



RETIREMENT FOCUS

A Newsletter for the Employees, Retirees and their Beneficiaries of Montgomery County

October 2016 Vol. 1 No. 1

We are pleased to present our first quarterly newsletter highlighting important information related to retirement benefits, financial planning, and investments.

We welcome your feedback on this edition and on information you would like to see in future editions.

Please email us at retirement@montgomerycountymd.gov or call 240-777-8230.

How Much Income Do I Need in Retirement?

Most people are motivated to save for retirement because they want to have enough money to live comfortably. However, ask people if they know how much they will spend in retirement and most have no idea. To really prepare for retirement, you need to determine what your goal is and what you will be spending your money on (mortgage payment, car loan, vacations, grandkids, etc.). Do you plan to continue working during retirement or will you travel?

Knowing what you will spend helps you know how much you need to save. Figuring out your budget in retirement is a big “*it depends*” and can be overwhelming. Experts predict that you will need retirement income of about 70%-80% of your pre-retirement income in order to maintain a similar lifestyle. So, for you to set your retirement income goal and enjoy a secure retirement, you need to evaluate your standard of living, your current financial position and your saving pattern.



One common approach is to find your “replacement ratio.” Replacement ratios include income from all available sources: Employees’ Retirement System, Retirement Savings Plan, Guarantee Retirement Income Plan, Deferred Compensation Plan, Social Security, investments, and any other sources of income you might have. Look at the salary you earned prior to retirement and determine what percent you spend each year. The amount you spent is the amount you will need to replace every year from your available income sources after retirement.

Most people end up needing less income in retirement than they did while working because: **(1)** you will not be making retirement contributions or paying Social Security taxes; **(2)** you will not have any work related incidental expenses (commuting, clothes for work, lunch, etc.); and **(3)** you will not be paying as much in taxes since your income level will probably be lower.

Your replacement percentage is inversely related to your pre-retirement income. Your retirement income needs may be high if you did not save enough money over the years or now you want to do some things you have been waiting to do (travel, etc.). On the other hand, your retirement income need may be low if you plan to live a simple life or you own your home out right. Remember, your need will vary based on what you plan to do in retirement.

The numbers shown in the chart above serve as a guide to put you in the ball park of how much income you will need in retirement. Take a long hard look at your financial situation and think about your desired lifestyle to define as close as possible the true-to-life spending level you will need in retirement. Replacement ratios provide a great way to start thinking about how much income you will need in retirement. If you have a Fidelity account (RSP, GRIP or DCP) logon to their website at www.fidelity.com and use the income planning tool to help you get started or contact Fidelity directly at (240) 777-8228 to schedule a one-on-one Financial Planning session.

The Retirement Calendar

One to Five years prior to retirement

Employees who are eligible to retire or who are within five years of normal retirement, as defined within their retirement plan, should register for the Planning Your Path to Retirement seminar. This *full day seminar* is designed to provide employees with the guidance, tools and information they need to prepare for one of life's most important decisions, retirement.

The seminar will cover benefits provided by your County retirement plan, Social Security and Medicare, the County's Insurance Plans and the Deferred Compensation (457) Plans.

To register by email:
retirement@montgomerycountymd.gov or
call (240) 777-8230

2017 Seminars:

*February 22 (ERS & RSP) May 24 (ERS & GRIP)
August 10 (ERS & RSP) November 15 (ERS & GRIP)*

Six to Twelve months prior to retirement

The Planning for Retirement seminars for 2016 are held the *third Wednesday of each month* from 9:30 – 11:00am. They will provide information on when you can retire, how your benefit will be calculated and the different payment options will be discussed.

Members of the Guaranteed Retirement Income Plan (GRIP), Retirement Savings Plan (RSP) or Deferred Compensation Plan

- ✦ Schedule an appointment with the onsite Fidelity representative to review your account and your distribution options.
- ✦ Register for the *Health Insurance Planning for Retirement* seminar via Employee Self Service.

Members of the Employees' Retirement System (ERS)

- ✦ Register for the *ERS Retirement Planning and Health Insurance Planning for Retirement* seminars via Employee Self Service.
- ✦ Print out a pension estimate at:
<https://eportal.montgomerycountymd.gov>

Three to Six months prior to retirement

Retirement can be an exciting time of new adventures, but it is all in the planning. Now is the time to start getting your information together.

- ✦ Update your Retirement, Deferred Compensation and Life Insurance beneficiary forms through the County's Office of Human Resources.
- ✦ **ERS Members:** Gather required documentation for you and your dependents (birth certificate/passport/DD214), certified marriage certificate, Social Security ID cards, and addresses, birth dates and Social Security numbers for your beneficiaries. You may request vital records at: <http://www.cdc.gov/nchs/w2w/index.htm> and www.ssa.gov.
- ✦ Contact Social Security if:
 - You will be filing for benefits (age 62 or older)
 - You or your dependents are eligible for Medicare
- ✦ **ERS Members:** Register for the monthly *ERS Applying for Retirement* seminar via Employee Self Service.
- ✦ **ERS/RSP/GRIP Members:** Register for *Health Insurance Applying to Retire* seminar via Employee Self Service.

Two months prior to retirement

Once you have decided on a retirement date, register for the appropriate Applying/Signing for Retirement seminar, which for 2016 will be the *first Wednesday of each month* from 9:30 – 10:30am.

Members of the GRIP and RSP:

- ✦ Attend the *Health Insurance Applying to Retire* seminar.
- ✦ If you are purchasing an annuity using your GRIP/RSP account balance, submit your application to MCERP.

Members of the ERS:

- ✦ Attend the *ERS Applying for Retirement and Health Insurance Applying to Retire* seminars. You will submit required forms such as your Retirement Application, tax withholding forms, direct deposit, leave rollover and health/life insurance.

ERS Retirees - Do you need to change your information?

Did you know that you could access information related to your monthly payment and update certain information online via the County's website? You can access your retirement annuity payment information for a specific period or change your mailing address/name and Federal tax withholding all online.

To begin using this service, you will need your user name and password. If you do not know your username or password, please contact MC311 or call (877) 613-5212. If you have not yet **setup your account**, please follow the instructions below:

- Register at: www.montgomerycountymd.gov/retirement ERS Retiree Login, “**New User Registration**”.
- When asked for your **temporary user name and password**, please enter your user name and password. For verification purposes you will be asked to enter date of birth (MMDDYYYY) as well as the last 4 digits of your Social Security Number.
- You will be asked to enter your current email address and create a new password.
- An email will be sent to your personal email address verifying your current email. You will have to click the link in the email to continue the account setup.
- You will be asked whether you agree to comply with the County's security procedures.
- You will be required to respond to three security questions once you have established your new password.

Once **registration is complete**, you will be able to login using your username (email address) and password in one of two ways:

1. MCERP website: www.montgomerycountymd.gov/retirement and click on **ERS Retirees Login** then **LOG IN HERE**.
2. AccessMCG website: www.montgomerycountymd.gov/accessmcg

After you have logged in, please follow the steps shown below:

- Click “Retirement System”
- Click “Click Here to Go to Retirement System”
- Click “MCG Retiree Self Service”

Note: *If you experience difficulty establishing your password or using the online system, please call the County's 311 customer service between 7am to 7pm, or if you are located outside of Montgomery County call (877) 613-5212.*

If you **do not have access to a computer**, you can request a paper form be mailed to your home by contacting the County's 311 customer service. If you reside outside of Montgomery County, call (877) 613-5212 or you may contact the retirement department at (240) 777-8230.

Understanding Your ERS Annual Benefit Statement



MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS

Employees' Retirement System (ERS) Annual Benefit Statement – June 30, 2016

John Doe
101 Pension Row
Rockville, MD 20850

Retirement Code: ERS - HK
Employee ID: 11111
Membership Date: 7/18/2011

ESTIMATE OF RETIREMENT BENEFITS

Shown below is an estimate of your ERS monthly benefit at your Early, Normal and Social Security Normal Retirement Age (SSNRA – the date your benefit will be integrated or reduced) projecting your service to these dates (including your sick leave balance as of 06/30/2016, as well as any purchased or transferred service) and average final earnings (AFE) using your current County or participating agency salary. This Annual Statement reflects the plan in which we show you to be currently enrolled. Please take this opportunity to carefully check the estimate against your own records of contributions, credited service, and any other relevant factors and bring any perceived discrepancies to the attention of the Montgomery County Employees' Retirement Plans (MCERP) staff as soon as possible by calling 240-777-8230 or via email at Retirement@montgomerycountymd.gov.

		Monthly	Annually
Normal Retirement Date:	06/01/2036	\$3,061.96	\$36,743.52
SSNRA - age 66 or 67:	07/01/2055	\$2,105.09	\$25,261.08
Early Retirement Date:	06/01/2031	\$1,959.65	\$23,515.80
SSNRA - age 66 or 67:	07/01/2055	\$1,347.26	\$16,167.12

CONTRIBUTIONS & INTEREST (as of 06/30/2016)

Pre-tax Contributions	Post-tax Contributions	Interest	Account Balance			
\$13,615.71	+	\$0.00	+	\$987.87	=	\$14,603.58

DISCLAIMER
The information in this statement is based on data derived from the County's records. We have made every effort to provide complete and accurate data, but your right to any benefit and the actual amount of any benefit, depends on the precise terms of your retirement plan and the exact data pertinent to you. Retirement law, applicable plan provisions and collective bargaining agreements are controlling for all purposes. The materials contained in the statement are provided for general information purposes only and do not constitute legal or other advice. Montgomery County Government does not accept any responsibility for any loss which may arise from reliance on information contained in this statement.

Montgomery County Employee Retirement Plans
101 Monroe Street, 15th Floor • Rockville, Maryland 20850
Investments 240.777.8220 Benefits 240.777.8230 Fax 301.279.1424

The Montgomery County Employee Retirement Plans issues all active participants in the Employees' Retirement System (ERS) an Annual Benefits Statement (ABS) as of June 30th of each year. If you are a participant in the Retirement Savings Plan (RSP) or Guaranteed Retirement Income Plan (GRIP) you will receive a monthly statement from Fidelity. Please contact Fidelity directly at (240) 777-8228 to address questions on your account. To assist ERS participants with understanding the information displayed on a typical statement an example and explanation is shown below:

1. The ABS reflects your accumulated benefits through June 30, 2016 and provides important information to assist you with understanding your current benefit and estimated future benefits.
2. The Retirement Code shown on your ABS has two letters. The first letter denotes your position type and whether or not you are a member of a union. The second letter denotes your enrollment date. Please refer to the link below for your Summary Plan Description by clicking on "Plan Benefits" for additional information about your plan:
www.montgomerycountymd.gov/retirement

3. Your Membership Date reflects the date when you joined the retirement plan.
4. Based on your age, credited service and retirement plan, we have calculated your Normal Retirement Date (NRD) and Early Retirement Date (ERD).
5. The estimated amount computed at your NRD is based on your credited service times your average final earnings (AFE) times a factor that is applicable for your retirement group. Your credited service is based on your County service, purchased service, transferred service and current sick leave balance. The AFE is calculated differently based on your retirement group.

Understanding Your ERS Annual Benefit Statement (cont'd)

6. An early retirement reduction will be applied to your Early Retirement benefit based on the number of months and years you are retiring prior to your Normal Retirement Date.
7. Your Social Security Normal Retirement Age (SSNRA) is the date your retirement benefit will reduce if you are in an integrated retirement plan unless you select the Social Security Adjustment Option (SSAO). The date you begin receiving your benefit from Social Security, nor the amount you receive, has any bearing on your ERS pension amount.
8. Shown below the estimated pension amounts are your contributions and interest earnings through June 30, 2016.

If you terminate employment after completing 5 years of service, you are a vested participant in the ERS and are entitled to a deferred vested retirement benefit. The benefit is generally payable upon attainment of age 60 or age 70½, depending on your retirement group. If you are not vested in the ERS, you are entitled to a refund of your contributions and interest.

You should keep your retirement beneficiary form up to date. To update your form, please visit the Office of Human Resources website at: www.montgomerycountymd.gov/HR/benefits/egi/benefit.html to download the form.

Additional retirement information can be found at the MCERP website:
www.montgomerycountymd.gov/retirement.

If you have any questions, please contact MCERP at retirement@montgomerycountymd.gov or call (240) 777-8230.

**Please see your retirement group's Summary Plan Description on how your benefit will be calculated, located on the MCERP website at: www.montgomerycountymd.gov/retirement.*

Disability Benefits

Like so many things in life, the very concept of “disability” is far and removed from your day-to-day living until a medical condition begins to affect your life. It is important for you to know and understand the “disability benefits” the County offers to all retirement plan participants.

Types of Disability Benefits

Montgomery County provides two types of disability benefits: *non-service-connected and service-connected*.

Employees’ Retirement System participants:

Non-service-connected disability retirement covers any partial or total disabling mental or physical condition that is likely permanent in nature and not due to willful negligence leaving the member unable to productively perform duties of the position assigned or another available position for which qualified. ***Eligibility: 5 years of credited service***

Service-connected disability retirement covers any partial or total disabling mental or physical condition that is permanent in nature and not due to willful negligence; where one is unable to perform the duties of the occupational classification to which assigned, at the time the disability occurred; or a position of comparable status within the same department, for which the member is qualified.

Eligibility: upon enrollment

Long Term Disability Plan - Retirement Savings Plan and Guaranteed Retirement Income Plan participants:

Non-service-connected disability benefit covers any partial or total disabling mental or physical condition not due to willful negligence making the member incapable of performing the job they performed immediately before the accident, illness, or injury. ***Eligibility: 6 months of full-time employment***

Service-connected disability benefit covers any partial or total disabling mental or physical condition not due to willful negligence making the member incapable of performing the job that the member performed immediately before the accident, illness or injury. ***Eligibility: upon enrollment***

Application Process

1. Contact MCERP at (240) 777-8230 or at retirement@montgomerycountymd.gov. A Senior Retirement Analyst will discuss the process with you and provide you with benefit projections, reflecting an estimate of the amount you will receive, prior to you applying for disability benefits.
2. Complete and sign the Disability Application and Authorization for Release of Medical Information Form, which can be obtained from the MCERP website at: www.montgomerycountymd.gov/retirement. The completed form may be mailed, emailed or faxed to MCERP at (301) 279-1424.
3. Compile all your personal medical records from the last 5 years and forward the records to the Disability Manager in MCERP within 30 days of submitting your application.
4. The review of your disability application can take several months depending on your medical condition. Your records will be evaluated by a panel of physicians who comprise the Disability Review Panel (DRP). The DRP will evaluate your medical records and may require you to take a medical examination. Once the DRP makes their recommendation, the recommendation will be forwarded to the Chief Administrative Officer (CAO) for approval. MCERP will notify you of the CAO’s decision. If you are awarded a disability benefit, a Senior Retirement Analyst in MCERP will reach out to you and schedule a counseling appointment to discuss the benefits.

Dealing with financial market ups and downs

Due to the recent financial market volatility, it is only natural to be concerned about your personal financial circumstances – especially your Retirement Savings Plan and Deferred Compensation Plan assets. Your first instinct may be to make drastic changes to your investment selections or to redeem your current investments completely and move to cash. However, everyone’s personal situation and comfort with risk is different. It is always a good idea to assess your own situation and make decisions accordingly. You should consider your investment horizon timeline. If you are not expecting to retire for many years (typically decades) or if you are not withdrawing money from your account to live on, taking a long term approach is your best option.

Your retirement savings accounts represent a long-term investment. Over the course of many years of investing, the markets can record large gains and losses over just a few days or weeks. Remember your long-term strategy; and keep the following points in mind:



- ❖ **Look at your asset allocation.** Asset allocation may help you manage the risk of your portfolio. By spreading your investments among the basic asset classes of stocks, bonds and other types of investments, this may help reduce overall volatility and generally cushion the impact of market swings as different investments react differently to market and economic conditions.
- ❖ **Diversify your investment.** Diversification is an extension of asset allocation. Just as you mix your investments among the various asset classes, you should also think about dividing your money within each asset class. An example of diversification within the stock (equity) asset class would be: large capitalization vs small capitalization, US vs International, or growth vs value.
- ❖ **Take advantage of dollar cost averaging.** By investing in your retirement savings through regular payroll deductions you are putting dollar cost averaging into practice. This strategy allows you to purchase more shares when prices are low and fewer shares when prices are high. While dollar cost averaging does not ensure a profit or protect you against loss, it can help in the following ways:
 - Reduce your risk of trying to time the market
 - Give you the discipline to invest regularly
 - Position you to take advantage of any market recoveries.
- ❖ **Do regular reviews.** At least once a year, look at your financial goals and your portfolio to make sure you are comfortable with your asset mix and if it is achieving your long term objectives. If you need to, rebalance your portfolio.
- ❖ **Get expert help.** Sign up for the County’s investment counseling/financial planning service offered through National Planning Corporation (NPC) for the Retirement Savings and Deferred Compensation participants or Fidelity (all plans except ERS). To sign up, log on to the MCERP website: www.montgomerycountymd.gov/retirement and click the Investment Education and Counseling button, located on the left hand side, and select either a NPC or Fidelity session.

As you think about and plan for retirement, remember how Social Security, the Montgomery County Employee Retirement Plans and your other financial resources create a sturdy three-legged stool to support you in reaching your retirement goals.

CONTACT US

Montgomery County Employee Retirement Plans

Executive Office Building
101 Monroe Street, 15th Floor
Rockville, MD 20850

Website: <http://montgomerycountymd.gov/retirement>

Email: retirement@montgomerycountymd.gov

Phone: 240-777-8230 | **Fax:** 301-279-1424

Disability Office: 240-777-8238

Fidelity on-site consultant: 240-777-8228