

**THE RETIREMENT PLAN FOR EMPLOYEES OF
WICOMICO COUNTY AND
THE BOARD OF EDUCATION OF WICOMICO COUNTY**

Plan Summary for Employees of the
Board of Education of Wicomico County

Effective July 1, 2005

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ABOUT THIS BOOKLET

We urge you to read this booklet carefully. It explains the benefits available to you through the Retirement Plan for Employees of Wicomico County and the Board of Education of Wicomico County (the "Plan").

This Plan Summary is not a contract but is meant to summarize the Plan in easy-to-understand language. However, in the event of any ambiguity or inconsistency between this Plan Summary and the Plan document, the Plan document will control. The Plan document is available for examination at the office of the Plan Administrator during regular business hours.

The Plan is meaningful only if you clearly understand its provisions and can take advantage of the benefits it provides. If anything in this Plan Summary is not clear to you, please contact the Plan Administrator.

When this Plan Summary uses the term "Employer", it is referring to the Board of Education of Wicomico County. Employees of Wicomico County also participate in the Plan but they are covered by a different Plan Summary.

**SUMMARY OF THE RETIREMENT PLAN FOR EMPLOYEES
OF WICOMICO COUNTY AND
THE BOARD OF EDUCATION OF WICOMICO COUNTY**

Effective July 1, 2005

ELIGIBILITY

Who is eligible to participate in the Plan?

If you are employed in eligible status (see below), you are required as a condition of employment to become a participant in the Retirement Plan for Employees of Wicomico County and the Board of Education of Wicomico County (the "Plan").

If you currently are not a participant in the Plan, you will become a participant on the day you become employed in eligible status, or, if later, on your 18th birthday.

Does my employment status affect my eligibility to participate in the Plan?

To be eligible for Plan participation, you must be employed in eligible status, as determined by the Employer.

SERVICE

How is my service credited for Plan purposes?

During your employment with the Employer, you will be credited with service for vesting and benefit accrual purposes under the Plan. You will earn service credit for each continuous period of time, after January 1, 1994, that you are employed by the Employer and each period of time that you receive disability payments from the Plan. You also will earn service credit for any period when you are not actively working, but are on a paid leave of absence authorized by the Employer. In addition, you will receive service credit for any authorized unpaid leave of absence if the absence does not exceed one year and you return to employment immediately after the authorized leave expires. Service also will be credited for service credited under the terms of the Retirement Plan for Employees of Wicomico County and the Retirement Plan for Employees of the Board of Education of Wicomico County.

You will receive credit for up to five additional years of continuous service for military service performed before employment by the Employer. In addition, if you were absent from employment because of active duty with the United States Armed Forces-Army, Navy, Marines, Air Force, Coast Guard or Merchant Marine (December 1941-1945), you will receive credit for continuous service, up to a maximum of five years, if:

1. The absence was not more than five years duration;
2. You returned to active service with the Employer within one year after becoming eligible for release from such duty;

3. You did not accept permanent employment between your discharge date and your return to Plan participation; and
4. You provide a copy of discharge papers showing entrance and discharge dates.

Except as provided above, and as required by section 414(u) of the Internal Revenue Code, if you receive military retirement benefits for active military duty under any other retirement system (Social Security, National Railroad Retirement and Military Pension based on National Guard or Reserve Status), you are not eligible to receive continuous service credit for military service.

If you transfer between Maryland governmental employers, benefits will be governed by Title 37 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

Can I lose service that has been credited to me under the Plan?

If you leave employment with the Employer and later return to service, your previous periods of service will continue to be counted for vesting and benefit accrual purposes and will be added to any period of service that you perform after you return to service.

COST OF THE PLAN

Who pays the cost of the Plan?

Both the Employer and eligible employees share the cost for providing retirement benefits under the Plan. Generally, the Employer makes periodic contributions to the Plan, as required by applicable law, so that funds are available to pay your benefits when you retire, or otherwise become eligible for benefits.

As an eligible employee, you are required to make contributions to the Plan of 2.0% of your first \$4,800 of compensation and 4.0% of your compensation in excess of \$4,800. These contributions are deducted from your pay and "picked up" (paid to the Plan) by the Employer. "Compensation" means your rate of pay in effect on each July 1. Your contributions will always be fully vested. If you are on a paid leave of absence, your required contributions will continue to be deducted from your pay.

PLAN BENEFITS

How is my retirement benefit calculated?

The amount of retirement benefit you receive is based on a mathematical formula that takes into account your Final Average Compensation and number of years of continuous service.

The mathematical formula for determining your monthly retirement benefit is $1\frac{2}{3}\%$ of your Final Average Compensation multiplied by years of service to completed twelfths (or completed tenths for $10\frac{1}{2}$ month employees), including if applicable, any unused accrued sick leave which is converted at the ratio of 22 days for one month.

Your "Final Average Compensation" means your average annual compensation for the three

consecutive years that yield the highest average or for your total period of employment, if you were employed less than three years as a participant in the Plan. Notwithstanding the preceding, before June 30, 2002, a different definition of Final Average Compensation applied. If that older definition would result in a higher "Final Average Compensation", the older definition will apply for you instead of the one described above. However, that previous definition will never apply unless the continuous period that would be relied on to yield a higher Final Average Compensation under the previous definition began on or before June 1, 2002. The previous definition was in your previous Plan Summary. It will also be provided by the Plan Administrator upon request.

For purposes of determining your Final Average Compensation, "compensation" means your earnings subject to withholding for federal income tax purposes as reflected on your W-2. Compensation also includes compensation which is not currently includable in your gross income under a cafeteria plan, a qualified transportation fringe benefit program, a 401(k) plan, a simplified employee pension, a tax-sheltered annuity plan qualified under Internal Revenue Code section 403(b), an "eligible deferred compensation plan" qualified under Internal Revenue Code section 457(b) or a governmental "pick-up" program, (such as the employee contributions under this Plan). However, the amount of annual compensation that can be taken into account in determining your Final Average Compensation under the Plan cannot exceed a dollar limit that applies under federal tax law. That limit is \$210,000 for 2005 and is subject to change each year based on inflation.

What is my normal retirement benefit?

Your normal retirement benefit is a monthly benefit paid to you for life.

The following example is designed to show you how the retirement benefit formula is used to calculate benefits. Assume an employee who is age 65 and who began employment in eligible status on June 1, 1986, retires on June 1, 2006 (so the employee completed 20 years of continuous service). Assume the employee's Final Average Compensation is \$50,000 per year.

Here's how the benefit formula works:

Multiply $1\frac{2}{3}\%$ by Final Average Compensation (\$50,000) by years of service (20)
= \$16,667 per year

Therefore, the participant's total benefit at Normal Retirement Date would be 1/12 of that amount or \$1,389 per month.

NORMAL RETIREMENT

When is my Normal Retirement Date?

Your "Normal Retirement Date" is the first day of the month coinciding with or following the later of your 65th birthday or the 5th anniversary of the date you became a Plan participant. However, if you became a Plan participant prior to July 1, 1990 or were a participant in the Retirement Plan for Employees of Wicomico County prior to July 1, 1994, your Normal Retirement Date is the first day of the month that coincides with or immediately follows your 65th birthday. If you elect normal retirement, your benefits will begin on your Normal Retirement Date.

EARLY RETIREMENT

When can I retire early?

You may retire early on or after your "Early Retirement Date". If you became a participant before July 1, 1990, your Early Retirement Date is the first day of any month that precedes your Normal Retirement Date by ten years or less. If you became a participant on or after July 1, 1990, your Early Retirement Date is the later of (1) the first day of any month that precedes your Normal Retirement Date by ten years or less or (2) the date that you complete five years for service for vesting purposes.

What is my early retirement benefit?

The amount of your monthly early retirement benefit depends on when you want to begin receiving your benefit payments. You can either wait and receive your retirement benefits on or after your Normal Retirement Date in an unreduced amount or begin receiving an actuarially reduced amount immediately on your Early Retirement Date, or on the first day of any month after your Early Retirement Date and before your Normal Retirement Date. However, if you have attained age 55 and the total of your age plus your years of service equals or exceeds 80 years, your Early Retirement Benefit will not be reduced even if it commences before your Normal Retirement Age.

LATE RETIREMENT

Can I work past my Normal Retirement Date?

If you continue to work past your Normal Retirement Date, you will be eligible for a late retirement benefit. Your benefit payments will not begin until the first day of the month after you terminate employment following your Normal Retirement Date except as provided in the next sentence.

Your benefit payments upon your actual late retirement date will be the benefit determined by taking into account your additional service after your Normal Retirement Date.

DISABILITY RETIREMENT

What if I become disabled?

If you become disabled (as defined in the Plan) while you are an active employee of the Employer and you have completed at least ten years of continuous service for vesting purposes, you will be entitled to receive disability retirement benefits beginning on the date of disability certification and ending before the earliest of (1) the date you cease to be disabled; (2) the date you fail to submit satisfactory proof of the continuance of disability; or (3) your Normal Retirement Date. Your disability benefit will be an amount equal to the benefit you had earned as of the date you became disabled, calculated under the Plan's retirement benefit formula described above. If you are receiving disability payments before your Normal Retirement Date, you will still be entitled to normal retirement benefits commencing on your Normal Retirement Date.

TERMINATION OF EMPLOYMENT BEFORE NORMAL, EARLY OR DISABILITY RETIREMENT OR DEATH

Am I entitled to retirement benefits if my employment terminates before I am eligible for normal, early or disability retirement or death?

If your employment terminates before you are eligible for normal retirement, early, or disability retirement or death and *before* you have completed 5 years of service, you still will be entitled to a retirement benefit, based on your contributions into the Plan, plus 5% interest per year, which is called your "Employee Contribution Benefit".

If you terminate employment *after* you have completed at least 5 years of service, you will become vested in your benefit attributable to employer contributions and you will be entitled to begin to receive your benefit at your Normal Retirement Date. Your benefit is calculated as described above.

You may choose to leave your Employee Contribution Benefit in the Plan until your Normal Retirement Date or you may elect to receive your Employee Contribution Benefit at anytime before your Normal Retirement Date. However, if you choose the latter option, no further benefit will be available to you from the Plan.

Can my benefits be suspended or reduced for any other reason?

If you separate from service, begin to receive benefits under the Plan, and then are reemployed, your benefits may be suspended until you retire again.

In any event, any monthly pension you receive from the Plan will be reduced by the actuarial equivalent of the amount you are receiving or are entitled to receive from any other defined benefit pension plan of the Employer, if that benefit would duplicate any benefit you are to receive from this Plan.

APPLYING FOR BENEFITS

How do I apply for my retirement benefits?

You will need to complete an "application for benefits" form before your benefit payments begin. You will be asked to indicate the form of payment you have selected, as well as supply important information such as your address and the name of your beneficiary.

Benefits will be paid to you according to the information you have supplied. If any of the information you have given changes—for example, if you move—be sure to inform the Plan Administrator.

If your claim for Plan benefits is denied, you will be notified and will be notified of the Plan's claim review procedure.

METHODS OF PAYMENT

How are my benefits paid to me?

Normal Form of Payment. Your retirement benefits normally will be paid as a monthly annuity for life and ending on your death, unless you elect one of the following optional forms.

Optional Forms of Payment.

- **Level Income Option.** Under this option, you will be paid a monthly benefit, payable in a greater amount before your Social Security benefits begin, and a reduced amount after your Social Security benefits begin, so that your total Retirement income (taking into account your Plan benefit and Social Security benefit) will be as level as possible before and after the commencement of Social Security benefits.
- **Joint Retirement Benefit Option.** Under this option, you will receive a percentage of the amount you would receive under the normal form of benefit. After your death, your joint payee will continue to receive this amount or such fraction thereof. If you and your joint payee die prior to receiving an amount equal to the employee contributions you made plus interest, your beneficiary will receive a lump sum of the balance.
- **Special Options.** Under this option, you may arrange a special life annuity as long as the annuity does not consist of a deferral of payments under an interest only arrangement or the payment period does not extend beyond the life expectancy of you and your beneficiary.

If your benefit would be less than \$75 per month (if it were paid as a monthly annuity for life, as described above) when you become entitled to a distribution of your benefit, you will receive a lump sum payment equal to the value of your entire vested accrued benefit.

DEATH BENEFITS

Are any death benefits payable under the Plan?

If you die after you begin to receive retirement benefits, the death benefits are those specified, if any, under the form in which benefits were being paid (see above).

If you die before your retirement benefits begin, your beneficiary will receive a lump sum payment if the total of your employee contributions, plus interest, exceeds the total retirement benefits made or due to you if you meet one of the following requirements:

- You are an active participant; or
- You terminated employment with a vested benefit under the Plan and have not reached your Normal Retirement Date or Early Retirement Date.

ROLLOVERS AND TRANSFERS

Subject to uniform rules established by the Plan Administrator and subject to applicable law, you may be able to elect a direct rollover of any lump sum distribution of your Plan benefit to another tax qualified plan, to an IRA or to certain annuity contracts. You should contact the Plan Administrator to obtain its approval before taking steps to have a direct rollover made.

LIMITS TO RETIREMENT BENEFITS

Applicable law limits the amount of retirement benefits participants may receive. It is unlikely that you would ever be affected by this limitation, but if you are, you will be notified by the Plan Administrator.

AMENDMENT OR TERMINATION OF THE PLAN

The Employer expects to continue the Plan indefinitely. However, the Employer evaluates the Plan periodically, and reserves the right at any time to modify or amend, retroactively if deemed necessary, any provision of the Plan. In addition, the Employer reserves the right to discontinue or terminate the Plan at any time. Any amendment, discontinuance or termination of the Plan will be effective at a date determined by the Employer.

While the Plan may be amended at any time, no Plan amendment may reduce or eliminate any legally protected benefits, rights or features. For example, the Plan cannot be amended to de-vest any vested Plan assets.

In the unlikely event of a Plan termination, affected participants will become 100% vested in their retirement benefit to the extent that it is funded. Should the Plan ever actually be terminated, federal law has established an order of priorities for the allocation of assets on Plan termination. If any assets remain after the satisfaction of all Plan liabilities, they will be returned to the Employer.

PLAN GUARANTEES

The Plan has been established for the benefit of the participants. However, the trust fund is the sole source to which participants may look for Plan benefits. The Employer does not guarantee the payment of benefits by the trust fund, nor can the Employer guarantee the qualified, tax exempt status of the Plan and trust or that contributions or benefits will be subject to any particular tax consequences.

STATUTE OF LIMITATIONS

Please note that no legal action may be commenced or maintained to recover benefits under the Plan more than 12 months after the final review/appeal decision by the Plan Administrator has been rendered (or deemed rendered).

ADDITIONAL INFORMATION

ADMINISTRATION

The official Plan name is: Retirement Plan for Employees of Wicomico County and the Board of Education of Wicomico County

The Employers are: Board of Education of Wicomico County
Wicomico County Maryland

The Plan Administrator is the Board of Education of Wicomico County and Wicomico County Maryland. Plan Administrator correspondence should be mailed to:

The Board of Education Building
101 Long Avenue
Salisbury, Maryland 21802-1538

AGENT FOR SERVICE OF LEGAL PROCESS

The Plan Administrator has been designated as agent to receive legal process for the Plan. In addition, legal process may be served on the Trustee of the Plan at the address listed above for the Trustee.

PLAN YEAR

The fiscal year of the Plan for purposes of administration and recordkeeping is July 1 through June 30.

FUNDING MEDIUM

Plan benefits are provided through the medium of a trust.

The Plan Trustees are the Board of Trustees.

ASSIGNMENT OF BENEFITS

Except as may be required pursuant to a "qualified domestic relations order" (a type of court order relating to divorce or legal separation), neither you nor your beneficiaries can transfer, assign or pledge any Plan benefits.

NO EMPLOYMENT CONTRACT

No provision of the Plan or of this Plan Summary should be construed as a contract of employment between the Employer and any employee, nor shall anything in the Plan give any employee any rights of continued employment with the Employer or limit the right of the Employer to discharge any employee with or without cause.