

Summary Plan Description

PLANS C and D

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission

Published November 28, 2016



EMPLOYEES' RETIREMENT SYSTEM
The Maryland-National Capital Park and Planning Commission

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 plans C and D 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 their 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 Maryland-National Capital Park and Planning Commission or any agent or employee of the ERS or the Commission.

TABLE OF CONTENTS

Introduction

History of the ERS.....	5
Board of Trustees.....	5
ERS Staff & Contact Information.....	7
Trust Agreement.....	8
Memorandum of Understanding.....	8

Eligibility and Membership

Mandatory.....	8
Employees Not Eligible.....	8
Plan C.....	8
Plan D.....	8
Transfers Between the General Employee Plans and Park Police Plans.....	9

Contributions

Employee.....	9
Employer.....	9
Investment Income.....	9
Interest.....	9
Tax Treatment.....	9

Components of Formula

Credited Service.....	9
Employment.....	10
Transfer.....	10
Sick Leave.....	10
Military Furlough.....	11
Long-Term Disability.....	11
Leave of Absence.....	12
Average Annual Earnings.....	12
Section 415 of the Internal Revenue Code.....	13

Normal Retirement

Eligibility.....	13
Calculating Your Benefit	
Plan C.....	13
Plan D.....	14

TABLE OF CONTENTS (Continued)

Early Retirement	
Eligibility.....	15
Plan C Early Retirement Reduction.....	15
Plan C Early Retirement Calculation.....	15
Plan D Early Retirement Reduction.....	15
Plan D Early Retirement Calculation.....	15
Cost of Living Adjustments.....	16
Standard Form of Payment	
10-Years Certain.....	16
Optional Forms of Payment	
Life Only.....	17
Contingent Annuity Option.....	17
100%, 75% and 50% Contingent Annuity Options.....	17
100%, 75% and 50% Contingent Annuity Option with Pop-Up Options.....	17
Assignment of Benefits.....	18
Domestic Relations Orders.....	18
Benefit Restrictions	
Incapacity of Member.....	18
Missing Member or Beneficiary.....	18
Reduction of Benefits.....	18
Death Benefits	
Spouse and Children.....	18
Ordinary - No Spouse or Children.....	19
Vested Member.....	19
Post-Retirement Death Benefit.....	19
Naming a Beneficiary.....	19
Options Upon Termination of Employment	
Vested.....	20
Non-Vested.....	20
Withdrawal.....	20
Transfer.....	20
Rollover.....	21

TABLE OF CONTENTS (Continued)

Benefit Disputes and Appeals	21
Member Education & Services	
Programs.....	21
Publications.....	22
Member Services.....	22
Retirement Checklist	23
Plan Operations	
Plan Document.....	24
Plan Amendments.....	24
Plan Termination.....	24
Frequently Asked Questions	24
Some Terms You Should Know	27

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

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

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

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

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

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

Patricia Colihan Barney, CPA
Executive Director
Ex-Officio

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

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

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

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

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 Representative)

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

Member Relations Team

Antonia L. Lanier

Member Relations Manager

Lisa D. Butler

Sr. Retirement Benefits Analyst

Eleanor Dagirmanjian

Retirement Benefits Analyst

Christopher Baysmore

Member Relations Assistant

Technical and Accounting Services

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 the ERS is mandatory for:

- Full-time career park police officers
- Park Police exempt from the merit system and appointed by the respective County Planning Board

Employees Not Eligible

Employees not eligible to participate in the ERS include, but are not limited to:

- Seasonal
- Intermittent
- Contractual

Plan C

Plan C was mandatory for full-time career park police officers hired between January 1, 1979 and June 30, 1990. Effective July 1, 1990, all Plan C members were transferred to Plan D, and Plan C was closed to new members. Effective July 1, 1993, Plan C was amended and reopened for all new park police officers hired after July 1, 1993. Plan C also includes members who elected to transfer from Plan D to Plan C on or before October 25, 2002.

Plan D

Plan D was mandatory for full-time park police officers hired between July 1, 1990 and June 30, 1993 and for all Plan C participants transferred effective July 1, 1990.

Transfers Between the General Employee Plans and Park Police Plans

If a general employee accepts a park police position, the employee must transfer to Plan C and make up the difference in contributions between the general plan and Plan C, or the employee can accept an actuarial deficiency for the difference in contributions.

If a park police employee accepts a general employee position, the employee must transfer to Plan E. However, since the IRS generally does not allow in-service distributions (refunds of the difference in the Plans' contributions), all refundable contributions will be paid to the member upon the termination of employment or retirement.

Contributions

Employee

Plan C members contribute 9% of base pay for each pay period.

Plan D members contribute 8% of base pay for each pay period.

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. The Board of Trustees hires professional investment managers across asset 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 C are limited to a maximum of 30 years of credited service, exclusive of sick leave, to be used in calculating retirement benefits.

Participants in Plan D are limited to a maximum of 32 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 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 18 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 20 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 Plan C 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 normal 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.

Cannot Use for Age Qualification

Members may qualify for normal retirement at age 55 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 54 years old cannot use 12 months of sick leave to reach age 55.

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.

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.

Participants are no longer eligible for free credited service upon reaching normal retirement.

Participants who have at least 10 years of credited service credited service can make up the missing employee contributions for the period of time beyond normal retirement while receiving LTD, if the participant returns to active service.

Participants who have less than 10 years of credited service can make up the missing employee and employer contributions to receive credit for the period of time beyond normal retirement while receiving LTD, if the participant returns to active service.

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 produce 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 is the highest base pay attained prior to the date the participant became eligible for LTD.

Leave of Absence

Participants with 10 or more years of credited service can receive credited service while on approved leave of absence, for whatever purpose and whether with or without pay, provided that, all missing employee contributions are made within ninety (90) days of return to active duty. If the missing employee contributions are not paid then no portion of the period while on leave of absence is counted as credited service.

Participants with less than 10 years of credited service can receive credit while on approved leave of absence, for whatever purpose and whether with or without pay, provided that, all missing employee and employer contributions are made within ninety (90) days of return to active duty. If the missing employee and employer contributions are not paid then no portion of the period while on leave of absence is counted as credited service.

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 the Commission's Comprehensive Disability Benefits Program for Park Police; 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.

Normal Retirement

Eligibility

Plan C members may retire with full benefits after:

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

Plan D members may retire with full benefits after:

- Attaining the age of 55, with at least five years of credited service
- Completing 22 years of credited service, regardless of age

Calculating Your Benefit

Plan C

Plan C members receive an annual benefit equal to 2.4% of average annual earnings, multiplied by years of credited service up to 25 years. For a member who retires with exactly 25 years of credited service, the annual benefit equals 60% of average annual earnings. The annual amount of benefits payable to a member who retires with more than 25 years of credited service equals 60% of average annual earnings plus 2% of average annual earnings for each year in excess of 25 years.

Example 1

Assumptions:

- Credited service = 25 years
- Average annual earnings = \$60,000

Formula:

60% of average annual earnings

$$\begin{aligned} \$60,000 \times 60\% &= \$36,000 \text{ per year} \\ &= \$ 3,000 \text{ per month} \end{aligned}$$

Example 2

Assumptions:

- Credited service = 30 years
- Average annual earnings = \$65,000

Formula:

60% of average annual earnings x 2% of average annual earnings for each year in excess of 25 years

$$\begin{aligned} \$65,000 \times 60\% &= \$39,000 \text{ per year} \\ \$65,000 \times 2\% = \$1,300 \times 5 \text{ Years} &= \underline{\$ 6,500 \text{ per year}} \\ &= \$45,500 \text{ per year} \\ &= \$ 3,792 \text{ per month} \end{aligned}$$

* Figures used in calculations are rounded

Plan D

Plan D members receive an annual benefit equal to 2.27% of average annual earnings, multiplied by years of credited service up to 22 years. For a member who retires with exactly 22 years of credited service, the annual benefit equals 50% of average annual earnings. The annual amount of benefits payable to a member who retires with more than 22 years of credited service equals 50% of average annual earnings plus 2% of average annual earnings for each year in excess of 22 years.

Example 1

Assumptions:

- Credited service = 22 years
- Average annual earnings = \$60,000

Formula:

50% of average annual earnings

$$\begin{aligned} \$60,000 \times 50\% &= \$30,000 \text{ per year} \\ &= \$ 2,500 \text{ per month} \end{aligned}$$

Example 2

Assumptions:

- Credited service = 27 years
- Average annual earnings = \$65,000

Formula:

50% of average annual earnings plus 2% of average annual earnings for each year in excess of 22 years

$$\begin{aligned} \$65,000 \times 50\% &= \$32,500 \text{ per year} \\ \$65,000 \times 2\% = \$1,300 \times 5 \text{ Years} &= \underline{\$ 6,500 \text{ per year}} \\ &= \$39,000 \text{ per year} \\ &= \$ 3,250 \text{ per month} \end{aligned}$$

Early Retirement

Eligibility

Members in Plan C and D may retire with reduced benefits after completing 20 years of credited service, regardless of age.

Plan C Early Retirement Reduction

If a Plan C member retires early, the annual retirement benefit equals a percentage of the benefit at normal retirement based on credited service and average annual earnings at the early retirement date. The applicable percentage is based on the number of years and months the member retires early as follows:

	Years						
	0	1	2	3	4	5	
Months	0	100.00	99.00	98.00	91.00	86.00	80.00
1	99.92	98.92	97.42	90.58	85.50		
2	99.83	98.83	96.84	90.17	85.00		
3	99.75	98.75	96.26	89.75	84.50		
4	99.67	98.67	95.68	89.33	84.00		
5	99.58	98.58	95.10	88.92	83.50		
6	99.50	98.50	94.52	88.50	83.00		
7	99.42	98.42	93.94	88.08	82.50		
8	99.33	98.33	93.36	87.67	82.00		
9	99.25	98.25	92.78	87.25	81.50		
10	99.17	98.17	92.20	86.83	81.00		
11	99.08	98.08	91.62	86.42	80.50		

Plan C Early Retirement Calculation

- Unreduced retirement benefit = \$50,000 per year
- Credited service at early retirement = 22 years (3 years early)
- Credited service at normal retirement = 25 years

Formula:

Unreduced retirement benefit x applicable percentage from chart above.

$$\begin{aligned} \$50,000 \times 91\% &= \$45,500 \text{ per year} \\ &= \$ 3,792 \text{ per month} \end{aligned}$$

Plan D Early Retirement Reduction

If a Plan D member retires early, 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 two years of normal retirement in order to retire early.

Plan D Early Retirement Calculation

- Unreduced retirement benefit = \$50,000 per year
- Credited service at early retirement = 20 years (2 years early)
- Credited service at normal retirement = 22 years

Formula:

Unreduced retirement benefit x months early x 1/180

$\$50,000 \times 24 \times 1/180 = \$6,667$ per year

$\$50,000 - \$6,667 = \$43,333$ per year
= \$ 3,611 per month

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.

10-Years Certain

The standard form of payment for Plan C and D members is the 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.

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.

Life Only

This option provides the maximum benefit payable, by giving up the standard form of payment (10-Years Certain) in exchange for a larger benefit payable only during the lifetime of the retiree. All benefits stop when the retiree dies.

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 for the retiree's lifetime. A percentage of the monthly benefit (100%, 75% or 50% depending on the chosen option) will be paid to the 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 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 following table illustrates the amounts payable under the different payment options in Plan C and Plan D for an employee retiring at age 55 with an annual benefit of \$50,000 and a contingent beneficiary age 55.

Plans C and D

Payout Options	Retiree's Amount	Contingent Beneficiary's Amount
Ten-Years Certain	\$4,167	N/A
Life Only	\$4,303	N/A
<u>Contingent Annuity Options</u>		
100%	\$3,724	\$3,724
75%	\$3,854	\$2,891
50%	\$3,993	\$1,996
<u>Contingent Annuity Options with Pop-Up Options</u>		
100% Pop Up	\$3,655	\$3,655
75% Pop Up	\$3,803	\$2,853
50% Pop Up	\$3,964	\$1,982

*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 an order that recognizes an alternate payee's right to receive a portion of benefits payable with respect to a participant 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 or after completing at least 10 years of credited service, 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 received during 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 and had less than 10 years of credited service, 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 should die 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 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 as long as the member provides a Federal Tax ID number for the trust or entity.

Naming a Beneficiary

In order to designate a beneficiary 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 payor of benefits when there is a spouse or eligible children.

The ERS Plan states the first payor 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.

Example 1:

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.

Example 2:

Assume the member is divorced, has a child under age 18 and lists a best friend as the primary beneficiary. The child automatically receives 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.

Employees 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 of Trustees of the M-NCPPC Employees' Retirement System has adopted procedures for appeals which allow a member to appeal a decision of the Administrator to the Board of Trustees 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 of Trustees 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 during the session a benefits analyst reviews the data and answers your questions. The counseling session gives you specifics on your retirement account and options.
- 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 C and D 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 16, Cost-of-Living Adjustments.*)

Is there life insurance when I retire?

No. However, upon your death, a \$10,000 lump sum death benefit is 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.

Payout for Annual Leave 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 annuitant, included in the membership of the ERS.

Participant

An employee currently employed and making contributions to the ERS.

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 with immediate vesting.

