The Montgomery County Employees' Retirement System

(Optional and Integrated Plans)

Summary Description

For Sworn Fire Personnel in Retirement Group G

July 2011

(updated June 2013)

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. 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 the Montgomery County Employee Retirement Plans Office at 240-777-8230, via e-mail at retirement@montgomerycountymd.gov or online at www.montgomerycountymd.gov/mcerp.

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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 paid firefighter, paid fire officer or paid rescue service personnel as either a:

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

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 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 the Employee Retirement Plans Office.

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	Optional Non-Integrated	G
Before 7/1/78	Optional Integrated	GZ
On or After 7/1/78	Mandatory Integrated	GK

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 the Employee Retirement Plans Office 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, if applicable, 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 contributions*
G	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	
GZ	Before July 1, 2011: 5.50% of your regular earnings up to the maximum Social Security wage base, plus 9.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 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: 6.50% of your regular earnings up to the maximum Social Security wage base, plus 10.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 5.75% of your regular earnings up to the maximum Social Security wage base, plus 9.5% of your earnings above that amount After June 30, 2012: 7.50% of your regular earnings up to the maximum Social Security wage base, plus 11.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 6.75% of your regular earnings up to the maximum Social Security wage

	base, plus 10.5% of your earnings above that amount

Mandatory integrated plan	*Member contributions*
GK	Before July 1, 2011: 5.50% of your regular earnings up to the maximum Social Security wage base, plus 9.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 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: 6.50% of your regular earnings up to the maximum Social Security wage base, plus 10.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 5.75% of your regular earnings up to the maximum Social Security wage base, plus 9.5% of your earnings above that amount After June 30, 2012: 7.50% of your regular earnings up to the maximum Social Security wage base, plus 11.25% of your earnings above that amount Upon the 25th year from your leave accrual date as determined by the County's payroll system, 6.75% of your regular earnings up to the maximum Social Security wage base, plus 10.5% of your earnings above that amount

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

County Contributions

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

Vesting

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

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

Credited service

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

Your credited service accumulates at the following rates:

- If you only work full-time, 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 period.

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

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

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

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

Special Rule for Sick Leave Post Retirement Adjustments

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

Military Service

If you leave employment in order to perform certain military service, you may receive credit for that service. You may receive up to five years of service if you return to County employment within one year of leaving military service (two years in the case of recovery from an 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.

Transferred Service

You may also be eligible to transfer service credit from another public retirement system in the State of Maryland. To do so, send your written request to the Employee Retirement Plans Office *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 didn't 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 the Employee Retirement Plans Office for additional information.

Special Rule for Transferred Service Post Retirement Adjustments

For purposes of applying any post retirement adjustment, any transferred service will be credited as years and months of service as of the date you file a properly completed application with the Employee Retirement Plans Office. 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:

- prior military service
- retirement membership from
  - federal government
  - any state government
  - any municipal government
- prior Montgomery County or State of Maryland
- sick leave without pay (up to a maximum of one year and the purchase must be made while on leave without pay)
- certain service as a fire alarm dispatcher, firefighter or fire officer in a county fire department or as rescue service personnel in a Montgomery county rescue squad

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

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

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

If you purchase service and the Plan is later changed to reduce the maximum years and months of service for which you purchased, 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.

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 Employee Retirement Plans Office. 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 the Employee Retirement Plans Office.

Average final earnings

Another factor used to determine the amount of your pension is your average final earnings. Your earnings include all hours for which you are paid, including applicable differentials, but excluding overtime. Earnings also include any amounts you did not receive due to a furlough. For fiscal year 2010, earnings also include an additional 4%. 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 equal 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
- a trial retirement (available for unrepresented employees)

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*
G, GZ, or GK	15 years **OR** 20 years	55 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 the Employee Retirement Plans Office 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.*

Early retirement

Group G, GZ, and GK members are not eligible for Early Retirement.

Trial retirement

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

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

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 not take a trial retirement if you are covered by a bargaining agreement.

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 a percentage of your average final earnings (AFE) multiplied by your years of credited service (CS) as follows:

2.5% x AFE x years of CS (years 1-20)
+ 2.0% x AFE x years of CS (years 21-31)
+ 2.0% x AFE x sick leave credits used for credited service in excess of 20 years (up to 2 years*)

* 2.5% for sick leave credits used for credited service for years 1-20)

For example, if your Average Final Earnings equal $50,000 and you have a total of 27 years of credited service, your benefit would be calculated as follows:

2.5% x $50,000 x 20 = $25,000
+ 2.0% x $50,000 x 7 = $ 7,000
$32,000 per year

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 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 when you were born, as follows:

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

Here's how your benefit is calculated:

Before your Social Security Normal Retirement Age, your benefit will equal the same as the annual benefit for optional non-integrated plan.

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

a percentage of your average final earnings up to the maximum Social Security Covered Compensation (defined below)	+	a percentage of your average final earnings above Social Security Covered Compensation	x	your years of credited service (up to 31 years)	+	any sick leave credits (up to 2 years)

Your percentage for each year of credited service (CS) for average final earnings up to the maximum Social Security Covered Compensation level is as follows:

1.71875% x AFE x first 20 years of CS (years 1-20)
+ 1.3750% x AFE x next 11 years of CS (years 21-31)
+ 1.3750% x AFE x sick leave credits used for credited service in excess of 20 years (up to 2 years*)

* 1.71875% for sick leave credits used for credited service for years 1-20

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.

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:

- 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 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 before July 1, 2011. For years and months of 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%. The date a disability occurs is deemed to be the earlier of (a) your last day as an active employee in pay status or (b) the date your disability application is filed.

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 the Employee Retirement Plans Office. 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 the Employee Retirement Plans Office. 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 DROP Participants

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

Forms of benefit

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

Normal benefit form

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

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 paid out in a form other than your normal benefit form. The forms are adjusted actuarially.

You may not elect an optional form of payment if you qualify for a non-service connected disability retirement before becoming eligible for normal 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 do 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 (that is, within 10 years after your payments start), your beneficiary will receive monthly payments for the rest of that 10 year period.

If you do not designate a beneficiary, or if your beneficiary dies before you do 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 the OHR.

Social Security Adjustment Option 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 normal Social Security retirement benefits begin, 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 from date of retirement.
- If you belong to the mandatory plan, the guarantee is the value of your contributions plus interest at retirement.

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

Social Security Adjustment Option Combined with Joint and Survivor Annuity Option

This is a variation of the joint and survivor annuity. This option will usually gives you a larger monthly benefit than under the joint and survivor annuity option until normal Social Security retirement benefits begin and reduced payments thereafter 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 date of retirement.

Social Security Adjustment Option 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 normal Social Security retirement benefits begin 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 date of 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 the greater of:

- The amount calculated under Regular Retirement (optional non-integrated formula)

  OR
- 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 normal 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
- incur an occupational disease that is compensable under Section 9-503 of the Maryland Workers' Compensation Act or esophageal, lymphatic, testicular, brain, lung, bladder, or kidney cancer, multiple myeloma, melanoma, or any blood borne pathogen, if you meet certain criteria pertaining to the use of tobacco products.

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.

You may receive a 5% salary increase if you accept an alternative position in the County government for which you are qualified. Your salary in the alternative position will not exceed the maximum salary of the pay grade assigned to the position. You will remain a Group G member, but you may not apply for a service connected disability retirement based on the disability for which the alternative placement was made.

Under a service connected disability, you will receive the greater of:

- the amount calculated under Regular Pension (optional non-integrated formula, except that final earnings are used instead of average final earnings)

OR

- 52-1/2 % of your final earnings

Note: You will receive at least 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.

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

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 the Employee Retirement Plans Office to schedule a counseling session.

Medical Re-examination

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

Reduction in Benefits

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 fail to submit any requested information to make this decision, your payments will stop.

Special Rule for Disability Retirement Post Retirement Adjustments

If you receive a disability retirement benefit for a disability occurring after June 30, 2011, as determined by the Disability Review Panel, any post retirement 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 normal retirement date.

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

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

Sworn fire participants in the ERS who are not represented by the International Association of Fire Fighters and who do not occupy a bargaining unit position are eligible to transfer to the County's defined contribution Retirement Savings Plan (RSP). Please contact the Employee Retirement Plans Office for more.

Deferred Retirement Option Plan (DROP)

Any Group G member who meets the requirements for a normal retirement may elect to participate in the DROP for up to three years. Sick leave may be used as credited service towards your eligibility to participate in DROP, up to the two year maximum. You must satisfy the eligibility requirements before you apply for DROP.

DROP is a voluntary program that accounts for a portion of your retirement benefits in a recordkeeping account before you retire from County employment. Your DROP account is credited with:

- The monthly retirement benefits that you would have received if you had retired instead of entering DROP.
- Your biweekly contributions to the Plan.
- 8.25% annual interest for members enrolled before July 1, 2013 and 7.5% annual interest for members enrolled after June 30, 2013, compounded quarterly (calendar basis), based on the amount in the account at the beginning of each calendar quarter.

Participation in DROP is voluntary, but once you elect to participate:

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

What is my employment status while I am in DROP?

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

Who is eligible for DROP?

All active members of retirement Group G who have at least 20 years of credited service may elect to participate in DROP.

Sick leave may be used as credited service towards your eligibility to participate in DROP, up to the two year maximum.

You must satisfy the eligibility requirements before you apply for DROP.

How long can I participate in DROP?

For a maximum of three years.

You may end your participation in DROP and retire on the first of any month during those three years, but you must give 60 days notice to Fire and Rescue Services and to the Employee Retirement Plans Office.

How does DROP work?

You apply to participate in DROP at any time after meeting the eligibility requirement, but before you actually retire. You can elect to begin participating as soon as the first day of the month 45 days after applying, but no later than 75 days after applying. If you elect DROP participation, you:

- Agree to end your County employment when DROP participation ends which is no later than three years after your participation begins.
- Stop earning retirement benefits under the ERS, except for a final adjustment after exiting DROP to the monthly retirement benefit due to applying unused eligible sick leave and applying retiree cost of living adjustments (COLAs).
- Continue making biweekly retirement plan contributions that are credited to your DROP account.
- Make an irrevocable election of payment option for your monthly retirement benefits.
- Receive your DROP account balance, in the form elected at DROP entry, when you exit DROP.

What is the DROP benefit?

During your participation in DROP, your account is credited with:

- An amount equal to your monthly retirement benefit under the Plan, calculated as of the time you enter DROP and without any COLAs.
- Your biweekly retirement plan contributions (pre-tax) while you are in DROP, calculated at the same percentage of salary as any other active employee.
- 8.25% annual interest for members enrolled before July 1, 2013 and 7.5% annual interest for members enrolled after June 30, 2013, compounded quarterly (calendar basis), based on the amount in the account at the beginning of each calendar quarter.

You are always fully vested in your DROP account balance.

What do I get when I leave DROP?

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

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

The payment option for your monthly retirement benefit must be elected before you enter DROP and once elected your choice is irrevocable.

You may elect either to (a) receive your DROP account (1) in a lump sum, (2) as a direct rollover to an IRA or another eligible tax-qualified plan (any amounts in your DROP account that are non-taxable may not be rolled over – these amounts will be paid directly to you in a lump sum), or (3) an annuity or (b) keep your DROP account balance in the ERS and receive an annual interest of 4%, credited monthly, on your DROP account balance.

Before you decide whether to take your DROP benefit as a lump sum, direct rollover or annuity, be sure to consider the tax consequences. We recommend and encourage you to seek the advice of a tax professional.

If you elect a distribution, your DROP distribution will be made within 60 days of your exit from DROP.

If you elect to keep your DROP account in the ERS, you may request a distribution at any time but you must receive your entire DROP account. You must also receive your entire DROP account when you turn age 70 ½, or such earlier time as required by federal law. If you die before you receive your DROP account, your designated beneficiary will receive your DROP account as soon as practical after your death.

Is my DROP benefit taxable?

Any after-tax contributions allocated to your DROP account (calculated when you exit DROP) are not taxable to you. Non taxable amounts are *not eligible for direct rollover*. The remaining amounts in your DROP account are taxed as ordinary income in the year received. To defer taxes, you may roll the taxable portion of your DROP account into an IRA or another eligible retirement plan.

What happens if I get married during DROP? Divorced?

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

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

How do I apply for DROP?

You must apply at least 45 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 the Employee Retirement Plans Office to complete the applicable paperwork necessary to participate in DROP.

How does DROP affect retirement benefits?

Credited service (except sick leave credits) and average final earnings (12 month period if you became a member before July 1, 1978; 36 month period if you became a member after June 30, 1978) are frozen at DROP entry. A salary increase while in DROP (e.g., a promotion or general wage adjustment) will not affect your monthly retirement benefits, but will affect the amount of your biweekly contributions into DROP.

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

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

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

How does DROP affect the following other benefits, both during and after DROP?

Group Insurance (Health, Life and LTD)

Your group insurance benefits continue during DROP 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 DROP will count towards your years and months of service for the County cost sharing into retirement.

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

Sick Leave

Sick leave can be converted to retirement service credit at DROP entry (you choose how much to convert, up to the two year maximum) and used to calculate the monthly retirement benefit that will go into your DROP account. Sick leave that is converted to retirement service credit cannot be used in any other manner. You continue to earn both annual and sick leave while in DROP at the same rate as if you had not entered DROP. At the end of DROP, if you have not already been credited with the maximum two years of sick leave credit, any remaining sick leave will be converted to retirement service credit (up to the two year maximum) and used to increase the post DROP monthly retirement benefit.

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

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

DROP has no effect on the 457 plan. Your actual retirement date (when you exit DROP) is your retirement date for 457 purposes. You cannot receive 457 benefits until you exit DROP. You can continue to contribute to the 457 plan while in DROP. You are eligible for catch-up during the three consecutive years proceeding the year that you are eligible for normal retirement.

What are some considerations when deciding on DROP participation?

- Whether you are ready to make an irrevocable choice to enter DROP and to retire at the end of the DROP period.

- Whether your total retirement benefits might be higher without DROP (e.g., significant pay increase while in DROP).

- Whether you completed the purchase of any prior service credit before you enter DROP. Any outstanding balance of purchased service must be paid before you enter DROP.

  Whether you want to convert all of your sick leave to retirement service credit when you enter DROP or maintain part of your balance for later use while in DROP.

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

- Whether you are ready to make an irrevocable choice of the payment option for your monthly retirement benefit.

- Whether you should retire instead of entering DROP.

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

Can I revoke my DROP decision?

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

What if I leave DROP early?

- Your DROP account will be smaller.
- Your employment will end as of the date you leave DROP.
- You must notify Fire and Rescue Services, and the Employee Retirement Plans Office at least 60 days before leaving DROP early.

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

For service-connected deaths, your beneficiary will receive the greater of (1) the balance in your DROP account plus any death benefit he or she would have received (based on the form of retirement payment option chosen) if you had retired on the date you began to participate in DROP, or (2) the service-connected death benefit that the beneficiary would have received if you had never entered DROP, but your beneficiary will not receive the DROP account balance. The death benefit in (1) includes adjustments for:

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

For non-service connected deaths, your beneficiary will receive the benefit in (1) above. If you elected a form of retirement payment option in which no remaining benefit is payable to a beneficiary upon your death, only the DROP account will be paid.

If you do not designate a beneficiary, your surviving spouse or eligible domestic partner would be 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 retirement payment option for your monthly retirement benefit at DROP entry and die a year later, your beneficiary will receive monthly retirement benefit payments for nine years, not 10. Your beneficiary will also receive the balance in your DROP account.

If you elect the modified cash refund payment option for your monthly retirement benefit and then die while in DROP, your beneficiary will receive your DROP account balance. In addition, if the

total of the monthly retirement benefit payments deposited into your DROP account do not equal your accumulated employee contributions (excluding those made into DROP), 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 DROP?

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

For a service-connected disability, you may elect to receive either (1) the benefit as if you had retired from DROP without disability, or (2) the service-connected benefit that you would have received if you had never entered DROP. 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%.

Is there a deadline to apply for DROP?

No, but you must apply at least 45 days before actually entering DROP after becoming eligible.

Where can I get more information?

You may contact the Employee Retirement Plans office retirement@montgomerycountymd.gov or 240-777-8230.

Leaving employment with the County before retirement

What you receive if you are vested

If you are vested and you leave employment with the County before you are eligible for normal retirement, you will begin receiving your pension benefit at age 70-1/2.

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

The Employee Retirement Plans Office will contact you about two months before you will begin receiving benefits with instructions for getting your benefit started. Therefore, please make sure that the Employees Retirement Plans Office always has your current address.

What you receive if you are not vested

If you are not vested (if you have less than five years of membership), you will receive your member contributions plus interest earned (at a 4% annual rate) upon your submission of a properly completed distribution form. You will not receive any other retirement benefit from the Plan.

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

Upon notification of your separation from service, the Employees Retirement Plans Office 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. You may only withdraw your entire member contribution account balance. You may not make a partial withdrawal. To withdraw your contributions, contact the Employees Retirement Plans Office .

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 ERS. 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 ERS only if the following conditions are met:
  - you were vested in the ERS, **and**
  - you did not withdraw your contributions from the retirement fund.

  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 *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

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

- You may transfer to the Retirement Savings Plan (RSP) the actuarial present value of your ERS benefit, as of the date you return to County service, if:
  - You were vested in the ERS;
  - You did not withdraw your contributions from the ERS; and
  - You left County service before October 1, 1994.

  To apply for such a transfer, you must contact the Employees Retirement Plans Office.

- 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.

To apply for such a transfer, you must contact the Employees Retirement Plans Office.

Note: The term County includes any agency which participates in the ERS.

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 Office of Human Resources (OHR).

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

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

Important Note: If you die from a service connected death, the Plan provides for death benefits for a surviving spouse, eligible domestic partner and/or child. Your designated beneficiary, if other than your surviving spouse, eligible 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 were 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, <u>or</u> 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 a 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 joint and 100% survivor annuity. The benefit will equal 70% of your earnings. 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 the Employee Retirement Plans Office for the domestic relations procedures and model orders. Only a domestic relations order approved by Employee Retirement Plans Office will be honored.

Chief Administrative Officer Discretion

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

Appeals

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

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

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

Errors

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 contact the Employee Retirement Plans Office at retirement@montgomerycountymd.gov or call 240-777-8230.