Montgomery County Employees' Retirement System

(Optional and Integrated Plans)

Summary Description

For Sworn Police Personnel in Retirement Group F

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 your 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 2015, 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") is a source of your retirement income. Along with Social Security and your other financial resources, it can help you enjoy retirement.

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 police officer as a:

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

If you reach your early retirement date and are transferred into a position other than a sworn police officer, you may continue participation in the Plan.

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 are an unrepresented employee, you are generally not eligible to participate in the Plan.

How to enroll

If you are a full-time paid employee, you automatically participate in the Plan.

If you are a 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 plans and different classifications of employees. Different provisions apply to each plan.

The plan and group you belong to depends on when you became a member:

Enrollment	Plan	Group
Before 7/1/78 and you did not elect to transfer to the Optional Integrated Plan	Optional Non-Integrated	F
Before 7/1/78 and you elected to transfer to the Optional Integrated Plan	Optional Integrated	FZ
On or after 7/1/78	Mandatory Integrated	FK

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 put into the Plan's trust fund. Your regular earnings include all hours for which you are paid, including differentials and roll-call pay but excluding overtime. Regular earnings also include any amounts you did not receive due to a furlough. This percentage depends on your plan and membership group. Your member contributions earn 4% annual interest.

Optional non-integrated plan	***Member contribution***
F	Before July 1, 2011: 8.5% of your regular earnings July 1, 2011-June 30, 2012: 9.5% of your regular earnings After June 30, 2012: 10.5% of your regular earnings

Optional integrated plan	***Member contribution***
FZ	Before July 1, 2011: 4.75% of your regular earnings up to the maximum Social Security wage base, plus 8.5% of your earnings above that amount July 1, 2011-June 30, 2012: 5.75% of your regular earnings up to the maximum Social Security wage base*, plus 9.5% of your earnings above that After June 30, 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	***Member contribution***
FK	Before July 1, 2011: 4.75% of your regular earnings up to the maximum Social Security wage base, plus 8.5% of your earnings above that amount July 1, 2011-June 30, 2012: 5.75% of your regular earnings up to the maximum Social Security wage base*, plus 9.5% of your earnings above that

	After June 30, 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 member 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 this Plan, purchased or transferred service from another eligible plan, sick leave credits and certain military service.

Your credited service accumulates at the following rates:

- If you work only 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 only on a continuous part-time basis and elect to participate in the Plan, you receive one year of credited service for each 12-month.

  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 on paid leave 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 pension 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 any other employment. 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.)

Transferred Service

You may also be eligible to transfer service credit from another eligible 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.

<u>Special Rule for Transferred Service Post Retirement Adjustments</u>

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)
- retirement membership from
    - Federal government
    - Any state government
    - Any municipal government
- prior Montgomery County (or participating agency) service
- prior State of Maryland service
- sick leave without pay (up to a maximum of one year and the purchase must be made while on sick leave without pay)
- leave without pay (up to one year)

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. **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 must 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 and months of service for which you purchased service, 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 the Benefits Team. 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 roll call and 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 4.25%. Average final earnings are calculated differently depending on which plan you belong to:

- If you belong to either the optional non-integrated or 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 earnings divided by the total number of hours worked, excluding overtime.

- If you belong to 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

Normal retirement

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

If you belong to group	***And you have credited service* of at least***	***Your age is at least***
F, FZ, or FK	15 years **OR**	55
	25 years	Any age

Before you retire, you must submit a properly completed written application at least 30 days before the date you wish to retire. Contact MCERP to schedule a counseling appointment.

* *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. Use your total membership in the plan, plus any purchased or transferred service, and sick leave credit.*

Early retirement

If you are eligible, you may retire early. However, you will receive a smaller benefit than if you had retired at your normal retirement date.

If you belong to group	***And you have credited service* of at least***	***You can retire as early as***
F, FZ, or FK	15 years **OR**	45
	20 years	41

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.

Before you retire, you must submit a properly completed written application at least 2 weeks before the date you wish to retire. Contact MCERP to schedule a counseling session.

* *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. Use your total membership in the plan, plus any purchased or transferred service, and sick leave* credit.

Trial retirement

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 were a member of the Police Bargaining Unit, you will be offered a position in the Department of Police with an equivalent salary and grade, when such a position becomes open. 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 take a trial retirement once.

What you receive at retirement

The pension you receive at retirement depends on your earnings, your total credited service and your plan. 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 belong to the optional non-integrated plan, your benefit will equal:

2.4% x average final earnings x your years of credited service up to 36 years including any sick leave credits (up to 2 years)

The maximum benefit cannot exceed 86.4% of average final earnings.

For example, if your average final earnings equal $86,000 and you have 25 years of credited service and six months of unused sick leave, your annual benefit would be calculated as follows:

($86,000 x 2.4%) x 25.5 = $52,632

Optional integrated and mandatory integrated plans

If you belong to the optional integrated or mandatory integrated plan, your benefit will be calculated according to two different formulas: one for payments before you reach for Social Security Normal Retirement Age, then another for payments after you reach Social Security Normal Retirement Age. Your Social Security Normal Retirement Age depends on what Social Security determines to be the maximum normal retirement age for the year you retire.

Here is how your benefit is calculated:

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

2.4% x average final earnings x your years of credited service up to 36 years including any sick leave credits (up to 2 years)

<u>Effective 1/1/25</u>:

2.6% x average final earnings x your years of credited service up to 25 years
+2.4% x average final earnings x 26 – 34 years of credited including any sick leave credits (up to 2 years)

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

1.65% of your average final earnings **up to** the maximum Social Security Covered Compensation Level x your years and months of service up to a maximum of 36 years including any sick leave credits (up to 2 years)

+

2.4% of your average final earnings **above** the maximum Social Security Covered Compensation Level x your years of credited service up to a maximum of 36 years including any sick leave credits (up to 2 years)

The maximum benefit cannot exceed 86.4% of average final earnings.

<u>Effective 1/1/2025</u>:

1.8% of your average final earnings x 25 years of credited service **up to** the maximum Social Security Covered Compensation Level

1.65% of your average final earnings x 26-34 years of credited service including any sick leave credits (up to 2 years) up to the maximum Social Security Covered Compensation Level

+ 2.6% x average final earnings x 25 years of credited service **above** the maximum Social Security Covered Compensation Level

+ 2.4% x average final earnings x 26 - 34 years of credited service **above** the maximum Social Security Covered Compensation Level

<u>Effective 1/1/2025</u>: The maximum benefit cannot exceed 86.6% of average final earnings.

For example, if your average final earnings are $86,000, you have 25 years of service plus six months of unused sick leave, and you were born in 1954, you would receive the following annual benefit each year until you turned 66:

($86,000 x 2.4%) x 25.5 = $52,632

After age 66, your annual benefit would be:

($81,972 x 1.65% x 25.5) + ($4,028* x 2.4% x 25.5) = $36,954.86
$34,489.72 + $2,465.14 = $36,954.86

Note: *This example is using the FY 2010 Covered Compensation Level for someone born in 1954 which is $81,972 ($86,000 AFE - $81,972 CCL = $4,028)*

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 Employees' Retirement System, and other qualified retirement plans. 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 annually as the IRC Section 415 limit changes, 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 increased **or** decreased cost of living, as determined by 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 plan you belong to and your date of retirement:

- If you belong to 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 belong to the ***mandatory integrated plan***, your benefit will adjust by 100% of the change in the CPI for the Washington Metro Area 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 credited 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.

Special Rules for DRSP Participants

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

Forms of benefit

Once you have chosen your payment option, your choice is irrevocable, and can never be changed.

Normal payout form

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

Plan	***Normal payout form***
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 to your pension account plus interest, the remaining amount will be paid to your beneficiary in a lump sum.

If you do not designate a beneficiary, or if your beneficiary dies before you and you do not choose another one, benefits will be paid to your estate in a lump sum. To designate a beneficiary, fill out and return a form available from the 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.

If you do not designate a beneficiary, or if your beneficiary dies before you and you do not choose another one, the remaining benefits will be paid to your estate in a lump sum. To designate a beneficiary, fill out and return a form available from 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 (as you elect), and smaller monthly payments thereafter. The intention is to provide you with a nearly level total income, from the Plan and Social Security, from the date of your retirement until the date of your death. At your death, payment will continue to your beneficiary if the guarantee provided for under your normal benefit form has not been exhausted.

Joint and survivor annuity option

The joint and survivor annuity option provides you a lifetime benefit. At your death, your designated surviving joint annuitant will receive a percentage of the benefit for the rest of his or her life. Generally, the larger the percentage you leave to your joint annuitant, the less 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%.

Benefits generally end when both you and your joint annuitant die. However, this option guarantees a minimum payment depending on the plan you belong to:

- If you belong to one of the optional plans, the guarantee is 120 payments.
- If you belong to 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 at your retirement.

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 at your retirement.

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 (as you elect) and reduced payments thereafter which is intended to provide you with a nearly level total income, from the Plan and Social Security from the retirement until death, while still providing a lifetime benefit to your joint annuitant in a percentage that you determine when you retire.

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

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 at your retirement.

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:

2.4% x average final earnings x your years of credited service up to 36 years including any sick leave credits (up to 2 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 or within five years of the date of accident, or July 1, 2014, if later.

If you are partially disabled, you will receive:

2.4%	x	greater of final earnings or average final earnings	x	your years of credited service up to 36 years including any sick leave credits (up to 2 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

If greater than the regular 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 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.

Note: Any lump sum retroactive payment will be reduced by the total amount of any disability payments made under the Workers' Compensation laws.

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 schedule a disability retirement counseling session.

<u>Medical Re-examination</u>

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 undergo the examination, your disability pension payments may be reduced or discontinued.

<u>Reduction in Benefits</u>

If you receive a non-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, your pension will not be reduced by any earned income except for County government employment or employment as a sworn law enforcement officer with full powers of arrest and authority to carry a firearm in connection with that employment.

If you fail to submit any requested information, including your federal income tax return, to make this decision, your payments will stop.

<u>Special Rule for Disability Retirement Post Retirement Adjustments</u>

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 pension 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 belong to the optional non-integrated plan, your discontinued service pension benefit will equal the amount of pension you would receive for a regular 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

If you have accumulated enough credited service to obtain the maximum retirement benefit under your plan, you are eligible to participate in the Retirement Savings Plan. Please contact MCERP if you would like more information.

Discontinued Retirement Service Program (DRSP)

Any Group F member who has reached their normal retirement may participate in the DRSP for up to three years. All sick leave in excess of 80 hours will be credited towards your eligibility to participate in DRSP, 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 into the Retirement Savings Plan (RSP), you are no longer eligible to transfer after you enter DRSP. If you have transferred to the RSP, you are not eligible to enter DRSP.

You elect for your monthly retirement pension to be deposited in a self-directed investment account held at Fidelity while you continue to work. At the end of participation, you separate from County service and receive the account balance.

DRSP is a voluntary program that contributes a portion of your retirement benefits to an individual account before you retire from County employment. An individual account is established for you at Fidelity Investments when you enter the program. Your DRSP account will receive:

- The monthly retirement benefits that you would have received if you had retired instead of entering DRSP.
- Gains or losses on the funds *you* elect for investment of your monthly retirement benefit.

Once you elect to participate:

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

How does DRSP work?

You apply to participate in DRSP 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 DRSP participation, you:

- Agree to end your County employment when DRSP 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 DSRP to the monthly retirement benefit due to applying unused eligible sick leave accrued during DSRP participation and applying retiree cost of living adjustments (COLAs).

- Select the investment options where your monthly retirement benefit will be invested.

- Stop making retirement contributions to the Plan.

- Make an irrevocable election of payment option for your monthly retirement benefits.

- When you begin DRSP participation, the County calculates your monthly retirement benefit and begins to contribute this amount to your DRSP account.

- Receive your DRSP account, in the form elected at DRSP entry, when you exit DRSP.

What is the DRSP benefit?

During your participation in DRSP, your account receives:

- An amount equal to your monthly retirement benefit under the Plan, calculated at the time you enter DRSP and without any COLA.
- Gains or losses on the funds *you* elected for investment of your monthly retirement benefit.

You are always fully vested in your DRSP account.

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

The Board of Investment Trustees will provide you with a selection of investment fund options from which to choose (this material is available separately). You choose one or more of these funds into which your DRSP account will be invested. Your account will be credited with the gains or losses earned by those funds.

You are responsible for making the investment decisions for your account. You may choose one or more fund option 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 elections. 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 any mutual fund, unless otherwise prohibited, through a Self-Directed Brokerage Account (SDBA). The Board does not monitor or evaluate the mutual funds available 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 the mutual funds traded in the SDBA.

You may change your investment elections 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.

What do I get when I leave DRSP?

You receive:

The monthly retirement benefit calculated at the time of your entry into DRSP 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 DRSP entry, and (2) COLA adjustments as if you had retired when you entered DRSP.

- However, effective July 1, 2011, any additional sick leave credited as years and months of service when you exit DRSP is subject to a 2.5% post-retirement adjustment limit.
- The payment option for your monthly benefit must be elected before you enter DRSP and once elected your choice is irrevocable.
- Your DRSP account (1) in a lump sum, (2) as a direct rollover to an IRA or another eligible tax-qualified plan (any amounts in your DRSP 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.
- Before you decide whether to take your DRSP 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.**
- Your DRSP distribution will be made within 60 days of your exit from DRSP. You elect the distribution option for your DRSP account before you enter DRSP.

Is my DRSP benefit taxable?

Any after-tax contributions allocated to your DRSP account (calculated when you exit DRSP) are not taxable to you. Non-taxable amounts are *not eligible for direct rollover*. The remaining amounts in your DRSP 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 DRSP?

If you were unmarried when you entered DRSP and marry while you are in DRSP, you may change your beneficiary for your DRSP 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 DRSP, you may *not* change the payment option for your monthly retirement benefit. Your beneficiary for your DRSP account can be changed.

How do I apply for DRSP?

You must apply at least 60 days before you want your participation to begin. You may withdraw your application in writing at any time during the 2-week period following the date on which the application was submitted. Participation always begins on the first of a month. Contact MCERP to complete the applicable paperwork necessary to participate in DRSP.

How does DRSP 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 DRSP entry. A salary increase while in DRSP (e.g., a promotion or general wage adjustment) will not affect your monthly retirement benefits.

Your monthly retirement benefit going into your DRSP account will not reflect COLAs. However, your monthly retirement benefits received after DRSP participation ends include the COLAs as if you had retired when you entered DRSP.

COLAs are paid only on your monthly retirement benefit. COLAs do not apply to any part of your DRSP distribution.

<u>Sick Leave</u>

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

<u>Retirement Savings Plan</u>

If you are in an employee group eligible to transfer from the Employees' Retirement System into the Retirement Savings Plan (RSP), you are no longer eligible to transfer after you enter DRSP.

If you have transferred to the RSP, you are not eligible to enter DRSP.

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

DRSP has no effect on the 457 plan. Your actual retirement date (when you exit DRSP) is your retirement date for 457 purposes. You cannot receive 457 benefits until you exit DRSP. You can continue to contribute to the 457 plan while in DRSP. 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 DRSP, whichever is later.

Can I revoke my DRSP decision?

Yes, but <u>only</u> during the two-week period following submission of your application.

What if I leave DRSP early?

- You will no longer contribute to your DRSP account.

- Your employment will end as of the date you leave DRSP.

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

Your beneficiary will receive any death benefit they would have received as if you had retired on the date of death and the DRSP account balance. The benefit will be adjusted to include:

- Sick leave credit not already converted to service credit (up to the two-year maximum). However, effective July 1, 2011, any additional sick leave credited as years and months of service is subject to the 2.5% post-retirement adjustment limit
- COLA changes to the amount of your monthly retirement benefit at DRSP 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 filling out and returning a new form to OHR.

Examples:

If you elect a 10-year certain and continuous payment option for your monthly retirement benefit at DRSP 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 DRSP account.

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

Note: Different death benefits are provided to spouses, eligible domestic partners and children. If you do not designate a spouse, eligible domestic partner or child as your beneficiary, they will not receive any death benefit. Only designated beneficiaries will receive a death benefit.

What if I become disabled during DRSP?

For 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 exit DRSP. You will also receive your DRSP account. You will not receive any sick leave credit accrued during DROP participation.

For a service-connected disability, you may elect to receive either (1) the benefit as if you had retired from DSRP without a disability which includes your DRSP account or (2) the service-connected disability benefit as if you had never entered DRSP which does not include your DRSP account. 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, you will not receive your DRSP account 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. In any other case, 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.

MCERP anticipates sending you a letter about two months before you will begin receiving benefits with instructions for getting your benefit started. Therefore, please make sure that MCERP has your current address. In addition, it is your responsibility to ensure that your pension begin when you are eligible. You will not receive any retroactive benefits.

What you receive if you are not vested

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 must receive a distribution. You will not receive 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 contributions will be distributed.

Withdrawing contributions

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 only withdraw your entire member contribution account balance. You may not make a partial withdrawal. To withdraw your contributions, contact MCERP. You will not receive any pension benefit after you receive a distribution.

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 then return to work, the following will apply:

- If you leave the County and return to work in a full-time position eligible for retirement membership in a sworn public safety position subject to collective bargaining, you will re-enter the Plan. If you are receiving a monthly pension payment, it will stop.

- If you leave the County and return to work in a full-time position eligible for retirement membership in a non-sworn public safety position *within 25 months*, you may re-enter the Plan only if the following conditions are met:

  - you were vested, **and**
  - you did not withdraw your contributions.

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

- If you leave the County and return to work in a full-time position eligible for retirement *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 upon your return to work 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 Plan, 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.

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

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

  - If you return to County service in 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 will stop.

- 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 will stop.

Note: The term County includes any agency which participates in the County's Retirement System.

Your beneficiary

Your designated beneficiary is the person(s) eligible to receive any Plan benefits at your death. To name your beneficiary (or beneficiaries, if you would like more than one), you must fill out a Designation of Retirement Plan Beneficiaries Form, available from the OHR Benefits Team.

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. In the case of non-service-connected death, the benefit depends on whether you were vested or eligible for retirement.

Non-service connected

If you are not vested, your beneficiary will be eligible to receive your member contributions, plus the interest earned on that amount.

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 earned on that amount.

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 the interest earned on that amount, 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, you must designate that individual 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, the Plan will pay death benefits to your spouse or domestic partner and child in the form of a 100% joint and survivor option. The benefit will equal the service-connected disability retirement benefit. Death must result from injuries received in the line of duty or be directly attributable to the inherent hazards of the duties performed, and not be due to willful negligence. Your department, a beneficiary, or another person must submit satisfactory proof to the Chief Administrative Officer.

Important Note: If you die due to a service-connected death and there is a surviving spouse and/or child(ren), your 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 earned on that amount.

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 Police Disability Arbitration Board via OHR within 20 days.

Errors

If you receive any amount due to an error, you must return it to 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 other 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.