

# Montgomery County Employee Retirement Plans

## Employees' Retirement Plan – Group F (Police)

### *Discontinued Retirement Service Program (DRSP)*

Any Group F member who is at least 46 years old and has at least 25 years of credited service may participate in the DRSP for up to three years.

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.

### **What is DRSP?**

DRSP stands for Discontinued Retirement Service Plan. DRSP is a voluntary program that contributes a portion of your retirement benefits to an individual account before you retire from County employment. A key feature of DRSP is the individual account that will be 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.
- Your election is irrevocable unless you withdraw from DRSP during the 2-week period immediately following the date you submit your application.
- Your bi-weekly retirement contributions will stop.

### **What is my employment status while I am in DRSP?**

You remain a County employee and are eligible for promotions, pay increases and benefits, such as annual and sick leave. However, DRSP participation is not a guarantee of continued employment. You are subject to all laws and regulations regarding employment.

### **Who is eligible for DRSP?**

All active members of retirement Group F who are at least 46 years old and have at least 25 years of credited service may elect to participate in DRSP.

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.

## **How long can I participate in DRSP?**

For a maximum of three years.

You may end your participation in DRSP and retire on the first of any month during those three years.

## **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 ERS, except for a final adjustment after exiting DRSP to the monthly retirement benefit due to applying unused eligible sick leave accrued during DRSP participation and applying retiree cost of living adjustments (COLAs).
- Select the investment options where your monthly retirement benefit will be invested.
- Stop making retirement plan contributions to the ERS.
- 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 ERS, 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 1-800-430-2363 or visiting <http://www.mysavingsatwork.com/atwork.htm>. 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.

You may also contact the onsite Fidelity representative at 240-777-8228 or [Fidelityonsite@montgomerycountymd.gov](mailto:Fidelityonsite@montgomerycountymd.gov) to discuss your investment options.

## **What do I get when I leave DRSP?**

When you exit DROP, you will 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 to determine what is best for you and how you will be impacted.**
- 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 DRSP 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 60-90 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 at [Retirement@montgomerycountymd.gov](mailto:Retirement@montgomerycountymd.gov) or call 240-777-8230 to set up a retirement counseling appointment 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. However, 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.

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

## **How does DRSP affect the following other benefits?**

### Group Insurance (Health, Life, LTD)

Your group insurance benefits continue during DRSP as they would for any other active employee. You are subject to the same provisions and cost sharing arrangements as any other active employee. Your time spent in DRSP will count towards your years and months of service for the County cost sharing into retirement.

When you exit DRSP, you are eligible for the same group insurance benefits as if you were an active employee retiring on the same date.

Please contact the Office of Human Resources Health Insurance team at 240-777-0311 for additional information.

### Sick Leave

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.

### Retirement Savings Plan

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.

## **What are some considerations when deciding on DRSP participation?**

- Whether you are ready to make an irrevocable choice enter DRSP and to retire at the end of the DRSP period.
- Whether your total retirement benefits might be higher without DRSP, (e.g., significant pay increase while in DRSP).
- Whether you have completed the purchase of any prior service credit before you enter DRSP. Any outstanding balance of purchased service must be paid in full before you enter DRSP.

- Whether you are ready to make an irrevocable choice of the payment option for your monthly retirement benefit.
- Whether you are ready to choose the distribution option for your DRSP account when your participation in DRSP ends.
- Whether you should you retire instead of entering DRSP.

All sick leave hours except 80 are converted to retirement service credit when you enter DRSP or whether to maintain part of your balance for later use while in DRSP.

- However, 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.
- Whether you are ready to or have consulted an attorney, tax professional or financial planner before making these decisions.

### **Can I revoke my DRSP decision?**

Yes, but only during the two week period following submission of your application.

### **What if I leave DRSP early?**

- Your DRSP account may be smaller.
- 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 MCERP. MCERP recommends updating your beneficiary form at least every two years or when a life change occurs such as marriage, divorce, death of a spouse or dependent, etc.

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 monthly retirement benefit payments for 9 years. 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 DRSP 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.

### **Is there a deadline to apply for DRSP?**

Yes, you must apply 60-90 days before actually entering DROP after becoming eligible.

### **Where can I get more information?**

You may contact MCERP at [Retirement@montgomerycountymd.gov](mailto:Retirement@montgomerycountymd.gov) or at (240) 777-8230. Application forms are available in MCERP on the 15<sup>th</sup> floor of the EOB or online at [www.montgomerycountymd.gov/retirement](http://www.montgomerycountymd.gov/retirement).