Summary Plan Description

PLAN B

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission

Published November 28, 2016

Dear Members and Beneficiaries:

The Board of Trustees of the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS) is pleased to present this Summary Plan Description (SPD) which covers Plan B of the ERS.

The ERS is a retirement benefit trust organized by the Commission and is a qualified plan under Section 401(a) of the Internal Revenue Code of 1986. The ERS was established July 1, 1972 to provide you with financial security at retirement. Understanding the fundamentals of retirement benefits is the first step towards an emotionally and financially satisfying retirement.

This SPD will educate you about the full spectrum of benefits including eligibility, contributions, credited service, death benefits and survivor options. Members should save this SPD to reference whenever your life or work situation changes.

Sincerely,

The Board of Trustees

This SPD is for informational purposes only and provides general information designed to educate employees and retirees about the ERS. To the extent any term or figure in this SPD varies from the Plan, other governing documents, or applicable law those pertinent documents will control and the information provided in this SPD will not. The Plan documents and other governing documents, policies and procedures may be modified or amended from time to time consistent with applicable law and those amendments likewise will control. More generally, in all circumstances the governing documents, policies and procedures, and applicable law, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

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Introduction

History of the ERS

The Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS) covers employees of the Commission, a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927. The Commission is the bi-county agency empowered to acquire, develop, and administer a regional system of parks in the defined Metropolitan District, and to prepare and administer a general plan for the physical development of a defined Regional District for Montgomery and Prince George's Counties.

The Commission established a single employer defined benefit pension plan (the Plan) effective July 1, 1972, in accordance with the Trust Agreement between the Commission and the ERS Board of Trustees. Prior to that date, Commission employees were covered under Maryland's State Retirement System. Employees who were covered by the State Retirement System were given the option of remaining with the State or transferring to the Commission's Plan.

Revisions to the Social Security tax structure and other fiscal considerations made it prudent to develop a new retirement plan, based on the principle of Social Security excess. Therefore, effective January 1, 1979, the Plan became The Maryland-National Capital Park and Planning Commission Employees' Retirement System, encompassing three defined benefit plans: Plan A, the original plan; Plan B, for non-police, integrated with Social Security; and Plan C, only for Park Police.

On July 1, 1990, a collectively bargained Plan D replaced Plan C, which was closed and all members transferred to the new Park Police Plan D. Effective July 1, 1993, again as a result of collective bargaining, Plan D was closed to new employees, and Plan C was amended and reopened to provide benefits for Park Police hired after July 1, 1993. Pursuant to a 2002 collective bargaining agreement, Plan D members were given a one-time election to transfer to Plan C on or before October 25, 2002.

Fiscal considerations and the long-term cost of funding a defined benefit plan made it prudent for the Commission to close Plan B effective December 31, 2012 and open Plan E. Enrollment in Plan E is mandatory for all general employees, commissioners and appointed officials employed by the Commission on or after January 1, 2013.

Board of Trustees

A Board of Trustees (Board) administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to pay the benefits promised.

Trustees serve for three-year terms. Trustees elect a chairman and vice chairman to serve for a two-year term. Generally, the Board meets on the first Tuesday of every month, except for August. Board meetings are open to all employees and members of the public. Members of the Board may be contacted in writing through the ERS. Announcements regarding changes to the Board of Trustees are posted on the ERS' website http://ers.mncppc.org and in the Commission's monthly newsletter, *Update*.

Board of Trustees

The Board of Trustees as of September 2016 is as follows:

Elizabeth M. Hewlett, Chairman
Prince George's County Commissioner
Term expires: 6/30/2019

Marye Wells-Harley, Vice Chairman
Montgomery County Commissioner
Term expires: 6/30/2017

Khalid Afzal
Montgomery County Open Trustee
Term expires: 6/30/2018

Patricia Colihan Barney, CPA
Executive Director
Ex-Officio

Sheila Morgan-Johnson
Prince George's County Public Member
Term expires: 6/30/2017

Alicia J. Hart
Prince George's County Open Trustee
Term expires: 6/30/2018

Amy Millar
MCGEO Represented Trustee
Term expires: 6/30/2019

Howard Brown
FOP Represented Trustee
Term expires: 6/30/2019

Pamela F. Gogol
Montgomery County Public Member
Term expires: 6/30/2017

Barbara Walsh
Bi-County Open Trustee
Term expires: 6/30/2017

Joseph C. Zimmerman, CPA
Secretary-Treasurer
Ex-Officio

The Board consists of 11 appointed and elected members as adopted by the Commission on July 24, 2001.

- Two Commissioners (one each from Montgomery and Prince George's counties)
- The Commission's Executive Director, Ex-Officio
- The Commission's Secretary-Treasurer, Ex-Officio
- Three Open Trustees (one each from Montgomery and Prince George's counties and one from the Bi-County office, effective July 2003)
- Two Public Members (one each from Montgomery and Prince George's counties)
- Two Represented Trustees (one each from the Municipal and County Government Employees' Organization and the Fraternal Order of Police)

ERS Staff & Contact Information

The Board hires an Administrator who manages the staff and oversees the operations of the ERS. The Administrator reports directly to the Board through the Chairman of the Board. The ERS staff reports to the Administrator.

Andrea L. Rose
Administrator

Heather D. Brown
Senior Administrative Specialist

<u>Member Relations Team</u>

Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Sr. Retirement Benefits Analyst

Eleanor Dagirmanjian
Retirement Benefits Analyst

Christopher Baysmore
Member Relations Assistant

<u>Technical and Accounting Services</u>

Sheila S. Powell
Accounting Manager

Ann L. McCosby
IT Systems Manager

Edward D. Sarkar
IT Manager

Staff and Board Members can be contacted at:

Employees' Retirement System
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737
Telephone (301) 454-1415
Fax (301) 454-1420
http://ers.mncppc.org
***
Hours of Service
Monday – Friday
8 a.m. – 5 p.m.

Trust Agreement
The Board administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Trust Agreement sets forth the powers, duties, and liabilities of the Trustees. Trustees have no personal liability for actions taken in good faith, but are responsible for willful neglect, misconduct, dishonesty, or breach of good faith.

The ERS is managed as a tax-exempt entity, and is deemed qualified under the terms of the Internal Revenue Code as a governmental plan. The Commission retains the power to amend or terminate the ERS, but may not alter the powers of the Board without its consent. No asset of the ERS may be used for any purpose except to provide benefits to members and beneficiaries of the ERS and to defray the reasonable cost of administering the ERS until all liabilities are satisfied.

Memorandum of Understanding
A Memorandum of Understanding between the Commission and the Board sets forth certain criteria pertaining to the administrative operation of the ERS and the cooperation required from all parties to carry out the functions of the ERS. The administrative office of the ERS separated from the Commission's Personnel Service's Office on October 21, 1981 and separated from the Commission's Department of Administration on January 30, 1982.

Eligibility and Membership

Mandatory
Membership in Plan B is mandatory for:
- Full-time career employees employed by the Commission on or after January 1, 1979 and prior to January 1, 2013
- Appointed officials, employees exempt from the merit system and appointed by the respective county planning board and part-time career employees hired effective the later of January 1, 2009 and his/her first day of employment and prior to January 1, 2013
- Individuals employed by the ERS after March 1, 1994 and prior to January 1, 2013

Employees Not Eligible
Employees not eligible to participate in the ERS include, but are not limited to seasonal, intermittent, contractual, and part-time non-career.

Contributions

Employee
Plan B participants contribute 4% of base pay for each pay period up to the maximum Social Security Wage Base for that year, and 7% of base pay in excess of the Social Security Wage Base.

The Social Security taxable wage base is the maximum amount of compensation that is subject to Social Security taxes each year. The Social Security wage base for 2016 is $118,500 and is adjusted annually.

Employer
The Commission contributes each year to the ERS. The Commission's contribution is determined by an actuary following an actuarial valuation of the ERS. The actuary recommends a contribution to provide for the benefits of the ERS.

Investment Income
Employer and employee contributions are invested to provide additional income to the ERS. Professional investment managers selected by the Board of Trustees invest across investment classes (i.e. equities, fixed income and real assets).

Interest
Each member's account is credited with 4.5% interest per year. Interest is added to the account on a monthly basis.

Tax Treatment
Employee contributions are deducted from pay on a pre-tax basis. Members do not pay income tax on employee contributions, the Commission's contributions, nor on interest or investment income earned by the ERS, until a benefit is received from the ERS.

Members may be entitled to a monthly tax exclusion on part of their annuity for contributions, which were taxed (contributions made before January 1, 1984). The ERS calculates this amount and it is properly recorded at retirement on a 1099R Income Tax Statement.

Components of Formula

Credited Service
Credited service is one of the factors used to determine eligibility for retirement benefits. Credited service may include service from any of the following:

Employment
Credited service is granted for completed years and months while employed by the Commission and contributing to the ERS.

Participants in Plan B are limited to a maximum of 35 years of credited service, exclusive of sick leave, to be used in calculating retirement benefits.

Transfer
Service transferred from another governmental agency within the State of Maryland can count towards credited service. All members of an actuarially funded retirement system of the State of Maryland, or any political subdivision of the State may apply to transfer credited service to any other retirement system of an applicable subdivision or the State **within one year of transfer** to the new system, as provided in state law. All service must be certified as transferable by the former system. The ERS is a contributory system. Therefore, transfers from a contributory system require transfer of contributions. Transfers from a non-contributory system will result in an actuarial deficiency at the time of retirement and a corresponding reduction in benefits. Transfers from the State of Maryland may require the transfer of employee contributions plus the payment of additional contributions. Members who have

applicable prior service must request transfer of this service, in writing, to the Administrator of the ERS.

Sick Leave

Additional credited service is granted for earned, but unused sick leave. For every 22 days of sick leave at retirement, members receive one month of additional credited service. A remainder of at least 15 days or more qualifies for an additional month. Members may use a maximum of 14 months to qualify for early or normal retirement. However, this credit cannot be used to meet the minimum retirement eligibility requirements for age.

Qualify for Early Retirement

Assume a member has 23 years 10 months of credited service. The member can use 1 year 2 months (14 months) of sick leave to qualify for early retirement with 25 years of credited service. Sick leave in excess of the 14 months is added on as additional credited service for retirement calculation purposes.

Qualify for Normal Retirement

Assume a member has 28 years 10 months of credited service. The member can use 1 year 2 months (14 months) of sick leave to qualify for normal retirement with 30 years of credited service. Sick leave in excess of the 14 months is added on as additional credited service for retirement calculation purposes.

Cannot Use for Age Qualification

Members may qualify for normal retirement at age 60 with a minimum of 5 years of credited service; however, sick leave cannot be used to meet the age qualification requirements. For example, a member age 59 years old cannot use 12 months of sick leave to reach age 60.

Used for Additional Credit Only

Sick leave in excess of 14 months is not lost. This sick leave is converted to additional credited service and added to credited service for retirement calculation purposes.

The table below can be used to convert your sick leave to additional credited service:

Credited Service	**Hours Based on 8.0 Hour Day**
1 Year	2,112
11 Months	1,936
10 Months	1,760
09 Months	1,584
08 Months	1,408
07 Months	1,232
06 Months	1,056
05 Months	880
04 Months	704
03 Months	528
02 Months	352
01 Month	176

Military Furlough

The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides special rules relating to veterans' reemployment rights. If a member is on military furlough and does not make contributions to the ERS, USERRA provides a payment schedule equal to three times the period of qualified military furlough (but not greater than five years) to make up any missing contributions. Once all contributions are paid, the member receives credited service for the period of military furlough.

Represented Participant Buy Back

Effective as of July 1, 2009, a participant represented by MCGEO may purchase additional credited service at least 31 but not more than 60 days prior to retirement for certain time in public service. The buyback may not exceed five years. Represented participants must contact the ERS for cost information.

Long-Term Disability

The ERS provides free credited service for participants who qualify to receive Long-Term Disability (LTD), prior to their normal retirement date. Participants could potentially receive free credited service in the ERS until their normal retirement date, as long as the Health & Benefits Office certifies their qualification for LTD as determined by the Commission's LTD insurance carrier.

Plan B participants are no longer eligible for free credited service upon reaching normal retirement. If a Plan B participant returns to work after normal retirement, additional credited service accrues from the time the participant returns to work.

The period of time from normal retirement to either actual retirement or return to work would be a period of leave without pay and no retirement credit would be given for this period. There are no provisions to make up missing service beyond normal retirement for Plan B participants.

Credited service is one component of the retirement formula that can be affected while on LTD. The other component is average annual earnings for retirement calculation purposes.

If a participant is on LTD less than three years, and retires immediately, then the participant's average annual earnings is the average of the annual base pay during the three consecutive years of credited service that produces the highest total base earnings prior to the date on which the participant qualified for and began receiving LTD.

If the participant is on LTD for at least three years prior to normal retirement, then the participant's average annual earnings shall be the highest base pay attained prior to the date the participant became eligible for LTD.

Leave of Absence

Plan B members cannot receive credited service for any period of employment by the Commission while in a non-pay status.

Average Annual Earnings

Average annual earnings is the average of the annual base pay of a participant while an employee of the Commission during the three consecutive years of credited service that produce the highest total earnings prior to the participant's actual retirement date; or prior to the date on which the participant qualifies for and begins receiving benefits under the Commission's LTD Plan; or if less than three years of credited service with the Commission, the average of the annual base pay for the period of credited service with the Commission.

For a participant on LTD for at least three years prior to normal retirement, average annual earnings is the highest base pay attained by the participant prior to the date eligible for LTD.

Section 415 of the Internal Revenue Code

Section 415 places a dollar limit on the annual benefit members can receive from a tax-qualified pension plan such as the ERS. Under Section 415, the maximum annual benefit at normal retirement age is $210,000 for 2016 and is adjusted annually.

Social Security Covered Compensation Level

The Social Security Covered Compensation Level (SSCCL) is an average of the Social Security wage bases over a 35-calendar year period ending with the last day of the calendar in which a member attains Social Security retirement age.

The SSCCL is an important concept for determining the integration level used in defined benefit plans. The SSCCL is determined at the time an employee separates from service based on year of birth. The SSCCL 2016 chart on the next page can be used for Plan B members to determine the SSCCL. The SSCCL chart is adjusted annually. The SSCCL 2016 chart in its entirety can be obtained from the ERS.

Social Security Covered Compensation Level for Employees Separating in 2016:

Year of Birth	Social Security Normal Retirement Age Year	Average Social Security Covered Compensation
1949	2015	72,636
1950	2016	75,180
1951	2017	77,640
1952	2018	80,004
1953	2019	82,308
1954	2020	84,564
1955	2022	88,884
1956	2023	90,984
1957	2024	93,000
1958	2025	94,920
1959	2026	96,780
1960	2027	98,580
1961	2028	100,320
1962	2029	101,964
1963	2030	103,608
1964	2031	105,204
1965	2032	106,716
1966	2033	108,144
1967	2034	109,464
1968	2035	110,664
1969	2036	111,756
1970	2037	112,716
1971	2038	113,616
1972	2039	114,492
1973	2040	115,308
1974	2041	116,004
1975	2042	116,604
1976	2043	117,072
1977	2044	117,408
1978	2045	117,744
1979	2046	118,080
1980	2047	118,320
1981	2048	118,452
1982 & Later	2049 & Later	118,500

Date Eligible for Unreduced Social Security Benefits
The chart that follows determines the date members are eligible for full Social Security benefits. It also determines the date that members of Plan B have their benefits stepped down or reduced. Members can take Social Security early at age 62 with a reduction; however, the ERS does not step down ERS benefits until members are eligible for full Social Security benefits.

For example, members born in 1955 are eligible for full Social Security benefits at age 66 years 2 months. These members can elect to receive Social Security early at age 62; receive full benefits at age 66 years 2 months; receive benefits any time between age 62 and age 66 years 2 months; or receive benefits after eligibility for full benefits. The ERS steps down/reduces benefits at age 66 years 2 months which is the date eligible for full Social Security benefits.

Date Eligible for Unreduced Social Security Benefits

If You Were Born In	You Will Be Age 62 In	Your Age for Full Benefits Is
1937 or earlier	1999 or earlier	65 years
1938	2000	65 years, 2 months
1939	2001	65 years, 4 months
1940	2002	65 years, 6 months
1941	2003	65 years, 8 months
1942	2004	65 years, 10 months
1943 – 1954	2005 – 2016	66 years
1955	2017	66 years, 2 months
1956	2018	66 years, 4 months
1957	2019	66 years, 6 months
1958	2020	66 years, 8 months
1959	2021	66 years, 10 months
1960 or later	2022 or later	67 years

Normal Retirement

Eligibility
Members may retire with full benefits after:

- Attaining the age of 60, with at least five years of credited service
- Completing 30 years of credited service, regardless of age

Commissioners, the Executive Director, the Secretary-Treasurer, the General Counsel, and any other full-time position appointed by the Commission and exempted from the Merit System will reach Normal Retirement once they attain age 60 and five years have elapsed since enrollment in the Plan, regardless of whether five years of credited service was completed since the vesting requirement does not apply to persons serving in these positions.

Calculating Your Benefit

Plan B is considered an integrated retirement plan which means the ERS provides full retirement benefits until the member is eligible for full Social Security benefits and a reduced benefit following eligibility for full Social Security.

Plan B members receive an annual benefit from the date of retirement to the date of eligibility for full Social Security retirement benefits equal to 2% of average annual earnings, multiplied by years of credited service.

After the date of eligibility for full Social Security retirement benefits, the annual benefit equals 1.5% of average annual earnings up to the Social Security Covered Compensation Level (SSCCL), plus 2% of average annual earnings in excess of the SSCCL, multiplied by years of credited service.

<u>Example 1 Assumptions</u>:

- Credited service = 30 years
- Average annual earnings = $55,000
- SSCCL = $94,920 (See chart on page 13)
- Age at nearest birthday = 58 (1958)
- Eligibility for full Social Security = 66 years and 8 months (see chart on page 14)

<u>Prior to Eligibility for Full Social Security</u>

Formula: average annual earnings x 2% x credited service

$55,000 x 2% = $1,100 x 30 years = $33,000 per year
= $ 2,750 per month

<u>After Eligibility for full Social Security</u>

Formula: lesser of average annual earnings or SSCCL x 1.5% x credited service

$55,000 x 1.5% = $825 x 30 years = $24,750 per year
= $ 2,063 per month

<u>Example 2 Assumptions</u>:

- Credited service = 20 years
- Average annual earnings = $80,000
- SSCCL = $72,636 (See chart on page 13)
- Age at nearest birthday = 67 (1949)
- Eligibility for full Social Security = 66 years (see chart on page 14)

<u>Prior to Eligibility for Full Social Security</u>

Formula is not applicable. Member is eligible at retirement for full Social Security benefits.

<u>After Eligibility for Full Social Security</u>

Formula: SSCCL x 1.5% x credited service, plus difference between average annual earnings and SSCCL x 2% x credited service

$72,636 x 1.5% = $1,090 x 20 years = $21,800 per year
$7,364 x 2% = $147 x 20 years = <u>$ 2,940 per year</u>
= $24,740 per year
= $ 2,062 per month

* Figures used in calculations are rounded and assume retirement/separation in 2016.

Early Retirement

Eligibility
Members may retire with reduced benefits after:

- Attaining the age of 55, with at least 15 years of credited service
- Completing 25 years of credited service, regardless of age

Early Retirement Reduction
The annual retirement benefit is reduced by 1/180 for each month by which the early retirement date precedes the normal retirement date. The reduction is approximately 6.667% per year. Members must be within five years of normal retirement in order to retire early. The maximum reduction is 33.33%.

Calculating Your Benefit
- Unreduced retirement benefit = $36,000 per year
- Credited service at early retirement = 25 years
- Credited service at normal retirement = 30 years

Formula for early retirement deduction = unreduced retirement benefit x months early x 1/180
$36,000 x 60 x 1/180 = $12,000
$36,000 - $12,000 = $24,000 per year
= $ 2,000 per month

Part-Time Career Employees

Effective January 1, 1994, part-time employees make retirement contributions based on the actual number of hours worked which cannot exceed the weekly full-time hours (40). Part-time employees are granted credited service at a ratio based on the actual number of paid hours in a calendar year divided by the normal full-time hours (2080) for benefit calculation purposes.[1]

Eligibility for receipt of benefits will be based on calendar years and months of credited service.

Example Assumptions:
Part-time member works 20 hours per week for 30 years

Formula: actual paid hours/full-time hours x years worked

$\frac{1040 \text{ hours}}{2080 \text{ hours}}$ = .5 year x 30 years = 15 years of credited service

[1]Part-time credited service accrued prior to January 1, 1994 will be retained at 20 hours per week for benefit calculation purposes.

Cost-of-Living Adjustments

There are cost-of-living adjustments (COLAs) for retirees and beneficiaries who have been receiving a benefit for at least six months. The COLA is applied each July 1st and is based on the change in the Consumer Price Index (CPI). COLAs are provided at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a maximum of 5% ("Tier 1"). A maximum COLA of 2.5% applies to retirement benefits attributable to credited service credited after July 1, 2012 and earned and unused sick leave credited after January 1, 2013 ("Tier 2").

> Example:
> If the CPI is 4% then retirees and beneficiaries receive 100% up to 3%, plus half of 1% (which is the excess above 3%) or 3.5% for Tier 1 service and 2.5% (the maximum) for Tier 2 service.

Standard Form of Payment

All retirement benefits provided by the ERS are guaranteed for the lifetime of the retiree.

Return of Contributions
The standard form of payment for Plan B members is the Return of Contributions. Under the Return of Contributions if the retiree dies before receiving benefits equal to the retiree's contributions and interest, the difference is payable to the listed beneficiary(ies). The retiree may change the designated beneficiary at any time.

Optional Forms of Payment

In addition to the standard form, there are optional methods of payment from which members can choose. Optional selections, which guarantee continuation of benefits to beneficiaries or contingent annuitants, may be chosen at the time of retirement.

Members who terminate and elect to defer benefits until Normal Retirement rather than receive an Early Retirement Benefit may irrevocably preselect one of the optional forms of payment that are available to retiring members. Once the member becomes eligible for Normal Retirement, the benefit will be paid according to the member's preselected option. Deferring the benefit to Normal Retirement eliminates the early retirement penalty.

10-Years Certain
Under the 10-Years Certain benefits are guaranteed to continue for 10 years from the date of retirement, whether the retiree lives or dies. If the retiree dies in less than 10 years, the listed beneficiary receives payments until the 10-year period is completed. If the retiree lives more than 10 years, all benefits stop at the retiree's death. The retiree may change the designated beneficiary at any time.

Contingent Annuity Option
If a member elects a contingent annuity option, the benefit is reduced to reflect that payments are guaranteed for two lifetimes. The amount of the reduction is based on the member's age and the age of the member's contingent beneficiary at retirement.

100%, 75% and 50% Contingent Annuity Options
Benefits are guaranteed to the retiree for his/her lifetime. A percentage of the monthly benefit (100%, 75% or 50% depending on the chosen option) will be paid to the surviving contingent beneficiary after the death of the retiree. The contingent beneficiary cannot be changed after retirement.

100%, 75% and 50% Contingent Annuity with Pop-Up Options
Benefits are guaranteed for the retiree's lifetime. A percentage of the monthly benefit (100%, 75% or 50% depending on the chosen option) is paid to the surviving contingent beneficiary after the death of the retiree. However, if the contingent beneficiary dies before the retiree, the retiree's benefit reverts (pops-up) to the unreduced amount originally calculated, adjusted for cost-of-living adjustments granted since benefits began. The contingent beneficiary cannot be changed after retirement.

The table below illustrates the amounts payable under the different payment options for an employee retiring at age 60 with an annual benefit of $35,000 and a contingent beneficiary age 60. The employee is eligible for full Social Security benefits at age 66.

Payout Options	Retiree's Amount Pre-Stepdown	Contingent Beneficiary Amount Pre-Stepdown	Retiree's Amount Post Stepdown	Contingent Beneficiary Amount Post Stepdown
Return of Contributions	$2,917	N/A	$2,188	N/A
Ten Years Certain	$2,803	N/A	$2,055	N/A
Contingent Annuity Options:				
100%	$2,811	$2,811	$1,671	$1,671
75%	$2,840	$2,130	$1,776	$1,332
50%	$2,870	$1,435	$1,895	$948
Contingent Annuity with Pop Up Options:				
100% Pop Up	$2,806	$2,806	$1,512	$1,512
75% Pop Up	$2,837	$2,128	$1,638	$1,229
50% Pop Up	$2,868	$1,434	$1,788	$894

* The ERS can provide benefit estimates based on individual circumstances.

Assignment of Benefits

Benefits under the ERS cannot be assigned and are not subject to garnishment or attachment, except to the extent permitted by law for child and/or spousal support, for the division of marital property (Domestic Relations Orders –DRO), or for the payment of tax levies.

Domestic Relations Order

A Domestic Relations Order (DRO) is a court order that recognizes an alternate payee's right to receive a portion of benefits payable with respect to a member under a pension plan. An alternate payee can be a spouse, former spouse, child, or dependent of the participant.

The ERS works with members to ensure the ERS can comply with the DRO provisions. However, the ERS does not provide legal advice.

Benefit Restrictions

Incapacity of Member
If it is determined that a member is legally incompetent or incapable of receiving benefits, the Board of Trustees may, in accordance with the rules of the Plan, take action to redirect the benefits to the legal guardian or representative.

Missing Member or Beneficiary
If the ERS is unable to locate a member or beneficiary after making every reasonable effort to do so for two years and eleven months, the member's or beneficiary's benefit shall be forfeited. If the member or beneficiary is subsequently located, the ERS will pay the previously forfeited benefit, but without interest.

Reduction of Benefits
If a member is entitled to benefits under another Plan for service which is also service in the ERS, then benefits are reduced. Social Security benefits are excluded.

Death Benefits

Spouse and Children
If a participant is survived by a spouse, who has not been specifically excluded from benefits, and dies as a result of a service-connected accident or illness, the spouse is entitled to an annual benefit, payable until death, in an amount equal to the larger of the following:

- An amount equal to the benefit at normal retirement on the basis that the deceased had continued as a participant, at the same annual earnings during the participant's last completed year of employment; or
- 25% of the final annual base pay of the participant.

If the participant is survived by a spouse and dies as a result of a non-service-connected accident or illness, the spouse is entitled to an annual benefit, payable until death, in an amount equal to 25% of the final annual base pay of the participant.

In both instances of service-connected and non-service-connected deaths, if the participant does not leave a surviving spouse entitled to benefits, or if the surviving spouse dies, the benefits are payable to eligible children (under the age of 18, under the age of 23 if a full-time student, or regardless of age if permanently disabled).

Ordinary – No Spouse or Children
If a participant or vested member dies and does not leave a surviving spouse or eligible children, the beneficiary (ies) designated by the participant or vested member is entitled to a lump-sum cash payment equal to the sum of the following:

- 50% of the participant's or vested member's average annual earnings, plus
- The participant's or vested member's total contributions and interest in the ERS

Vested Member
If a vested member who has preselected an optional form of payment dies prior to Normal Retirement, the designated beneficiary(ies) will receive the appropriate benefit on the date that would have been the deceased member's Normal Retirement date.

Post-Retirement Death Benefit
There is a $10,000 Post-Retirement Death Benefit payable to the listed beneficiary(ies) following a retiree's death. The benefit is not life insurance and is taxable to the beneficiary(ies).

A beneficiary form for the Post-Retirement Death Benefit must be completed and returned to the ERS. A retiree is allowed to list a trust or any other entity as the beneficiary for the Post-Retirement Death Benefit as long as the retiree provides a Federal Tax ID number for the trust or entity.

Naming a Beneficiary

In order to designate a beneficiary(ies) while an active member, a beneficiary form must be completed and returned to the ERS. Unlike most beneficiary designations, the ERS plan specifies the first and second payer of benefits when there is a spouse or eligible children.

The ERS Plan states the first payer of benefits is an eligible spouse. In order to exclude a spouse from benefits, members must complete a spousal exclusion form. If there is no eligible spouse or the spouse has been excluded, the ERS pays eligible children (under the age of 18, under the age of 23, if a full-time student, or regardless of age if permanently disabled). Eligible children may not be excluded.

Despite the Plan document provisions concerning beneficiaries it remains important for members to update their beneficiary information with the ERS in the event of birth, marriage, death, adoption or divorce.

<u>Example 1</u>:

> Assume the member is legally married and lists a sibling as the primary beneficiary. The spouse automatically receives benefits, if the member dies in active service and does not complete a spousal exclusion form.

<u>Example 2</u>:

> Assume the member is divorced, has a child under age 18 and lists a best friend as the primary beneficiary. The child automatically receives the benefits up to age 18 or age 23, if a full-time student, or permanently if disabled, if the member dies in active service.

Options Upon Termination of Employment

Members who terminate employment with the Commission have the following options:

Vested
Members who terminate with at least 5 years of credited service, can receive a guaranteed retirement benefit payable at what would have been normal retirement. Effective September 1, 2001, employees are 100% vested with 5 years of credited service. Commissioners and appointed officials are vested immediately.

Members who terminated prior to September 1, 2001, are vested based on the scale below:

Years of Credited Service	Percentage Vested
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

An employee whose job is abolished (including those terminated as a result of a reduction in force) and who is not offered a substantially equal job with the Commission is considered 100% vested.

Non-Vested
Members who terminate with less than 5 years of credited service are not entitled to an annuity. Members who choose to keep contributions in the ERS and later return to employment with the Commission are credited with the initial period of credited service.

Withdrawal
Members can withdraw contributions. This decision is irrevocable and terminates all entitlement to any benefits from the ERS. The ERS is required to withhold estimated income tax. The payment may also be subject to an additional excise tax.

Transfer
Members may be able to transfer credited service to other eligible governmental retirement systems in the State of Maryland. This may require the concurrent transfer of accumulated contributions to the new system. Please refer to the Maryland Annotated Code or inquire with the new retirement system.

Rollover
Members can roll over contributions to another qualified plan or an individual retirement account, without penalty or immediate income taxability.

Benefit Disputes and Appeals

General Article 2.8 of the ERS' Plan Document, states that "*Any Member or Beneficiary who wishes to appeal a decision of the Administrator on any matter regarding his/her rights under the Employees' Retirement System may file an appeal, in writing, to the Board of Trustees. Such appeal shall state, in detail, the pertinent facts relative to the action, which he/she is appealing. The Board of Trustees may decide the appeal on the written submission, it may permit oral argument, or it may conduct whatever hearing it deems necessary or desirable. In any appeal, the burden of proof shall be on the Board of Trustees where it is proposed that benefits be removed from a Member or Beneficiary*".

The Board has adopted procedures for appeals, which allow a member to appeal a decision of the Administrator to the Board in writing within 60 days of the Administrator's decision.

Members wishing to appeal a decision of the Administrator should contact the ERS to obtain a copy of the Procedures for Processing Retirement Benefit Disputes and Appeals.

Following receipt of an Appeal, the Board has three options available:

- Refer the appeal to the Administrator for reconsideration
- Decide the claim based upon the submitted record after discussion
- Hold a hearing

The Board will issue their decision within 120 days from receipt of the appeal unless special circumstances require an extension of 30 additional days.

Member Education & Services

The ERS designs its Member Education Programs to encourage lifelong financial planning and retirement planning. The ERS is committed to providing each member with the resources necessary to anticipate future financial needs.

Programs

FOCUS on Retirement encourages new members to take an active role in retirement planning at the beginning of their careers. Participants are provided information that will facilitate full understanding of their retirement benefits and how those benefits fit into the overall retirement picture.

On-site Workshops require the ERS staff to travel to Commission facilities to present a retirement planning program. On-site workshops are designed for mid-career and veteran employees; therefore, the content is more in-depth. Presentations cater to the needs and interests of participating employees. Invited speakers may include the Commission's benefits staff and deferred compensation representatives.

Publications

Copies of all publications are available at the ERS Office or on the website at http://ers.mncppc.org.

The **Comprehensive Annual Financial Report** provides in-depth information about the financial, investment and actuarial aspects of the ERS.

The **Popular Annual Financial Report** summarizes the ERS' more detailed Comprehensive Annual Financial Report.

ERS LifeTimes is the ERS' means of communicating important timely information to all active members. It is published monthly in *Update* the Commission's monthly employee newsletter.

The **Plan Document** describes the terms and conditions related to the operation and administration of the ERS.

The **Summary Plan Description (SPD)** is a summary of the ERS' provisions and its benefits. The SPD must be distributed every five years to plan members.

The **Summary Description of Material Modifications (SMM)** includes a description of any plan amendment that modifies the Plan Document or the Summary Plan Description. The SMM is sent out to all members following any material plan amendment.

Member Services

An **Annual Benefit Statement** is automatically sent to all active, vested and non-vested members each year. This statement provides members with their account balance, credited service and projected normal retirement date.

The **ERS website** is intended to provide all our members and benefit recipients with current information about the ERS and retirement benefits. Visit us at http://ers.mncppc.org.

One-on-One Counseling is available to all active members and potential retirees to discuss benefits, calculations and retirement options.

A **Retirement Benefit Estimate** is a report that provides members a projection of their retirement annuity based upon a future retirement date, projected credited service and calculation of high three average salary. Members can request a benefit estimate at any time.

A **Retirement Counseling Session** is provided for all those retiring from the Commission. The session is not mandatory, but highly recommended. ERS staff review retirement benefits, options, and assist members in completing the necessary paperwork in order to begin benefits.

Retirement Checklist

The retirement checklist cites a few things you should consider and includes actions you need to take in order to make your exit from work-life simple and straightforward. The checklist is designed to ensure you receive retirement benefits in a timely fashion.

One to three years prior to retirement

- Attend pre-retirement education programs offered by the ERS.
- Request a Retirement Benefits Estimate and schedule a One-on-One Retirement Counseling session. The estimate is designed for planning purposes and provides specifics on retirement benefits and options. During the session someone from the Member Relations Team reviews the data and answers questions.
- Consider meeting with a financial planning professional.
- Consider the Deferred Compensation “catch-up” provision if you are a participant in the 457 Plan. For more information on this option, please contact the Health and Benefits Office.

Twelve months prior to retirement

- Thoroughly review your Social Security Statement. The Statement is a concise, easy-to-read personal record of the earnings on which you have paid Social Security taxes during your working years and a summary of the estimated benefits you and your family may receive as a result of those earnings. Keep your Statement with your other important papers.
- Select a retirement date for planning purposes. Your effective date for retirement must be the first of the month in which you wish to retire (e.g., January 1 or July 1).

Six months prior to retirement

- Discuss your estimated benefits/options with your family and financial/tax advisor.
- Prepare a retirement budget, estimating your retirement expenses against your Employees’ Retirement System benefit, Social Security benefit and any other income and/or savings.
- Undergo a complete medical check-up.
- Update or prepare your will and other estate plan documents.

Three months prior to retirement

- Contact Social Security to file for benefits, if applicable. Full-retirement age has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. Early retirement is still age 62; however, there is a reduction for electing to receive benefits early.
- Sign up for Medicare if you are 65 years of age.
- Request an updated Retirement Benefits Estimate; especially if you have had salary changes or leaves of absence since the last estimate.
- Review retirement planning and retirement living information. The Internet has an extensive amount of helpful information on the subjects. Libraries are filled with magazines, books, and videos that can help you adjust to your new life.
- Discuss retirement benefit payment options with your spouse or planning partner.

Two months prior to retirement

- Contact the ERS (301-454-1415) to make an appointment for your final retirement counseling session. Usually the appointment is made for the following month.
- Gather proof of birth for joint and survivor beneficiary, and contact information for your beneficiaries.
- Obtain direct deposit information from the ERS. Direct deposit makes certain that your retirement (annuity) check is deposited in your account by the first of every month via electronic transfer to your bank, savings institution or credit union.

One month prior to retirement

- Submit a formal letter of retirement to your direct supervisor/employer. Requirements may vary by department; find out what procedure applies to you. The ERS does not need a copy of your letter.
- Sign your Personnel Action (PA-2) form for retirement. Your department prepares the PA-2 after you have submitted a formal letter of retirement; then the PA-2 is submitted to the Personnel Office. ***Note: The ERS must receive a copy of your PA-2, from Personnel, in order to start retirement benefits.***
- Attend your pre-scheduled retirement counseling session to complete final paperwork.

Plan Operations

Plan Document

The ERS is administered in accordance with the Plan Document and construed according to applicable state and federal laws.

Plan Amendments

The Commission may amend the provisions of the Plan at any time; however, the amendment will not adversely affect benefits that members have already accrued, unless the amendment is required to maintain the Plan's qualification.

Plan Termination

The ERS is expected to operate indefinitely. However, if for some unlikely reason it is terminated, your benefits are determined as specified in the Plan.

Frequently Asked Questions

What is the ERS?

The ERS is the Commission's primary retirement system for its employees. The ERS was established July 1, 1972, and has been periodically amended. It is a defined benefit plan, qualified in accordance with the IRS Code, Section 401(a). The ERS consists of five Plans: A, B, C, D and E. Plans A, B and E are for general employees and Plans C and D are for park police. This Summary Plan Description covers Plan B only.

What does a defined benefit retirement plan mean?

This means the retirement benefit paid to you is a guaranteed benefit, based on your salary and your credited service in the ERS. It does not depend on your contributions or the amount of investment income the ERS has earned.

How does being IRS qualified affect you as a member?
You do not have to pay any income tax on your contributions to the ERS until you receive a benefit from the ERS. This is called an "Employer Pick-Up" provision. You do not pay taxes on the Commission's contributions, nor on interest and investment income earned by the ERS, until you receive a benefit.

Does the Commission make a contribution to the ERS?
The Commission usually makes a contribution to the ERS in an amount recommended by the Plan actuary to provide for the benefits under the ERS.

Where is the money; is it protected?
The Board of Trustees engages investment managers responsible for investing plan assets. The assets are held by multiple custodian banks. The ERS staff accounts for all the assets and payments of the ERS. An independent accounting firm audits the ERS every year. The ERS has received the highest possible evaluation for its accounting and internal controls.

Can I have my benefit check directly deposited into my bank?
Yes. In fact, direct deposit is strongly encouraged.

When can I expect to receive my first retirement check?
You can typically expect to receive your first retirement check approximately six weeks after your retirement effective date.

How much of my pension benefit comes from my contributions?
Although your benefit does not consider your contributions in the formula, an amount equivalent to your contributions is usually paid back to you, by your monthly annuity benefits, within the first three years. After that, funds used to pay your benefits have been accumulated from the earnings of the ERS and the Commission's contributions.

What happens in the case of an underpayment or overpayment of contributions/benefits?
The Plan provides for the recapture of required deficient contributions and the refund of surplus contributions. Similarly, the ERS is authorized to pay any underpayment of benefits to members/beneficiaries in a lump sum, or recoup any overpayments of benefits to members/beneficiaries from future payments.

Is there a cost-of-living adjustment to protect against inflation?
Retirees and survivors who have been receiving an annuity for at least six months may have a cost-of-living adjustment (COLA) applied to their retirement benefit as of each July 1st. It is based on the annualized change in the Consumer Price Index (CPI), as of the preceding December 31st – All Items Annual Average, Urban Index for Major U.S. Cities. (*See page 17, Cost-of-Living Adjustments*.)

Is there life insurance when I retire?
No. However, upon your death, there is a $10,000 lump sum death benefit paid to your designated beneficiary. The benefit is not life insurance and is taxable to the beneficiary.

How does accumulated sick leave affect my benefit?
You can receive additional credited service for your earned, but unused sick leave. For every 22 days of sick leave you have at retirement, you receive one month of additional credited service. A remainder of at least 15 days or more qualifies you for an additional month. You may use a maximum of 14 months to qualify for early or normal retirement. However, this credit cannot be used to meet the minimum retirement eligibility requirements for age.

Is there Disability Retirement?
Effective August 1, 1982, disability retirement benefits were discontinued under the ERS in favor of a comprehensive Commission sponsored Long-Term Disability Insurance Plan. Members receive free credited service until their normal retirement date so long as they qualify for the disability insurance benefits.

When do I start paying income taxes on my retirement annuity?
Income taxes are due as soon as you begin receiving benefits. You may have taxes withheld by the ERS and file an income tax return once per year, as most active employees do. You may choose to have no taxes withheld, but may be required to file estimated taxes quarterly. You may owe the government a penalty if you do not pay sufficient taxes on time. You may be entitled to a monthly tax exclusion on part of your annuity for contributions that were taxed (contributions paid before January 1, 1984). The ERS calculates this amount, and our custodian bank records it on your 1099R Income Tax Statement issued each year.

Are loans possible from the plan?
The ERS does not allow loans or partial withdrawals under any circumstances. You can only withdraw contributions upon termination of your employment with the Commission.

What deductions are taken from my retirement check?
There are only five deductions taken from your retirement check: medical (which includes medical, dental, vision and prescription), credit union, legal services, state tax and federal tax.

What if I don’t leave a surviving spouse or children?
If you die as a participant or vested member and do not leave a surviving spouse or children eligible for the survivorship benefit, your designated beneficiary shall be entitled to a lump sum cash payment in an amount equal to the sum of the following: (a) 50% of your average annual earnings; plus (b) your total contributions to the ERS, with interest thereon at a rate of 4.5% per annum.

How do I apply for retirement benefits?
Approximately two months prior to retirement, you need to contact the ERS to make an appointment for your final retirement counseling session. Usually the appointment is made for the following month. You must also submit a formal letter of retirement to your direct supervisor and sign a Personnel Action Form (PA-2) form for retirement.

When is the best time to retire?
There is not necessarily a “best” time to retire; however, you may want to consider several things when making your decision to retire.

Cost-of-living adjustments (COLAs) are issued each July 1 to retirees and beneficiaries who have been receiving a payment for at least six months. Therefore, if you retire by January 1 of any given year you are entitled to a COLA July 1 of that same year. If you retire after January 1, you are not eligible until July 1 of the following year.

Annual Leave, Holiday Pay and Comp Time are received in the pay period following your last pay period. You may want to consider delaying your retirement to January 1 so that this payoff is made in the following tax year.

Some Terms You Should Know

Actuary
A person professionally trained in the technical and mathematical aspects of insurance, pensions and related fields. The actuary estimates how much money must be contributed to a pension fund each year in order to support the benefits that will become payable in the future.

Average Annual Earnings
The average of the annual base pay of a participant while an employee of the Commission during the three consecutive years of credited service that produce the highest total earnings prior to the participant's actual retirement date; or prior to the date on which the participant qualifies for and begins receiving benefits under the Commission's Long-Term Disability Plan.

Base Pay
The established rate of gross earnable compensation at which a participant is employed by the Commission, exclusive of any overtime pay or additional compensation of any kind.

Beneficiary
A retired participant, contingent annuitant, any person or other designee named by the member, including his/her executors and administrators, entitled to receive benefits.

Benefit
Rights of the participant or beneficiary to a lump sum or monthly benefit after meeting the eligibility requirements of the pension plan. Pension benefits usually refer to monthly payments payable on retirement.

Benefit Multiplier
A percentage multiplied by a participant's average salary to determine a benefit.

Contingent Annuity Option
An annuity option that provides benefit payments for the retiree and contingent beneficiary (usually the spouse). The retiree's benefit is reduced to guarantee payments for two lifetimes. The amount of the reduction is based on the retiree's age and the age of the contingent beneficiary at retirement. A Contingent Annuity Option is also called a Joint and Survivor Option.

Credited Service
The total period of years and months of completed service as credited under the terms and conditions of the ERS.

Fiscal Year
The ERS operates on a fiscal year calendar which is July 1 to June 30 each year.

Member
Any employee or retiree included in the membership of the ERS.

Participant
An employee currently employed and making contributions to the ERS.

Represented Participant
A participant who is represented by the Municipal and County Government Employees Organization collective bargaining unit.

Retiree (also known as Annuitant)
A retired participant who is entitled to receive benefits as provided by the ERS.

Vested Member
A former participant who has terminated employment with the Commission and has qualified under the vested benefits provision, and has not elected a refund of accumulated contributions.

Vested Participant
A participant with five or more years of credited service or a commissioner or appointed official with immediate vesting.