receive 120 monthly payments, your beneficiary will receive the remaining monthly payments. The 10 Year Certain and Continuous option is the normal benefit form for members of the Optional/Optional Integrated plan (hired prior to July 1, 1978).

If you do not designate a beneficiary, or if your beneficiary dies before you and you do not choose another one, your designated beneficiary is your surviving spouse, or if you have no surviving spouse, your surviving children. If you have no surviving children, the remaining benefits will be paid to your estate in a lump sum. To designate a beneficiary, contact OHR.

Social Security Adjustment Option (Age 62 or Age 65) Combined with either Modified Cash Refund Annuity or a 10 Year Certain and Continuous Benefit

This option is a variation of your normal benefit form and usually gives you a larger initial monthly benefit until age 62 or age 65 (if you elect), and smaller monthly payments thereafter. The intention is to provide you with a nearly level income from the Plan from the date of your retirement until the date of your death no matter when you elect to receive your Social Security benefits. At your death, payment will continue to your beneficiary if the guarantee provided for under your normal benefit form (e.g., 10 Year Certain and Continuous for optional non-integrated or Modified Cash Refund annuity for mandatory integrated) has not been exhausted.

Joint and Survivor Annuity Option

The joint and survivor annuity option provides you with a lifetime benefit. At your death, your designated surviving joint annuitant will receive a percentage of the benefit you were receiving for the rest of his or her life. Generally, the larger the percentage you leave to your joint annuitant, the lower the amount that will be paid to you during your lifetime. You may choose any percentage but not less than 10%. Typical percentages elected are 100%, 70%, 50%, 30% or 20%.

Annuity benefits generally end when both you and your joint annuitant die. However, this option guarantees a minimum payment depending on the plan you participate in:

- If you participate in one of the optional plans, the guarantee is 120 payments.
- If you participate in the mandatory plan, the guarantee is the value of your remaining contributions plus interest at retirement.

Note: Your joint annuitant must be your spouse, child, or eligible domestic partner on your retirement date.

Joint and Survivor Annuity Pop-Up Option

This is a variation of the joint and survivor annuity option. If you and your designated joint annuitant divorce or your designated joint annuitant dies before you, your monthly payment will pop up to the amount it would have been if you had selected the Modified Cash Refund Option. If you die before receiving benefits equal to all the member contributions you made plus interest, the remaining amount will be paid to your beneficiary in a lump sum.

Note: Your joint annuitant must be your spouse, child, or eligible domestic partner on your retirement date.

Social Security Adjustment Option (At Age 62 or Age 65) Combined with Joint and Survivor Annuity Option

This is a variation of the joint and survivor annuity. This option will usually give you a larger monthly benefit than under the joint and survivor annuity option until age 62 or age 65 (if you elect) and reduced payments thereafter which is intended to provide you with a nearly level income from the Plan from the retirement until death no matter when you elect to receive your Social Security benefits, while still providing a lifetime benefit to your joint annuitant in a percentage that you determine when you retire. Benefits generally end when both you and your joint annuitant die. However, this option guarantees a minimum payment depending on your membership group (optional plans: 120 payments; mandatory plan: the value of your remaining contributions plus interest at retirement).

Note: Your joint annuitant must be your spouse, child, or eligible domestic partner on your retirement date.

Social Security Adjustment Option (At age 62 or Age 65) Combined with Joint and Survivor Annuity Pop-Up Option

This is a variation of the joint and survivor pop-up option. This option usually gives you a larger monthly benefit than the under the joint and survivor annuity option until age 62 or age 65 and reduced payments thereafter, while still providing a lifetime benefit to your joint annuitant in a percentage that you determine when you retire. If you and your designated joint annuitant divorce or your designated joint annuitant dies before you, your monthly payment will pop up to the amount it would have been if you had selected the Modified Cash Refund Option. If you die before receiving benefits equal to all the member contributions you made to your pension account plus interest, the remaining amount will be paid to your beneficiary in a lump sum.

Note: Your joint annuitant must be your spouse, child, or eligible domestic partner on your retirement date.

Special benefits

Disability retirement

If you become disabled, you may be eligible to retire on a disability pension. The requirements for disability retirement depend on whether your disability is service connected or non-service connected.

Non-service connected

You may be eligible for a non-service-connected disability retirement if you:

- are mentally or physically incapacitated from further performance of your present job (or another available job you are qualified for) as the result of an illness or injury that is not job related or due to your willful negligence
- the illness or injury was incurred after you became a member of the Plan

- have an incapacity that is likely to be permanent
- have five years of credited service

Under a non-service-connected disability you will receive:

$$\begin{aligned}
 & 2.6\% \times \text{average final earnings} \times \text{credited service up to 25 years} \\
 + & 2.25\% \times \text{average final earnings} \times \text{credited service years 26 through 30} \\
 + & 2\% \times \text{average final earnings} \times \text{sick leave (up to 2 years*)}
 \end{aligned}$$

(*2.6% for sick leave credits used for years up to 25 years; 2% for sick leave credits used for years over 25 years.)

Your disability pension will be no less than 33 1/3% of your final earnings.

You may not choose an optional form of benefit if you qualify for a non-service disability retirement before becoming eligible for early retirement.

Service-connected

You may be eligible for a service-connected disability retirement if you:

- are totally disabled by an occupational disease incurred or condition aggravated or accident occurring while you are performing your duty (as long as the disability does not result from your willful negligence)
- are unable to perform your present job (or another available job within your department that you are qualified for) as the result of your disability

After July 1, 2009, for an accidental injury not causing mental impairment, you must:

- report the injury as soon as practicable, but within one year after you knew or should have known that your injury is likely to be disabling; or
- submit a claim for Workers' Compensation benefits for the accidental injury which is not dismissed as filed untimely.

If you have incapacitating injuries these requirements do not begin while you are incapacitated and unable to report the injury.

If your injury occurs after July 1, 2009, you must apply for disability benefits within one year after separation from County service.

If you are partially disabled, you will receive:

$$\begin{aligned}
 & 2.6\% \times \text{final earnings} \times \text{your years of credited service up to 25 years} \\
 + & 2.25\% \times \text{final earnings} \times \text{credited service years 26 through 30} \\
 + & 2\% \times \text{final earnings} \times \text{sick leave (up to 2 years* not used above)}
 \end{aligned}$$

(*2.6% for sick leave credits used for years up to 25 years; 2% for sick leave credits used for years over 25 years.)

Your disability pension will be no less than 52½% of your final earnings. If your disability occurred before July 1, 2012, your disability pension will be no less than 66 2/3 % of your final earnings.

You are considered partially disabled if you are unable to perform one or more functions of the position you hold because of the impairment and the impairment is (a) unlikely to resolve in the next 12 months; (b) may be permanent; and (c) does not prevent you from performing any other substantial gainful activity.

Total Disability (Disability occurring after June 30, 2012)

If greater than the normal pension formula, you will receive 70% of your final earnings if your disability is determined to be severe enough that you would meet the Social Security Administration's requirements for disability, meaning that you are unable to engage in any substantial gainful activity because of a medically determinable physical or mental impairment that can be expected to end in death, or last for at least 12 months. You do not have to qualify for Social Security benefits to be eligible for the 70% minimum benefit.

Alternatively, your benefit will be increased to 70% if (a) you are awarded Social Security disability benefits; (b) you applied for Social Security benefits within 90 days of receiving your disability retirement decision; (c) you submit the information to MCERP within 60 days of receiving the award; and (d) it is determined that the Social Security benefits were based on the same impairment.

If you receive a 70% benefit, you will be required to submit by May 30 of each year a copy of your federal income tax return which shows your annual income.

Alternative Placement

You may receive a 5% salary increase if you accept an alternative position in the County government for which you are qualified. Your salary in the alternative position will not exceed the maximum salary of the pay grade assigned to the position.

Applying for disability retirement

You or your representative may file an application for disability retirement. Your department head also may file an administrative application on your behalf. Contact MCERP to obtain additional information on the disability benefits available.

Medical Re-examination

You are required to undergo either a yearly physical examination or, at the County's discretion, to submit a medical doctor's certificate verifying continuation of the disability for 5 years following retirement, and once in every 3 years thereafter, until age 55. The Chief Administrative Officer may decide that a physical examination is unnecessary because of the nature and severity of the injury or illness. If you do not provide the required information or undergo the required examination, your disability pension payments may be reduced or discontinued.

Reduction in Benefits

If you receive a service-connected disability and have not reached normal retirement age and you are working in or able to work in an occupation that pays you more than the difference between your disability retirement pension and the maximum earnings of the occupational class from which you were deemed disabled, your payments may be reduced.

If you receive a disability retirement pension for the same injury from another employer, your payments will be reduced.

If you receive a service-connected disability due to being totally disabled, if your earnings capacity changes, your payments may be reduced.

If you fail to submit any requested information, including your federal income tax return, your payments may be stopped.

Special Rule for Disability Retirement Post Retirement Adjustments

If you receive a disability retirement benefit for a disability occurring after June 30, 2011, as determined by the Disability Review Panel, any adjustment of your benefit payment will not exceed 2.5%.

Discontinued Service Retirement (DSR)

If your employment ends because of an administrative action, and if you have 10 or more years of continuous service, you may be able to elect a discontinued service retirement. Discontinued service retirement begins at your early retirement date with no reduction for early retirement.

You may not elect a discontinued service retirement if you were terminated for cause or resign.

If you elect a discontinued service retirement before you reach your early retirement date, your pension will be payable on your early retirement date.

Optional non-integrated plan

If you participate in the optional non-integrated plan, your discontinued service pension benefit will equal the amount of pension you would receive for a normal or early retirement, modified as follows:

- Substitute *final earnings* for *average final earnings*
- Add 5% of final earnings

Optional integrated plan

If you transferred to the optional integrated plan on or before September 26, 1983, your discontinued service pension will be the same as shown above for the optional non-integrated plan and will not integrate when you reach your normal Social Security retirement age.

If you transferred to the optional integrated plan after September 26, 1983, your discontinued service pension will be the same as shown above for the optional non-integrated plan, but **will** integrate when you reach your normal Social Security retirement age.

Mandatory integrated plan

Before your Social Security Normal Retirement Age, your discontinued service pension benefit will be calculated according to the normal retirement formulas for the mandatory integrated plan.

After your Social Security Normal Retirement Age, your discontinued service pension benefit will be calculated according to the normal retirement formulas for the mandatory integrated plan.

Option to transfer to Retirement Savings Plan

Except for public safety participants represented by a collective bargaining agreement, participants in the ERS are eligible to transfer to the County's defined contribution Retirement Savings Plan (RSP). Please contact the MCERP for more information.

Deferred Retirement Option Plan (DROP)

If you are at least 55 years old and have at least 15 years of credited service or at least 46 years old and have at least 25 years of credited service may participate in the DROP for up to three years. All sick leave in excess of 80 hours will be credited towards your eligibility to participate in DROP, up to the two-year maximum. You must satisfy the eligibility requirements before you apply. If you are in an employee group eligible to transfer from the Employees' Retirement System to the Retirement Savings Plan (RSP), you are no longer eligible to transfer after you enter DROP. If you have transferred to the RSP, you are not eligible to enter DROP.

DROP is a voluntary program wherein you contribute your monthly retirement benefit to an account established for you at Fidelity Investments when you enter DROP. Your DROP account will receive:

- The monthly retirement benefit that you would have received if you had retired on the date you entered DROP; and
- Gains or losses on the funds *you* select for investment of your monthly retirement benefit.

Once you elect to participate:

- you must retire no later than three years after DROP entry and
- your election is an irrevocable one unless you withdraw your application during the 2-week period immediately following the date you submit your application.

How does DROP work?

You apply to participate in DROP at any time after you are eligible but before you actually retire. You can elect to begin participating as soon as the first day of the month 60 days after applying but no later than 90 days after applying. If you elect DROP participation, you:

- Agree to end your County employment when DROP participation ends which is no later than three years after your participation begins.
- Stop earning retirement benefits under the Plan, except for a final adjustment after exiting for unused eligible sick leave accrued during DROP participation.
- Stop making retirement contributions to the Plan.
- Receive retiree cost of living adjustments (COLAs) that were granted while you participated in DROP.
- Select the investment options for the investment of your monthly retirement benefit.
- Make an irrevocable election of the payment option for your monthly retirement benefit.
- Receive your DROP account balance in the form elected at DROP entry when you exit DROP.

What is the DROP benefit?

During your participation in DROP, your account receives:

- The monthly retirement benefit that you would have received if you had retired on the date you entered DROP.
- Earnings based on the investment options you select.

How is my DROP account invested? How much will it earn?

The Board of Investment Trustees will provide you with a selection of investment options from which to choose (available by calling 240-777-8228 or on the website at www.montgomerycountymd.gov/retirement). You choose one or more of these options to invest your DROP account. Your account will be credited with the gains or losses earned by the options selected.

You are responsible for making the investment decisions for your account. You may choose one or more investment options depending on your investment objectives. You should note that *you* bear all investment risk and that earnings on your account balance are determined *solely* by your investment selections. No plan fiduciary is liable for any loss resulting from your investment decisions.

The Board of Investment Trustees offers a diversified slate of investment options that:

- cover a risk and return spectrum of appropriate investment classes
- are distinguishable and have distinct risk and return characteristics
- are well-diversified and professionally managed
- charge fees that are reasonable for the asset class and investment style

Recognizing that some individuals consider themselves experienced investors who want more variety, independence, and greater control in managing their account, the Board permits these individuals to select investments through a Self-Directed Brokerage Account (SDBA). The Board does not monitor or evaluate the investments made within the SDBA. If you would like to open an SDBA, you must sign an agreement acknowledging your understanding that you exercise exclusive control over the SDBA and that the Board does not select or monitor investments in the SDBA.

You may change your investment selections at any time by calling Fidelity Investments at 800-343-0860 or visiting <https://nb.fidelity.com/public/nb/MCG/home>. Your direction of investment remains in effect until you change it. Trade restrictions and fees on redemptions may be initiated by a particular investment option or by the record keeper at any time.

DROP Exit Provisions

You will receive, within 60 days of your DROP exit, the monthly retirement benefit calculated at the time of your DROP entry adjusted for (1) any eligible sick leave credits (up to the two-year maximum) that were not converted into credited service at the time of DROP entry, and (2) COLA adjustments as if you had retired when you entered DROP.

Effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to a 2.5% post retirement adjustment limit.

Your DROP account balance will be distributed in a (1) in a lump sum, (2) a direct rollover to an IRA or another eligible tax-qualified plan (any amounts in your DROP account that are non-taxable may not be rolled over – these amounts will be paid directly to you in a lump sum), or (3) an annuity based upon the distribution option you selected when you entered DROP.

Before you decide whether to take your DROP benefit as a lump sum, direct rollover or annuity, be sure to consider the tax consequences. We recommend that you seek the advice of a tax professional. Any after-tax contributions allocated to your DROP account (calculated when you exit DROP) are not taxable to you. Non-taxable amounts are *not eligible for direct rollover*. The remaining amounts in your DROP account are taxed as ordinary income in the year received. To defer taxes, you may roll the taxable portion of your DROP account into an IRA or another eligible retirement plan.

What happens if I get married or divorced during DROP?

If you were unmarried when you entered DROP and marry while you are in DROP, you may change your beneficiary for your DROP account. You may *not* change the payment option for your monthly retirement benefit or your Joint Annuitant.

If you become divorced while you are in DROP, you may *not* change the payment option for your monthly retirement benefit. Your beneficiary for your DROP account may be changed.

How does DROP affect retirement benefits?

Credited service (except sick leave credits) and average final earnings (12-month period if you became a member before July 1, 1978; 36-month period if you became a member after June 30, 1978) are frozen at DROP entry. A salary increase while in DROP (e.g., a promotion or general wage adjustment) does not affect your monthly retirement benefit or your DROP account balance.

Sick leave in excess of 80 hours will be converted to retirement service credit at DROP entry (up to the two-year maximum) and used to calculate the monthly retirement benefit that will be deposited to your DROP account. Sick leave that is converted to retirement service credit cannot be used while you participate in DROP. You will continue to earn sick leave while in DROP at the same rate as if you had not entered DROP. At the end of DROP, if you have not already been credited with the maximum two years of sick leave credit, each 176 hours of sick leave accrued will be converted to retirement service credit (up to the two-year maximum) and used to increase the post-DROP monthly retirement benefit. Effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DROP is subject to the 2.5% post retirement adjustment limit.

How does DROP affect the 457 (deferred compensation) plan?

You may continue to participate in the deferred compensation plan while in DROP. You may NOT take a distribution from your deferred compensation account until you exit DROP. You are eligible for catch-up during the three consecutive years preceding the year that (1) you are eligible for normal retirement, or (2) you exit DROP, whichever is later.

What if I die during DROP, including being killed in the line of duty?

Your beneficiary will receive any death benefit (based on the retirement option selected) they would have received as if you had retired on the date you entered DROP and the DROP account balance. The benefit will be adjusted to include:

- Sick leave credit not already converted to service credit (up to the two-year maximum).
- COLA changes to the amount of your monthly retirement benefit at DROP entry.

If you do not designate a beneficiary, your surviving spouse or eligible domestic partner is your beneficiary. If you do not have a surviving spouse or eligible domestic partner, your surviving children share equally in any benefit. If you do not have a surviving spouse, eligible domestic partner or any surviving children, your estate is your beneficiary.

You may change your beneficiary at any time by contacting OHR.

Examples:

If you elect a 10-year certain and continuous payment option for your monthly retirement benefit at DROP entry and die a year later, your beneficiary will receive the remaining monthly retirement benefit payments. Your beneficiary will also receive the balance in your DROP account.

If you elect the modified cash refund payment option for your monthly retirement benefit and then die while in DROP, your beneficiary will receive your DROP account balance. In addition, if the total of the monthly retirement benefit payments deposited into your DROP account do not equal your accumulated employee contributions, plus interest, the difference will be paid to your beneficiary.

What if I become disabled during DROP?

If you are awarded a non-service-connected disability, you would receive a monthly pension benefit calculated as if you had retired with a non-service-connected disability on the date you entered DROP. You will also receive your DROP account. You will not receive any sick leave credit accrued during DROP participation.

If you are awarded a service-connected disability, you may elect to receive either (1) the benefit as if you had retired from DROP without a disability which includes your DROP account or (2) the service-connected disability benefit as if you had never entered DROP (you will not be entitled to your DROP account balance). You should consider consulting an advisor to discuss the tax implications of your decision.

If you receive a disability retirement benefit for a disability occurring after June 30, 2011, as determined by the Disability Review Panel, any adjustment of your benefit payment will not exceed 2.5%.

If you apply for disability retirement while in DROP or prior to entering DROP, you may not receive your DROP account balance until a final decision is made on your disability retirement application.

Leaving employment with the County before retirement

What you receive if you are vested

If you are vested and you leave County employment before you are eligible for retirement, your pension benefit will be payable on the first day of the month after you reach age 55 if you have 15 years of credited service (or age 46 if you have 25 years of credited service). In all other situations, you will begin to receive your pension at age 72.

Your benefits under the Plan will depend on your years of credited service and your average final earnings as described under the formulas earlier in this booklet. Your benefits will be based on the Plan provisions in effect when you leave employment.

It is your responsibility to ensure that your pension begin when you are eligible. You will not receive retroactive benefits.

Withdrawing contributions

If you are not vested (if you have less than five years of Plan membership), you will receive your member contributions plus interest earned (at a 4% annual rate) when you submit a properly completed distribution form. If your contributions and earnings are less than \$1,000, you will automatically receive a distribution. You will not be entitled to any other benefit from the Plan.

You may elect to have some or all of your contributions rolled over to another retirement system or to an Individual Retirement Account (IRA).

Upon notification of your termination from service, MCERP will send you a letter along with the distribution forms. Upon receipt of your response, your account balance will be distributed.

If you are vested, you may withdraw your member contributions, plus the interest earned on that amount, at any time after leaving County employment even if you are vested. However, you will forfeit all rights to a pension from the Plan. You may not make a partial withdrawal. To withdraw your contributions, contact MCERP.

If you die and are vested

If you die after leaving County employment with a deferred vested pension, your designated beneficiary will receive a refund of your employee contributions plus interest.

Returning to work after leaving County employment

If you leave County employment and are reemployed, the following will apply:

- If you return to a full-time position eligible for retirement membership in a sworn public safety position subject to collective bargaining, you will re-enter the ERS. If you are receiving a monthly pension payment, it will stop.
- If you return to a full-time position eligible for retirement membership in a non-sworn public safety position *within 25 months*, you may re-enter the ERS only if the following conditions are met:
 - you were vested in the ERS, **and**
 - you did not withdraw your contributions.

If you are receiving a monthly pension payment, it will stop.

- If you return to work in a full-time position eligible for retirement membership *after 25*

months, you must participate in the Retirement Savings Plan (RSP) or the Guaranteed Retirement Income Plan (GRIP) after completing the 6-month waiting period if you return to:

- a non-public safety position
- a public safety position that is not represented by a collective bargaining agreement

You may transfer to the Retirement Savings Plan (RSP) the actuarial present value of your ERS benefit (if you are not currently receiving a benefit from the ERS), as of the date you return to County service, if:

- You were vested;
- You did not withdraw your contributions; and
- You left County service before October 1, 1994.

To apply for such a transfer, you must contact MCERP.

- If you return to a part-time position and do not elect to participate in the retirement plan for which you are eligible, and if you are receiving a monthly pension payment, it will not stop unless you are receiving a disability pension payment. If you are receiving a disability pension payment, it may be reduced or stopped due to income offsetting requirements.
- If you return to County service in a temporary position and you are not eligible to participate in any retirement plan, if you are receiving a monthly pension payment, it will not stop unless you are receiving a disability pension payment. If you are receiving a disability pension payment, it may stop due to income offsetting requirements.

Note: The term County includes any agency which participates in the County's retirement plans.

Your beneficiary

Your designated beneficiary is the person eligible to receive any Plan benefits at your death. To name your beneficiary (or beneficiaries, if you would like more than one), contact the Office of Human Resources (OHR).

If you do not designate a beneficiary, your surviving spouse or eligible domestic partner is your beneficiary. If you do not have a surviving spouse or eligible domestic partner, your surviving children share equally in any benefit. If you do not have a surviving spouse, eligible domestic partner or any surviving children, your estate is your beneficiary.

You may change your beneficiary at any time by filling out and returning a new form to OHR. You should review your beneficiary form on a regular basis and when a life change occurs such as marriage, divorce, death of a spouse or dependent, etc.

Important Note: If you die from a service-connected death, the Plan provides for death benefits for a surviving spouse, eligible domestic partner and/or child. Your designated beneficiary, if other than your surviving spouse, domestic partner and/or child will not receive any benefit.

Pre-retirement survivor's benefits

The Plan pays benefits if you die while an active member of the Plan. The benefit, and who receives the benefit, depends on whether your death is service-connected or not.

Non-service connected

If you are not vested, your beneficiary will be eligible to receive your member contributions plus the interest earnings.

If you are vested, and your beneficiary is not your spouse, your eligible domestic partner or your child, your beneficiary will receive your member contributions plus the interest earnings.

If you are vested, or eligible for retirement, and you designated your spouse, your eligible domestic partner or your child as your beneficiary, he/she may elect the refund of contributions plus interest earnings, or a benefit equal to the yearly amount of benefits which would have been payable if you had retired before you died. The benefit will be paid in the form of a 100% joint and survivor option. Your beneficiary must make this election within 60 days of your death.

Important Note for survivor's benefits: For death benefits to be paid to your spouse, your eligible domestic partner or your child, that individual must be designated as your beneficiary. Also, any eligible domestic partner you designate as your beneficiary must be registered, via the affidavit process, with OHR.

Service-connected

If you die while working for the County, and satisfactory proof is submitted that the death was the result of injuries sustained while working or was directly attributable to the inherent hazards of the duties performed, and the death was not due to willful negligence, the Plan will pay:

- your spouse or eligible domestic partner 25% of your final earnings (at least \$250 per month) until he or she dies.
- each child 5% of your final earnings (no less than \$50 per month) until age 21 (or for life, if the child is disabled and cannot support himself or herself)

The maximum benefit for both cannot exceed 40% of your final earnings. The service-connected benefit will be no less than the actuarial value of the non-service-connected benefit.

As an alternative benefit, if you were vested or eligible to retire and you designated your spouse or eligible domestic partner as your beneficiary, your spouse or eligible domestic partner may elect a refund of contributions plus interest earnings, or a benefit equal to the yearly amount of benefits which would have been payable if you retired right before you died. He or she must make this election within 60 days of your death. The benefit would be paid in the form of a 100% joint and survivor option. If your spouse or domestic partner elects this benefit, a child's

benefit under this section will be paid if the spouse or domestic partner dies before the child is 21.

Important Note: If you die due to a service-connected death and there is a surviving spouse, eligible domestic partner and/or child(ren), any other designated beneficiary will not receive any death benefit.

If you die without a surviving spouse, eligible domestic partner or children, your designated beneficiary will receive your member contributions, plus the interest earnings.

Assignment and Domestic Relations Orders

Except in the case of an approved domestic relations order, you may not assign your benefit.

If you are going through a divorce proceeding, you should contact MCERP for the domestic relations procedures and model orders. Only a domestic relations order approved by MCERP will be honored.

Chief Administrative Officer Discretion

The Chief Administrative Officer is responsible for administering the Plan and has full discretion to interpret the Plan.

Appeals

If you disagree with a benefit or eligibility determination, you may appeal to the Chief Administrative Officer. The Chief Administrative Officer will respond within 60 days.

If the Chief Administrative Officer denies your claim, you may appeal the denial to the Merit System Protection Board within 15 days.

Disability appeals must be made to the Disability Arbitration Board via OHR within 20 days.

Errors

Unless an approved waiver due to financial hardships has been approved, if you receive any amount due to an error you must reimburse the Plan. If you receive any amount less than you are due, the Plan will adjust your payment going forward and pay you a lump sum for any monies owed.

For more information

If you have any questions about the Plan, please call MCERP at 240-777-8230 or email retirement@montgomerycountymd.gov.