



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

Benefits

handbook

Revised
July 2009



Contributory and
Non-Contributory
Pension Systems
for Employees
and Teachers
of the State
of Maryland

CONTRIBUTORY AND NON-CONTRIBUTORY
PENSION SYSTEMS
FOR EMPLOYEES AND TEACHERS
OF THE STATE OF MARYLAND

Benefits Handbook

Prepared by The State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202-6700

410-625-5555
1-800-492-5909

July 2009 This booklet provides a summary of the features and benefits of your pension plan. Pension provisions outlined in this document are set forth in the State Personnel and Pensions Article of the Annotated Code of Maryland. If there are any questions of interpretation, the provisions of the State Personnel and Pensions Article will control to resolve them.



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

Message from the Board of Trustees

Welcome to the Employees' and Teachers' Pension System, part of the State Retirement and Pension System of Maryland. This handbook will help you become acquainted with the benefits and features of your pension plan.

We designed this handbook to be easy to read, with appendices of sample calculations and a glossary of important terms. In addition to being a valuable resource for your retirement planning, this manual also provides detailed information on benefits available to you and your family during your career.

If you ever need assistance, please contact the State Retirement Agency. Retirement benefits specialists can be reached at [410-625-5555](tel:410-625-5555) or toll-free at [1-800-492-5909](tel:1-800-492-5909). Useful information about your pension benefits is also available on our Web site located at www.sra.state.md.us.

You should also be aware of other benefits, such as health insurance, which may be offered through your employer after you retire. Contact your personnel office for more information.

Each of you has our very best wishes for a productive, challenging career and a fulfilling retirement.

INTRODUCTION

System Divisions and How to Use this Book

There are three components within the Employees' and Teachers' Pension System.

Legislation in 2006 created the **Alternate Contributory Pension Selection Plan**.

Membership in this new plan applies to active members on or after June 30, 2006 as follows:

- State employees,
- Teacher members of participating boards of education, libraries, and community colleges,
- Employees of participating governmental units only if their employer elects to join the Alternate Contributory Pension Selection plan between July 1, 2006 and June 30, 2007, and
- Members of the Employees' Pension System who are employed by Frederick County Government.

References to the Contributory Pension System in this Benefits Handbook apply to the Alternate Contributory Pension Selection Plan unless otherwise stated.

Legislation enacted in 1998 created the **Contributory Pension System**. In general, membership in the Contributory Pension System is as follows:

- Members of the Employees' Pension System who are employed by a participating governmental unit that elected not to participate in the Alternate Contributory Pension System. This includes:
 - Town of Frostburg
 - Town of Taneytown
 - Town of Middletown
 - Town of Emmitsburg

The Non-Contributory Pension System, which was the original component, includes the following employees:

Members of the Employees' and Teachers' Pension System who:

- Transferred from the Retirement System to the Pension System after April 1, 1998.
- Terminated employment by June 30, 1998, and were vested (i.e., entitled to a future benefit).
- Are employed by a participating governmental unit that elected not to participate in the Alternate and/or Contributory Pension System. This list is valid through fiscal year ending June 30, 2008:
 - Anne Arundel County Economic Opportunity Committee, Inc.
 - City of Crisfield
 - Housing Authority of Crisfield
 - Garrett County Commissioners
 - Garrett County Roads
 - Town of North Beach
 - Prince George's County Government
 - Prince George's County Crossing Guards
- Are employed by a formerly participating governmental unit that has withdrawn from the State Retirement and Pension System.

PROVISIONS FOR THE CONTRIBUTORY (INCLUDING THE ALTERNATE CONTRIBUTORY) AND NON-CONTRIBUTORY PENSION SYSTEMS ARE LARGELY THE SAME. HOWEVER, IMPORTANT DISTINCTIONS EXIST IN THE AREAS OF MEMBER CONTRIBUTIONS AND BENEFIT CALCULATIONS. WHERE DIFFERENCES OCCUR, THE PROVISIONS OF EACH PLAN ARE SET APART IN BOXES OR, IN THE CASE OF BENEFIT CALCULATIONS, IN SEPARATE CHAPTERS AND APPENDICES.

TABLE OF CONTENTS

Introduction

| | |
|---|---|
| System Divisions and How to Use This Book | i |
|---|---|

1. Membership in SRPS

| | |
|--|---|
| Participation and Eligibility | 1 |
| Taking an Active Role | 2 |
| Terminating Membership | 2 |
| Questions to Ask Before Leaving Membership | 3 |

2. How You Earn or Accrue Service Credit

| | |
|--|----|
| Earned Credit | 4 |
| Eligibility Service | 4 |
| Creditable Service. | 6 |
| Career Changes. | 6 |
| Career Changes Within the Same Pension System | 7 |
| Career Changes Into Another Pension System | 7 |
| Career Changes With Enrollment In a New Pension System | 8 |
| Break in Service Rules | 10 |
| Claimed Credit. | 10 |
| Approved Leave of Absence. | 11 |
| Military Service. | 11 |
| Purchased Credit | 13 |
| Unused Sick Leave | 16 |

3. Your Benefits

| | |
|---------------------------------------|----|
| Survivor Benefits | 18 |
| Beneficiaries. | 19 |
| Disability Benefits. | 20 |
| Vested Benefits | 25 |
| Service Retirement. | 26 |
| Normal Service Retirement. | 27 |
| Early Service Retirement. | 27 |
| Choosing an Allowance Option. | 27 |
| Applying for Retirement. | 30 |

4. Funding Your Benefits

| | |
|-------------------------------------|----|
| Types of Contributions | 31 |
| Employer Contributions | 31 |
| Employee Contributions | 31 |
| Supplemental Contributions. | 32 |
| System Investments | 33 |
| System Safeguards | 33 |
| Your Board of Trustees | 33 |

5. Benefit Formulas: Alternate Contributory Pension Selection

| | |
|---|----|
| Key Elements of the Benefit Formula | 34 |
| Service Retirement | 35 |
| Early Service Retirement. | 35 |
| Deferred Vested Benefit. | 35 |
| Disability Retirement. | 36 |
| Ordinary Disability | 36 |
| Accidental Disability | 36 |
| Survivor Benefits | 36 |

6. Benefit Formulas: Contributory Pension System

| | |
|---|----|
| Key Elements of the Benefit Formula | 37 |
| Service Retirement | 38 |
| Early Service Retirement. | 38 |
| Deferred Vested Benefit. | 38 |
| Disability Retirement. | 39 |
| Ordinary Disability | 39 |
| Accidental Disability | 39 |
| Survivor Benefits | 39 |

7. Benefit Formulas: Non-Contributory Pension System

| | |
|---|----|
| Key Elements of the Benefit Formula | 40 |
| Service Retirement | 41 |
| Early Service Retirement. | 41 |
| Deferred Vested Benefit. | 41 |
| Disability Retirement. | 42 |
| Ordinary Disability | 42 |
| Accidental Disability | 42 |
| Survivor Benefits | 42 |

8. Preparing for Retirement

| | |
|--------------------------------|----|
| Filing Checklist | 43 |
| Retirement Checklist | 43 |

9. During Retirement

| | |
|---|----|
| Method of Payment | 46 |
| Tax Liability. | 46 |
| Cost-of-Living Adjustments (COLA) | 46 |
| Reemployment After Retirement. | 47 |
| Garnishment of Pension Benefits. | 51 |
| Health Insurance. | 51 |

TABLE OF CONTENTS

10. SRPS Resources

| | |
|--|-----------|
| Information by Telephone..... | 55 |
| Counseling..... | 56 |
| Office Visits..... | 56 |
| Regional Counseling..... | 56 |
| Inquiries by Letter..... | 56 |
| Address Changes..... | 57 |
| Newsletters..... | 57 |
| Web Site..... | 57 |
| Personal Statement of Benefits..... | 57 |
| Seminars..... | 57 |
| Your Retirement Coordinator..... | 57 |
| Special Communications Concerns..... | 58 |
| Confidentiality..... | 58 |
| Conflicts/Appeals..... | 58 |
| Glossary of Terms..... | 59 |
| Appendix A: Sample Benefit | |
| Calculations for the Alternate Contributory | |
| Pension Selection..... | A1 |
| Appendix B: Sample Benefit | |
| Calculations for the Contributory | |
| Pension System..... | B1 |
| Appendix C: Sample Benefit | |
| Calculations for the Non-Contributory | |
| Pension System..... | C1 |
| Appendix D: Retirement Agency Forms..... | D1 |

1



MEMBERSHIP IN SRPS

The State Retirement and Pension System (SRPS) has a long, secure history of providing retirement benefits to the employees of the “Free State.” Created in 1927 to provide pension benefits to the State’s public school employees, SRPS today covers close to 200,000 employees—from teachers, municipal employees and State personnel to our lawmakers in Annapolis.

The System is administered by the State Retirement Agency of Maryland (SRA), which manages the day-to-day operations of the pension fund and handles all membership matters—from enrollment to the payment of benefits. The Agency operates under the direction of a Board of Trustees, which establishes policy, oversees investments and represents member interests.

Participation and Eligibility

Membership in the State Retirement and Pension System includes State and municipal employees, educators, judges, legislators, State police, fire fighters and law enforcement personnel. Each of these employee groups is covered under an individual employee plan, or system.

This booklet deals with the Contributory and Non-Contributory Pension Systems for employees and teachers. The Pension System covers the following persons:

- State employees,
- Employees of participating municipalities,
- Employees of withdrawn municipalities who elected to continue membership and
- Personnel of Maryland public schools, public libraries, community colleges and affiliated State universities and colleges.

Because your employer participates in the Pension System, membership is automatic for you as a permanent employee or teacher who works at least 500 budgeted hours in the first fiscal year of employment. Membership begins when your employer places you on payroll or when your hours worked increase to at least 500 budgeted hours for a fiscal year.

Taking an Active Role

Throughout your career it's wise to take an active interest in your retirement. That's why the Retirement Agency offers a number of resources to keep you informed of benefit matters which may affect you now or in the future. These resources include your Personal Statement of Benefits, which provides an annual summary of your pension account, and our quarterly newsletter *The Mentor*, which offers up-to-date benefit news and information, as well as our Internet Web site and automated telephone system. See "SRPS Resources" for details on these and other SRPS member publications and services.

Terminating Membership

Membership ends if the member:

- Is separated from employment for more than four years,
- Withdraws his or her accumulated contributions, if any,
- Becomes a retiree or
- Dies.

While we hope you remain an SRPS member for many years to come, you may leave your job before your planned retirement date due to a career or personal change. It's important to review your SRPS benefits before leaving. If you answer "yes" to any of the following questions, you may be eligible for benefits now or in the future. Check with your personnel office or contact the Retirement Agency before your last day of employment.

Questions to Ask Before Leaving Membership

Am I vested, having at least five years of eligibility service?
(See “Vested Benefits”) ()YES ()NO

Do I qualify for service retirement? (See “Service Retirement”) ()YES ()NO

- Age 62 with at least five years of eligibility service,
- Age 63 with at least four years of eligibility service,
- Age 64 with at least three years of eligibility service,
- Age 65 or older with at least two years of eligibility service or
- 30 years of eligibility service regardless of age.

Do I qualify to apply for disability? (See “Disability Benefits”)

General Qualifications: **Ordinary Disability**—

Permanently disabled from performing job duties,
with five years of eligibility service.

()YES ()NO

General Qualifications: **Accidental Disability**—

Permanently disabled by an on-the-job accident
(no service requirement).

()YES ()NO

Have I checked with my personnel office regarding
the impact of terminating on other benefits offered
through my employer, such as health insurance?

()YES ()NO

2



HOW YOU EARN OR ACCRUE SERVICE CREDIT

Earned Credit

As a member of the Pension System, you earn service credit toward your retirement benefits each day on the job. Your service credit, along with your age, determines when you are eligible for retirement and how much your retirement benefit will be.

Your employer reports the number of hours you work each pay period. The Retirement Agency then credits your account with the appropriate amount of service credit at fiscal year end. You earn credit for every hour you are paid in a fiscal year (July 1 to June 30) including holidays, compensatory leave, annual leave and sick leave. Paid overtime hours are not included in the calculation of your service credit.

Note: Members of the Contributory Pension System must make required contributions to receive service credit.

During your membership you earn two types of service credit:

Eligibility service—which determines *when* you qualify for a retirement benefit

Creditable service—which determines the *amount* of your retirement benefit

Eligibility Service

Eligibility service is used to determine when you are eligible for a benefit. You earn one year of eligibility service during any fiscal year in which you work a minimum of 500 regular hours, excluding overtime.

Minimum of 500 Regular Hours Worked in a Fiscal Year = 1 Year of Eligibility Service

PRORATED ELIGIBILITY SERVICE

Members who do not work the minimum 500 hours in a fiscal year may receive prorated eligibility service based on the plan in which they are members.

**Members of the
Contributory Pension System**

Members who work part-time receive prorated eligibility service during *any* years of membership in which they work less than 500 hours, provided contributions are received by the Retirement Agency.

**Members of the
Non-Contributory Pension System**

Members receive prorated eligibility service only during their first and last years of membership. In any other year in which the member does not work 500 regular hours, the member does not receive any eligibility or creditable service.

To prorate eligibility service, the Retirement Agency divides the normal hours you work by 500 and multiplies the resulting percentage by either 12 or 10 months, depending on the number of months used to calculate your equivalent full-time year. Partial months are always rounded up to the next full month.

FORMULA:

$$\frac{(\text{Regular Hours Worked} \div 500 \text{ Hours}) \times \text{Full-Time Months}}{\text{Full-Time Months}} = \text{Fractional Year of Eligibility Service}$$

Note to 10-Month Members: All members of the Teachers' Pension System, whether employed 10, 11 or 12 months per year, participate in the Pension System as 10-month members. Such members earn a full year of service credit for the period September through June, with each month of service credited as one-tenth of a year. This rule also applies to certain members of the Employees' Pension System who qualify as 10-month employees as approved by the Board of Trustees.

For example, imagine you *begin* work April 1 as a member of the Contributory Pension System. Between April 1 and June 30 you work 400 hours. Your eligibility service is calculated as follows. (A member of the Non-Contributory Pension System also would receive prorated eligibility service in this example since it is the member's first year of service.)

First Year of Membership

10-Month Member:

400 hours ÷ 500 hours = .8 (80%)
 .8 x 10 months = 8 months
 8 months ÷ 10 months = .8 year
 eligibility

12-Month Member:

400 hours ÷ 500 hours = .8 (80%)
 .8 x 12 months = 9.6, rounded up to 10
 10 months ÷ 12 months = .8 year
 eligibility

Second Year of Membership

10-Month Member:

1,650 hours (minimum
 500 hours) = 100%
 10 months = 1 year eligibility

12-Month Member

2,080 hours (minimum
 500 hours) = 100%
 12 months = 1 year eligibility

Creditable Service

Creditable service is used to calculate the monthly allowance for all benefits except accidental disability and the single payment Death Benefit. You must earn eligibility service in a fiscal year before you earn creditable service for that same fiscal year. Members who meet SRPS criteria for full-time employment earn one month of creditable service for each month of employment.

PRORATED CREDITABLE SERVICE

For part-time members, creditable service is prorated to reflect the actual percentage of time worked. This is accomplished by comparing the member's hours with regular, full-time, standard hours of employment at his or her work place, as demonstrated in the following tables. Partial months are always rounded up to the next full month.

Prorated Creditable Service – 12 Month Member

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| FORMULA: (Hours Worked ÷ Standard Hours) x 12 Months = Months Creditable Service | | | | | | |
| <u>Hours Worked</u> | 624 | 832 | 1,040 | 1,248 | 1,664 | 2,080 |
| Standard Hours | 2,080 | 2,080 | 2,080 | 2,080 | 2,080 | 2,080 |
| Percentage Employed | 30% | 40% | 50% | 60% | 80% | 100% |
| Months of Creditable Service Earned | 4 | 5 | 6 | 8 | 10 | 12 |
| The above table is based on a 40-hour work week and 2080-hour work year. | | | | | | |

Prorated Creditable Service – 10 Month Member

| | | | | | | |
|--|---------|-------|-------|-------|-------|-------|
| FORMULA: (Hours Worked ÷ Standard Hours) x 10 Months = Months Creditable Service | | | | | | |
| <u>Hours Worked</u> | 495 | 660 | 825 | 990 | 1,320 | 1,650 |
| Standard Hours | 1,650 | 1,650 | 1,650 | 1,650 | 1,650 | 1,650 |
| Percentage Employed | 30% | 40% | 50% | 60% | 80% | 100% |
| Months of Creditable Service Earned | 3 or 0* | 4 | 5 | 6 | 8 | 10 |
| The above table is based on a 37.5-hour work week and 1650-hour work year. | | | | | | |

* Creditable service would be prorated at three months for members of the Contributory Pension System. Non-Contributory Pension System members earn no creditable and eligibility service for years in which less than 500 hours are worked *except* during the first and last years of employment.

Career Changes

Your accrued service credit may be affected by various events that occur throughout your employment. If you separate from employment, take a leave of absence for personal reasons, change employers or, in some cases, change positions with the same employer, your membership and accrued credit may be affected. For purposes of this discussion, we will refer to these types of events as “career changes.”

Career changes are categorized by whether or not they involve a break in covered employment. This break can occur within the context of memberships in the same pension system or within different pension systems.

- The first part of this section concentrates on career changes in which you rejoin or continue membership in the same pension system.
- The second deals with career changes in which you join a different pension system.

After reviewing this material, if questions remain unanswered or uncertainty exists regarding the applicability of this material to your situation, please call a retirement specialist at 410-625-5555 or 1-800-492-5909. Career change situations may be complicated when two or more accounts exist at the time of the career change.

CAREER CHANGES WITHIN THE SAME PENSION SYSTEM

If a member of one of the pension systems has a career change requiring membership in the same system and there is no break between the former and new employment periods, membership is continued automatically. No action is needed on the part of the member.

CAREER CHANGES INTO ANOTHER PENSION SYSTEM

No Break in Employment Period

If a member of one of the pension systems (non-contributory, contributory or alternate contributory) has a career change requiring membership in a different pension system and there is no break between the former and new employment periods, the member needs to complete Form 37 to have the accounts combined. Member may be required to pay contributions based on the current plan's applicable plan rate.

With a Break in Employment Period

If vested or not vested in prior plan and career change is...

From Contributory to Non Contributory Pension, or
From Alternate Contributory to Non Contributory Pension

Accounts may be combined. Member does not have to complete one year of service. Refund of excess member contributions (subject to Internal Revenue Code) based on the applicable new plan rate may be made.

If vested in prior plan and career change is ...

From Non Contributory to Contributory or Alternate Contributory Pension, or From Contributory to Alternate Contributory Pension

Accounts may be combined once the member has completed one year of service. Member is required to make contributions based on the current plan's applicable plan rate or have a deficiency placed on the member's account. A

deficiency will actuarially reduce the amount of retirement benefit paid to the member at retirement.

From Alternate Contributory to Contributory Pension

Accounts may be combined. Member does not have to complete one year of service. Refund of excess member contributions (subject to Internal Revenue Code) based on the applicable new plan rate may be made.

If not vested in prior plan and career change is ...

From Contributory to Alternate Contributory Pension

Member may purchase the prior service as a normal cost purchase. Member cannot receive more eligibility service than creditable service.

From Alternate Contributory to Contributory Pension

Member may purchase the prior service as a normal cost purchase.

From Non Contributory to Contributory Pension

Member may transfer the pre-1988 service if the member joined the Contributory Pension on or before June 30, 2003.

From Non Contributory to Alternate Contributory Pension

Once a member completes one year of service, a member may transfer the prior service earned within four years of end of prior membership and if the member joins the Alternate Contributory Pension on or before June 30, 2010. Member is required to make contributions based on current applicable plan rate or have a deficiency on the member's account. A deficiency will actuarially reduce the amount of retirement benefit paid to the member at retirement.

CAREER CHANGES WITH ENROLLMENT IN A NEW PENSION SYSTEM

No Break in Employment Period

A member may be eligible to transfer service credit from one system administered by SRPS to another SRPS system. An example would be a correctional officer who has earned service credit in the SRPS Correctional Officers' Retirement System and who accepts a position as a public school teacher. The new job requires membership in the SRPS Contributory Pension System. The member may transfer the service credit earned as a correctional officer from the SRPS Correctional Officers' Retirement System to the SRPS Teachers' Contributory Pension System.

Credit transfers between SRPS and non-SRPS systems also are possible. Service credit earned under a non-SRPS pension system operated under the laws of any political subdivision of Maryland can sometimes be transferred to an SRPS system, or vice versa. For example, a Baltimore County government employee who becomes a teacher in the public school system may transfer service earned in the Baltimore County Retirement System to the SRPS Teachers' Contributory Pension System. Likewise, a public school teacher who accepts a job with Baltimore County Government may transfer his or her service credits into the new system. (Contact the new employer for transfer instructions.)

To qualify for the transfer of your credit you must:

- Be hired in a position that no longer allows participation in your former system,
- Begin employment immediately following termination of previous employment (no break between employment periods),
- File an *Election to Transfer Service* (Form 37) or a *Request to Purchase Previous Service* (Form 26), as appropriate, within 12 months of new employment **and**
- Transfer/deposit contributions required by new system or incur a contribution deficiency. (Contact a retirement specialist for an explanation of the amount of contributions required, as the amount is dependent on the systems involved.)

To transfer credit within SRPS, you must complete Retirement Agency form *Election to Transfer Service* (Form 37). To transfer credit earned outside of SRPS into an SRPS plan, you must complete Retirement Agency form *Request to Purchase Previous Service* (Form 26).

With a Break in Employment Period

With one exception, the transfer of service credit from a former pension system to the current pension system is **not** permitted. The one exception involves the SRPS Non-Contributory and the SRPS Contributory Systems. To be eligible to transfer service credit under this exception, you must meet the following requirements:

- Your former system must be an SRPS Non-Contributory Pension System and the current system must be an SRPS Contributory Pension System,
- Your break in employment must have begun prior to June 30, 1998,
- You must have at least one year of employment in the SRPS Contributory Pension System,
- You must not have transferred to an SRPS Non-Contributory Pension System from an SRPS Retirement System after April 1, 1998,
- You must be a member of an SRPS Contributory Pension System prior to July 1, 2003, if your SRPS Non-Contributory Pension System account is non-vested (i.e. less than five years of eligibility service),
- You must redeposit any withdrawn employee contributions with interest from the SRPS Non-Contributory Pension System account **and**
- You must file Retirement Agency form *Election to Transfer Service* (Form 37).

Break in Service Rules—For Non-Contributory Pension System members only

A “break in service” occurs if a member of the Non-Contributory Pension System works less than 350 hours in a fiscal year (other than his or her first or last year of employment). A break in service may occur if a member takes an unapproved leave of absence, leaves his or her job and then returns to a participating employer or otherwise works less than 350 hours in a fiscal year. A member who works less than 350 hours in a fiscal year will incur a break in service for that entire year.

If you leave your job and later return to work as a member of the Non-Contributory Pension System, the fiscal year in which you return is included as part of a break in service *unless* you work more than 350 hours in that year. If you do not work more than 350 hours, the year of return is added to your other break-in-service years. (The potential to lose service credit exists only if you are not vested, i.e., have earned less than five years of eligibility service.)

A member who separates from employment and then returns to employment as a member of the Non-Contributory Pension System is entitled to the eligibility service he or she accrued before the break if:

- The member completes one year of eligibility service with a participating employer after the break,
- The number of consecutive years in which the member incurred the break in service is less than the years of eligibility service the member earned before the break and
- The member submits an *Application for Membership* (Form 1) with the new employer.

A vested member who experiences a break in service and then returns to employment with a participating employer is entitled to the eligibility service he or she accrued before the break regardless of the length of the break.

Claimed Credit— Approved Leave and Military Service

You may be eligible to claim additional credit if you take an approved leave of absence or have served in the military. It is your responsibility to claim this credit while a member by completing the required forms, available through your personnel office or the Retirement Agency. No additional credit can be claimed after you leave membership or retire.

This section discusses two types of service for which you may claim credit:

- Employer-approved, SRPS-qualified leaves of absence and
- U. S. military service

APPROVED LEAVE OF ABSENCE

At some time in your career, you may need to take an unpaid leave of absence. You may be eligible for pension service credit for the following specific types of employer-approved, SRPS-recognized leave:

- Personal illness
- Career-related study
- Maternity/paternity
- Government-sponsored or subsidized employment
- Adoption
- Service in a professional or employee organization

The SRPS recognizes only the types of approved leave listed here. If you take an unpaid leave of absence for reasons other than those noted, your active membership ceases during the leave and your accrued service credit may be affected.

Full-time employees receive one month of service credit for each month of approved leave up to a total of 24 consecutive months. Part-time employees receive prorated service credit.

It is the member's responsibility to file an *Application to be Placed on a Qualifying Leave of Absence* (Form 46) with the Retirement Agency before beginning an unpaid leave of absence. Your employer also must certify that the leave has been approved. Proper filing ensures that you will continue to earn service credit for the period of leave and that your survivor benefit will remain in effect during the leave. Form 46 is filed **in addition** to any forms your employer requires to grant your leave request.

Note for contributing members:

Members required to make payroll contributions must repay contributions missed during a leave of absence, plus interest, to be eligible for retirement credit for the leave period. You must file a *Request to Purchase Previous Service* (Form 26) while an active member or within 60 days of the end of the leave.

MILITARY SERVICE

You may receive retirement credit for eligible military service as long as you have not (and will not) receive credit for this military service under any other pension system. This restriction includes military pensions. It does not apply to benefits paid under Social Security, the National Railroad Retirement Act, any National Guard or Reserve pension or to benefits received from any disability pension. Review the following section for eligibility requirements and service credit limits.

Former members who have terminated membership with at least 10 years of creditable service may apply for military credit prior to receiving their vested benefit. Retired members who are receiving a monthly benefit are not eligible to claim military credit.

Military credit claimed and applied to a member's account receives the benefit formula multiplier in effect at the time of retirement.

Once retirement credit has been granted for military service, it cannot be removed at a later date.

Eligible Types of Military Service

For SRPS purposes, eligible military service is limited to the following:

- Membership in a reserve component of the Armed Forces of the United States on active duty or ordered or assigned to active duty, or on active or inactive duty for training that interrupts a member's service;
- Enlistment or induction into the Armed Forces of the United States;
- Membership in the Maryland National Guard;
- Participation in active duty or inactive duty training while a member of the National Guard or a reserve component of the Armed Forces of the United States;
- Service in the Merchant Marines from December 7, 1941 to December 31, 1946, or
- Active duty with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration or the Coast and Geodetic Survey from:
 - a. December 7, 1941 to December 31, 1946;
 - b. June 25, 1950 to January 31, 1955, or
 - c. December 22, 1961 to May 7, 1975.

Active Duty Preceding Membership

You may claim up to a maximum of five years of credit for active military duty preceding your membership. You must have accrued at least 10 years of **creditable** service to apply for credit for military service that preceded SRPS membership.

Service in the Guard and Active/Inactive Duty Training—Preceding and During Membership

Special rules apply for service in the Maryland National Guard and active/inactive duty training in the National Guard or U.S. Armed Forces Reserves.

Maryland National Guard Service

For service in the Maryland National Guard, four months of military credit may be credited for each year of Guard service up to a maximum of 36 months of military credit. A member must still have 10 years of **creditable** service to claim this type of service.

Exception: If you are in the Maryland National Guard and are activated, you can claim this service immediately upon your return to active employment.

Active Duty Training

For active duty training in the National Guard or U.S. Armed Forces Reserves, one month of military credit may be credited for every 28 days of active duty training certified. No credit is granted for days less than 28. To claim this service, a member must have 10 years of **creditable** service and the active duty training must have occurred **prior** to enrollment in SRPS.

Military Duty or Training Interrupting Membership

If you are called to active military duty or assigned active or inactive duty training while serving in the National Guard or a reserve unit during your membership, you should file an *Application to be Placed on a Qualifying Leave of Absence* (Form 46) before leaving employment. The filing of this form serves **only** to give your pension plan notice of your absence for military service.

You may claim a maximum of five years of military credit upon returning to membership provided:

- You return to work with a participating employer within one year of your discharge from active duty *and*
- You do not accept other permanent employment between your date of discharge and your return to work.

How to Apply

To file for military credit, either preceding or interrupting membership, complete a *Claim of Retirement Credit for Military Service* (Form 43). Attach a copy of your military discharge papers (Form DD 214) indicating your active duty entrance and discharge dates. To claim National Guard or Reserve service, include a retirement credit record (Form NGB-23 or similar form).

Purchased Credit

Purchased service refers to service credit you may buy through direct payment to the Retirement Agency for specific types of previous employment. Only members who are on paid employment or a State Retirement Agency approved leave of absence may purchase service. You may purchase a minimum of one month up to a maximum of 10 years of service credit, unless noted, to be included as eligibility and creditable service under your current pension system account. Service may be purchased for employment with:

- The State
- A political subdivision
- An out-of-state school as a teacher
- The federal government
- A public or non-public school as a teacher
- A post-secondary school as a teacher (a maximum of five years may be purchased)

COST

You pay the cost to fund the benefit your additional purchased service will provide. The cost varies depending on your age, average final compensation and the amount of credit you intend to purchase. In many cases the cost of a purchase is prohibitively expensive. There are also special situations which affect how the cost of a purchase is calculated. These situations are identified in this section as “Special Cost Rules” and “Redeposit Rules.”

Rollover Purchases

You may purchase eligible service with a rollover of funds from the following:

- Traditional IRA;
- Eligible Employer Plan, including a plan qualified under section 401(a) of the Internal Revenue Code such as a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan, or money purchase plan;
- Section 403(a) annuity plan
- Section 403(b) tax sheltered annuity; or
- Eligible Section 457(b) plan maintained by a governmental employer (government 457 plan).

SPECIAL COST RULES

In the 12 months preceding retirement, a member of the Employees' Pension System may purchase service credit for periods of State employment not in his or her account at a cost equal to 50% of the full cost. This also applies to a member of the Teachers' Pension System purchasing service credit for periods of employment as a member of the Teachers' Retirement System or Teachers' Pension System which the member does not currently have in his or her account. The reduced cost will be applied if:

- You are not employed by a participating or withdrawn governmental unit, and
- You are not otherwise entitled to service credit in a State system for the same period of employment.

Periods of employment during which the member participated in the Optional Retirement Program may not be purchased at this reduced cost.

HOW TO APPLY

You may apply to purchase service only during the 12 months preceding retirement. When you submit your *Application for an Estimate of Service Retirement Allowances* (Form 9), you should also apply to purchase service. File a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates.

REDEPOSIT RULES

If you withdrew your accumulated contributions after terminating a prior period of membership in the Employees' and Teachers' Pension System, you may be eligible to purchase this prior service.

Members of the Contributory Pension System

If you were a member of the Employees' or Teachers' Contributory Pension System at the time of the prior termination, you may purchase this prior service at any time before retirement.

Cost

To purchase this prior service, you must pay the member contributions that you would have made for the period of employment being purchased, plus regular interest at the rate of 5% to the date of payment. This amount must be paid to the Retirement Agency in a single payment.

How to Apply

Complete a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates.

A member may not purchase eligibility service credit that exceeds his or her creditable service credit.

Members of the Non-Contributory Pension System

No redeposit rules apply during membership. See "Purchased Credit" for instructions on how to purchase prior service.

Unused Sick Leave

You must retire within 30 days of terminating employment with a participating employer to receive additional **creditable** service for your accumulated unused sick leave. Since creditable service determines the amount of the benefit, unused sick leave can increase the size of your allowance. **However, it neither affects when you are eligible to retire nor alters any early retirement reduction factor.**

When you file your retirement application, your employer will certify the total unused sick leave you have accumulated. You receive one month of additional creditable service for each 22 days of unused sick leave reported. If, after calculating additional credit at the rate of 22 days per month, there are 11 or more days of unused sick leave remaining, you receive an additional month of creditable service. A maximum of 15 unused sick days for each year of membership may be applied to calculate additional service.

Important Notes on Unused Sick Leave:

- Unused sick leave is credited only when calculating the retirement benefit amount. It is not used to qualify for retirement benefits.
- Unused sick leave does not affect the reduction for early retirement.
- Unused sick leave is not used in the calculation of a vested benefit for members who separate from employment on or after July 1, 1990.
- Sick leave for 10-month employees such as teachers or other 10-month employees is credited according to the table to reflect that 10 months equal one year of service.

The following table shows how unused sick leave may be converted to retirement credit.

Unused Sick Leave Conversion Chart

| Days of Unused Sick Leave | Months of Retirement Credit 10 Month Member | Months of Retirement Credit 12 Month Member |
|----------------------------------|--|--|
| 001–010 | 0 | 0 |
| 011–032 | 1 | 1 |
| 033–054 | 2 | 2 |
| 055–076 | 3 | 3 |
| 077–098 | 4 | 4 |
| 099–120 | 5 | 5 |
| 121–142 | 6 | 6 |
| 143–164 | 7 | 7 |
| 165–186 | 8 | 8 |
| 187–208 | 9 | 9 |
| 209–230 | 1 Year | 10 |
| 231–252 | 1 Year | 11 |
| 253–274 | 1 Year | 1 Year |
| 275–296 | 11 | 13 |
| 297–318 | 12 | 14 |
| 319–340 | 13 | 15 |
| 341–362 | 14 | 16 |
| 363–384 | 15 | 17 |
| 385–406 | 16 | 18 |
| 407–428 | 17 | 19 |
| 429–450 | 18 | 20 |
| 451–472 | 19 | 21 |
| 473–494 | 2 Years | 22 |
| 495–516 | 2 Years | 23 |
| 517–538 | 2 Years | 2 Years |

Note: The Teachers’ Pension System is a 10-month system.

3



YOUR BENEFITS

It might surprise you to learn that your pension plan is not only for the future. In addition to providing income when you retire, your plan provides important coverage throughout your career.

Your Plan Provides:

Coverage While You Work

- Survivor protection if you die before retirement
- Disability coverage in the event that you are unable to continue working due to a disabling injury or illness

Retirement Benefits

- A basic monthly retirement allowance based on your age, service and salary upon retirement
- Options for a continuing allowance to your survivor
- Annual cost-of-living adjustments

This chapter includes a review of eligibility requirements and filing procedures for each of these benefits.

Survivor Benefits

ELIGIBILITY REQUIREMENTS

The survivor protection, also referred to as a death benefit, provides financial protection to your designated beneficiary(ies) if you die during active membership. Coverage for non-job related death goes into effect after you complete one year of service. Coverage for death in the performance of duty begins your first day on the job.

Survivor protection remains in effect as long as you are on payroll or an SRPS-approved unpaid leave of absence. (To secure your survivor benefit during a leave of absence, you must obtain prior approval from your employer **and** file a Form 46 with the Retirement Agency **before** your leave begins. See “Approved Leave of Absence” for details.)

SPECIAL DEATH BENEFIT

Benefit for death in the performance of duty

If you are killed while a member and your death arises out of or in the course of the actual performance of duty through no willful negligence on your part, the following benefit will be paid:

1. A single payment consisting of your contributions with interest to your designated beneficiary, PLUS
2. An annual benefit for your spouse (paid monthly) equal to two-thirds of your Average Final Compensation. If you have no spouse, your children under 18 years of age receive this payment until each attains age 18. Or, if you have no spouse or minor children, this benefit is payable to your dependent parent for life.

If you have no spouse, minor children, or dependent parent, then the Ordinary Death Benefit will be paid to your designated beneficiary.

PAYMENT OF ORDINARY DEATH BENEFIT

Single Payment

The survivor benefit is normally a one-time payment equal to:

- your annual salary at the time of death plus
- any member contributions with accumulated interest.

Spouse Option

If you are married, your spouse may elect a monthly benefit instead of a one-time payment if the spouse is designated as sole primary beneficiary **and** one of the following conditions is met:

- Member was eligible to retire under either an early retirement or service retirement at the time of death or
- Member had at least 25 years of eligibility service regardless of age.

The monthly survivor benefit is equal to the payment your beneficiary would receive had you retired under Option 2, the 100% survivorship option. (See “Choosing an Allowance Option” for details.)

DEATH WHILE PERFORMING MILITARY SERVICE

If death occurs while you are a member performing qualified military service, a survivor benefit of either the ordinary death benefit or spouse option, if eligible, will be paid to your designated beneficiary(ies.)

Beneficiaries

BENEFICIARY DESIGNATION

You designate your beneficiaries when you enroll. While most members designate a person(s) as beneficiary(ies), benefits also can be paid to your estate or to an organization such as a charity.

If you designate a minor as your beneficiary, you must designate an adult custodian to accept payment on behalf of the minor. If no custodian is named and the pay-

ment exceeds \$10,000, a guardian must be appointed by the court to accept the payment on the minor's behalf.

You may designate both primary and contingent beneficiaries during your membership.

Primary Beneficiary: This is your first choice for the individual(s) who would receive survivor benefits should you die during membership. Remember, as one of the conditions for the monthly survivor benefit option, your spouse must be your **sole primary beneficiary**. See "Survivor Benefits" for more information.

Contingent Beneficiary: This is your choice for the individual(s) who would receive the one-time benefit in the event that all designated primary beneficiaries predecease you.

BENEFICIARY CHANGES

It is important that the beneficiary(ies) you have on file with the Retirement Agency be kept current to reflect any changes in your life. Common reasons for changing beneficiaries include a change in marital status or the arrival of a new family member. You may update your beneficiary designation at any time by completing a new *Designation of Beneficiary* (Form 4), available through your personnel office. **Your new designation goes into effect when it is received by the State Retirement Agency.**

Disability Benefits

The State Retirement System provides important disability coverage in the unfortunate event that a serious injury, illness or injury due to military action permanently incapacitates you from performing your job duties. While we hope you never have to apply for disability benefits, an accident or illness can happen at any time. For this reason, it is important that you be aware of the disability provisions of your plan.

Your annual Personal Statement of Benefits provides an estimate of the basic disability allowance. Contact your personnel office to determine what impact a disability retirement might have on your health insurance coverage.

Disability retirement entails a two step process. The first step is to apply for disability benefits. The second step, filing an application to actually retire, must be carried out if you are approved for disability benefits.

IMPORTANT: If you believe you may be eligible for a disability retirement benefit, contact the Retirement Agency immediately. The application and approval processes can be lengthy, so do not delay filing.

TYPES OF DISABILITY

Ordinary versus Accidental Disability

The State of Maryland provides benefits for two types of disability: ordinary and accidental. Ordinary disability covers a permanently disabling medical condition. Accidental disability applies to a permanently disabling medical condition resulting from injuries sustained from an accident that occurred on the job. For either type of

disability, the applicant must demonstrate that he or she is completely and permanently unable to perform the duties of his or her job, as determined by the Retirement Agency's Medical Board and approved by the Board of Trustees.

DISABILITY ELIGIBILITY REQUIREMENTS

Eligibility requirements specific to the two types of disability follow:

Ordinary Disability

- A minimum of five years of eligibility service.
- Permanent incapacity to perform one's job duties due to medical reasons (includes occupational disease).
- Approved by the Medical Board and Board of Trustees.

Accidental Disability

There is no service credit requirement to apply for accidental disability. Coverage is in effect immediately upon enrollment provided **all** of the following requirements are met:

- You are totally and permanently disabled as the direct result of a specific accident(s) which occurs at a definite time and place. (Does not include occupational disease.)
- Accident occurs while you are performing assigned duties.
- You are not responsible for the accident through willful negligence.
- The disabling condition was caused by an accident that occurred within the last five years. (If you do not meet the five-year filing deadline for accidental disability, you may still be eligible to file for ordinary disability.)
- Your claim is approved by the Medical Board and Board of Trustees.

STEP 1: APPLYING FOR DISABILITY BENEFITS

Filing Requirements

Be aware that you cannot wait indefinitely to file for disability.

Members may only apply for ordinary or accidental disability benefits while on payroll or within **four** years of going off payroll. In special cases, a **24-month** filing extension may be granted for members who can prove they were mentally or physically incapacitated from filing within the deadline due to the disability itself. However, the requirements to receive a filing extension are difficult to meet.

How to File A Claim

Filing for a disability benefit can be a lengthy process. **(If your case involves a terminal medical condition, please contact the Retirement Agency for instructions on our expedited process.)** Several months can go by from the time you file your claim to the point when a decision is made by the Medical Board and the Board of Trustees. Complicated disability claims may take longer. Once approved by the Board of Trustees, you must then submit an application to accept a disability retirement. That's why you shouldn't wait until the last minute to apply. If you feel you may be eligible for disability retirement, contact a retirement specialist immediately.

Let your family members know that, in the event you are incapacitated, they should contact the Retirement Agency to learn what options are available to you.

Keep in mind that the medical evaluation is based on the documentation you provide detailing the disabling condition, the diagnosis and the prognosis. It is in your best interest to submit as much supporting information as possible. To expedite your claim, all forms and supporting medical information should be submitted together. Disability applicants must file the following:

- ***Statement of Disability*** (Form 20): This form provides information on the nature and cause of the disability. It requires your physician's medical report, which should include an opinion as to whether or not you are permanently disabled, and if so, why.
- **Job description:** The Medical Board evaluates the medical condition in relation to your job duties. The job description must be signed and dated by your supervisor.
- **All pertinent medical records:** Your doctor(s) will help you submit medical information in support of your claim, such as X-rays, test results and hospital reports. Form 20 contains a complete list of pertinent medical data.
- ***Preliminary Application for Disability Retirement*** (Form 129): This form protects the disability applicant should he or she die before submitting an application to accept a disability retirement. It authorizes the Agency's Board of Trustees to decide whether a disability allowance may be paid.
- ***Application for an Estimate of Disability Retirement Allowances*** (Form 21): This form authorizes the Agency to provide benefit estimates under various allowance options. An estimate of the allowance options checked on this form is automatically generated if you are approved for disability benefits.
- **Notification of Social Security claim/award**

In addition to the above, accidental disability applicants also must provide the following:

- **Accidental disability documentation:** For accidental disability claims, the employee must submit evidence to document that the accident was the direct cause of the disability.
- **Employer's first report of injury**
- **Copies of any Workers' Compensation decisions, awards or pending claims.**

QUESTIONS TO GUIDE YOU WHEN FILING A CLAIM FOR DISABILITY OR TO DETERMINE IF YOU ARE ELIGIBLE TO FILE A CLAIM

If you answer “yes” to the questions that follow, you may file for disability benefits. Contact the Retirement Agency immediately.

General Requirements for Disability Benefits

1. Have you met the filing requirements?
2. Are you permanently and totally disabled from performing your job duties?

Additional Requirements for Accidental Disability Benefits

1. Is your disabling condition caused by an accident that occurred within the last five years? (There is a five-year statute of limitations on filing for accidental disability.) If you do not meet the five-year filing deadline for accidental disability, you may still be eligible to file for ordinary disability.
2. Did the accident occur while you were performing your assigned duties?
3. Was the accident the direct cause of the disability?

Claim Review/Approval

Disability claims are evaluated by the Retirement Agency’s Medical Board, which reviews cases on a weekly basis. The physicians currently serving on the Board represent a range of medical specialties. They are appointed by the System’s Board of Trustees and are not affiliated with the State.

The Medical Board’s recommendation regarding the disability claim is presented to the Board of Trustees for final action. In some cases, the Medical Board will request an examination by a consulting physician at the Agency’s expense for the purpose of providing an additional medical opinion.

Notification

The claimant is notified of the claim decision after the Board of Trustees rules on the action recommended by the Medical Board.

The review for an accidental disability case usually takes several months. Reviews for ordinary disability cases take approximately two to three months. Complicated cases may take even longer.

STEP 2: IF APPROVED, FILE AN APPLICATION TO ACTUALLY RETIRE

RETIREMENT DATE

If your disability claim is approved, you may then submit an *Application for Service or Disability Retirement* (Form 13-23). The Retirement Agency at this time will determine your retirement date. Most retirees select the first day of the month as their retirement date, but this is not mandatory. Your health situation could dictate otherwise. For retirement dates other than the first day of the month, benefit payments become effective on the first day of the following month. Please contact a retirement specialist for further information.

BENEFIT AMOUNT

The information that follows is based on the Basic Allowance, which is the maximum monthly payment available to the retiree with no beneficiary protection. Other options are available which provide a lower payment to the retiree with varying degrees of beneficiary protection. See “Choosing an Allowance Option” and “Benefit Formulas” for more information.

Ordinary Disability Benefit

The ordinary disability retirement allowance is calculated using the service retirement formula, with creditable service projected to normal retirement age (62). This means that the member’s benefit is computed as if he or she had worked to age 62. For a member age 62 or older, his or her actual creditable service will be used in the calculation.

There is also no reduction for retiring early. Anyone granted an ordinary disability retirement or accidental disability retirement will receive the full allowance with no reduction for collecting before age 62 or with less than 30 years of service credit.

Note: Members who apply for disability within two years after transferring from the Retirement System to the Pension System receive a Retirement System benefit reduced actuarially by the amount of their transfer refund.

Accidental Disability Benefit

The accidental disability retirement allowance is calculated as two thirds (66.67%) of the member’s average final compensation (average of three highest consecutive years of salary) plus an annuity based on the actuarial value of his or her accumulated contributions, if any, with interest. The total benefit may not exceed the member’s average final compensation (AFC).

Important Note on Workers’ Compensation: It is IMPORTANT to be aware of the impact of Workers’ Compensation benefits on an accidental disability retirement. Disability benefits are “coordinated” with benefits payable from Workers’ Compensation. This does not reduce or affect your rights to apply for and receive Workers’ Compensation benefits. However, if you apply for and receive a Workers’ Compensation award payable while retired, your accidental disability retirement benefit shall be reduced for an accidental personal injury but not for an occupational disease.

Retirement law directs the Retirement Agency to withhold from your disability benefits an amount equivalent to the Workers’ Compensation award if the Workers’ Compensation benefits and disability benefits are based on the same event and are paid for the same period of time. The Retirement Agency does not offset that part of your monthly benefit based on your contributions. The Agency only offsets the part derived from the employer’s funded portion. The Retirement Agency must leave enough monthly benefit to cover the cost of your health insurance premiums and may not offset a retirement allowance for Workers’ Compensation benefits that are reimbursements for legal fees, medical expenses or other payments made to third

parties and not to the retiree. If you apply for Workers' Compensation benefits, please inform the Retirement Agency immediately. Please include your Workers' Compensation case number in this notification.

If you are a retiree of the Employees' Pension System who receives a disability retirement benefit as a former employee of a county board of education, the Board of School Commissioners of Baltimore City, or a participating governmental unit or a designated beneficiary of that retiree, the offset described above does not apply. Such a retiree or beneficiary of that retiree would be governed by §9-610 of the Labor and Employment Article.

REEMPLOYMENT EARNINGS RESTRICTIONS

Only disability retirees who retire on ordinary disability are subject to certain earnings restrictions if they become reemployed by a participating employer. Your earnings limit is listed on the letter of acknowledgment sent to you upon retirement. If you exceed your earnings limitation, your retirement allowance is reduced \$1 for every \$2 earned in excess of your earnings limit. After 10 years of retirement, the reduction is \$1 for every \$5 exceeding the limit. Earnings restrictions are lifted on January 1 of the year you reach retirement age (62). (For a summary of situations which may cause your disability benefit to be suspended, see "Suspension of Disability Retirement" on page 50.)

Vested Benefits

As an active member, you should be aware that your accumulated benefits are protected if you leave the State Retirement and Pension System and you are vested (have accrued at least five years of eligibility service). Once you are vested, if you should leave your job for any reason, you are guaranteed to receive a future benefit for the years and months of service earned before termination *unless* you withdraw your accumulated contributions from the Contributory Pension System. Members of the Non-Contributory Pension System are not subject to this withdrawal prohibition.

ELIGIBILITY

A vested monthly allowance is payable at age 62. If you have at least 15 years of eligibility service when your membership ends, you may elect to receive your vested benefit as early as age 55. As with an early service retirement, vested benefits payable before age 62 are reduced 0.5% for each month (6% for each year) you retire prior to your 62nd birthday.

Members of the Contributory Pension System

If you have less than five years of service upon leaving employment, you will not be eligible for future benefits. If you return to work for a participating employer, you may be entitled to your previously earned service credit. See "Career Changes." A member who withdraws his or her accumulated contributions after separating from employment will not be eligible for a future benefit unless he or she returns to membership and purchases the service credit.

Members of the Non-Contributory Pension System

If you have less than five years of service upon leaving employment, you are not eligible for future benefits. If, however, you return to work for a participating employer, you will retain your previously-earned credit provided that the break in service does not equal or exceed the amount of eligibility service you have on record. Upon your return to employment, you must work at least 500 hours during the SRPS fiscal year (July to June) to regain the previously-earned credit.

PAYMENT

The vested allowance is calculated using the service retirement formula. Unused sick leave is **not** included in the calculation of a vested allowance. See "Benefit Formulas" for more information.

If your vested allowance is less than \$50 a month, you may elect to receive a lump-sum payment of the allowance in lieu of a monthly benefit.

If a former member does not withdraw his or her accumulated contributions and dies before reaching age 62, his or her accumulated contributions plus interest accrued up to the member's death are paid to the designated beneficiary(ies).

NOTIFICATION

Approximately three months before a vested member's 62nd birthday, the Retirement Agency sends a letter and a blank estimate form to the address on record. After returning the completed form, the member will receive an estimate of his or her vested allowance under various allowance options. It is important to keep the Retirement Agency apprised of any address changes that occur over the years so you can be notified.

Service Retirement

There are two types of service retirement: normal and early. Normal service retirement provides full benefits, while early service retirement provides a reduced benefit. Your eligibility for either type of service retirement depends on two factors: your retirement service credit and your age at retirement.

RETIREMENT DATE

Most retirees select the first day of the month as their retirement date. If you are retired the first of a month, you receive your first check the end of that month. For retirement dates other than the first day of the month, benefit payments become effective on the first day of the following month. There are no payments for partial months retired.

Normal Service Retirement

ELIGIBILITY REQUIREMENTS

You qualify for a normal service retirement when you meet any of the following conditions.

You also qualify for a normal service retirement if you have a former vested account in the Employees' and Teachers' Retirement System which, when counted with your current pension service, totals at least 30 years of eligibility service.

| Age | | Minimum Eligibility Service |
|-------------|-------------|-----------------------------|
| 62 | <i>with</i> | 5 years |
| 63 | <i>with</i> | 4 years |
| 64 | <i>with</i> | 3 years |
| 65 or older | <i>with</i> | 2 years |
| any age | <i>with</i> | 30 years |

RETIREMENT ALLOWANCE

Your monthly pension income is based on your creditable service and average final compensation at retirement. See "Benefit Formulas" for details.

Early Service Retirement

ELIGIBILITY REQUIREMENTS

You qualify for an early service retirement when you meet **both** of the following age and service requirements:

| Age | | Minimum Eligibility Service |
|-------------|-------------|-----------------------------|
| 55 or older | <i>with</i> | 15 years |

RETIREMENT ALLOWANCE

The early service retirement benefit is a reduced benefit. Retirement benefits payable before age 62 are reduced 0.5% for each month (6% for each year) you retire prior to your 62nd birthday, with a maximum reduction of 42%. For example, the retirement allowance for a member retiring at age 55 would be reduced by 42%. See "Benefit Formulas" for details.

Choosing an Allowance Option

When you retire, you will be able to choose from a number of payment options. These options range from the Basic Allowance, which provides the highest monthly allowance for you alone, to options that reduce your monthly payment but provide varying degrees of protection to your beneficiary(ies) upon your death.

You cannot change your option selection after your first payment becomes normally due. We urge you to discuss your needs with your family and financial advisor and carefully review your financial circumstances before selecting an option. You will want

to consider how much income you will need to maintain an acceptable standard of living during retirement as well as the needs of your survivor(s) after your death. Contact the Retirement Agency if you need assistance in determining which option best suits your situation.

Note: The option you choose also may affect your beneficiary's eligibility for continued health coverage after your death. Check with your personnel office for more information.

THE BASIC ALLOWANCE

The Basic Allowance provides the maximum lifetime allowance to the retiree with all payments ceasing upon the retiree's death. There is no beneficiary coverage. If you believe your spouse or other survivor(s) may need some form of income continuation after your death, you may wish to consider one of the following options.

HOW THE OPTIONS WORK

Each of the following options guarantees you a monthly allowance during your lifetime and may provide either:

- a return of a single payment to your survivor(s) at your death (single-life annuities) or
- a continuing monthly payment after your death to your surviving beneficiary (dual-life annuities).

Single-Life Annuities

These options are classified as "single-life" because they provide benefits over the retiree's lifetime only. Upon the retiree's death, **any** reserve funds remaining in the account are distributed in a single payment to the retiree's designated beneficiary(ies).

Multiple beneficiaries may be named under the single-life annuities. These beneficiaries may be changed as often as desired.

OPTION 1—Full Return of Present Value of Retiree's Basic Allowance

Provides a lower monthly benefit than the Basic Allowance, but guarantees monthly payments that equal the total of your retirement benefit's Present Value. The Present Value of your benefit is figured at the time of your retirement. If you die before receiving monthly payments that add up to the Present Value, the remaining payments will be paid in a single payment to your designated beneficiary or beneficiaries who remain alive.

OPTION 4—Full Return of Employee Contributions

Provides a lower monthly benefit than the Basic Allowance, but guarantees the return of your accumulated contributions and interest as established when you retire. If you die before you have recovered the full amount of your accumulated contributions and interest, the remainder will be paid in a single payment to your designated beneficiary or beneficiaries who remain alive.

Dual-Life Annuities

The following options pay benefits over **two** lifetimes. They provide a benefit throughout the life of the retiree and then provide a continuing monthly benefit to a **sole** surviving beneficiary. The benefit amount is based on the retiree's age *and* the age of the beneficiary at the time of the member's retirement.

Only one beneficiary may be named under the dual-life annuities. This beneficiary may be changed, but it will cause a re-calculation of the retiree's benefit amount. In most cases, the recalculated amount will be less than the current amount.

OPTION 2—100% Survivor's Benefit

Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death the same monthly benefit will continue to be paid to your surviving beneficiary for his or her lifetime. No further payments will be made after the deaths of you and your beneficiary. If you choose this option, you must send proof of your beneficiary's date of birth with your final retirement application.

OPTION 3—50% Survivor's Benefit

Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death one half of the monthly benefit paid to you will be paid to your surviving beneficiary for his or her lifetime. No further payments will be made after the deaths of you and your beneficiary. If you choose this option, you must send proof of your beneficiary's date of birth with your final retirement application.

OPTION 5—100% Survivor's Benefit with Pop-Up Provision

Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death the same monthly benefit paid to you will be paid to your surviving beneficiary for his or her lifetime. It also provides that your monthly benefit will "pop-up" to the Basic Allowance for your lifetime if your beneficiary dies before you. If your original beneficiary dies and you are collecting the Basic Allowance and decide to name a new beneficiary, your benefit will be recalculated under Option 5 based on the new beneficiary designation. If you choose this option, you must send proof of your beneficiary's date of birth with your final retirement application.

OPTION 6—50% Survivor's Benefit with Pop-Up Provision

Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death one half of the monthly benefit paid to you will be paid to your surviving beneficiary for his or her lifetime. It also provides that your monthly benefit will "pop-up" to the Basic Allowance for your lifetime if your beneficiary dies before you. If your original beneficiary dies and you are collecting the Basic Allowance and decide to name a new beneficiary, your benefit will be recalculated under Option 6 based on the new beneficiary designation. If you choose this option, you must send proof of your beneficiary's date of birth with your final retirement application.

Special Limitation on Beneficiary under Option 2 and Option 5 – Effective January 1, 2006

If you choose Option 2 or Option 5, your beneficiary cannot be more than 10 years younger than you unless the beneficiary is your spouse or disabled child. If you are naming your disabled child at retirement, you need to have verification from a physician of your child's disability. Form 143 *Verification of Retiree's Disabled Child for Selection of Option 2/5 Beneficiary* must be completed and attached with your application for retirement.

NOTE: You cannot change your option selection after your first payment becomes normally due. It is very important to discuss your needs with your family and financial advisor. Contact the State Retirement Agency if you need assistance in determining which option best suits your situation.

Applying for Retirement

It is important to allow yourself sufficient time to make informed decisions about your retirement and meet the various filing deadlines. You should begin the application process approximately six months to one year from your desired retirement date and review the options available to you **before** you submit your final application. See “Preparing for Retirement” for a checklist that addresses some important financial and personal planning matters.

4



FUNDING YOUR BENEFITS

Types of Contributions

EMPLOYER CONTRIBUTIONS

The Pension System is contributory for many members. Your employer, however, contributes the largest amount to fund your benefits. The employer contribution rate is established annually by the Board of Trustees based upon an annual actuarial valuation.

EMPLOYEE CONTRIBUTIONS

Mandatory Contributions

Depending on your System of membership or your salary, you may be required to make payroll contributions to the Pension System.

Members of the Alternate Contributory Pension Selection Plan are required to make payroll contributions as follows:

- 5% of earnable compensation.

Members of the Contributory Pension System

Required to contribute 2% of their earnable compensation.

Members of the Non-Contributory Pension System

Required to contribute 5% of any portion of their earnable compensation that exceeds the Social Security Wage Base (SSWB).

For eligible members, contributions are automatically deducted from your paycheck.

Member contributions earn interest at a rate of 5% a year, compounded annually, until the accumulated contributions are withdrawn or the member retires.

Employer Pick-Up Contributions

All State agencies and many participating employers have joined the “employer pick-up program.” Under this program, your mandatory employee contributions are treated as pre-tax contributions for federal income tax purposes. That is, your contributions are not subject to federal tax during your membership. Federal income taxes are deferred until you receive a benefit. Members who do not work for State agencies should contact their employers to see if they participate in the employer pick-up program.

The pick-up program affects federal taxes only. Your contributions are still subject to Maryland income tax during your employment.

Contribution Deficiency

There are some instances where, because of incomplete contributions being deducted or provided, a deficiency may be applied to your account. The deficiency equals the amount of your missing contribution plus 5% interest applied at the end of each fiscal year.

If your payment is remitted before the end of the fiscal year, no interest is applied to the deficiency for that year. If, when you claim a benefit, a contribution deficiency exists, your benefit is reduced actuarially.

SUPPLEMENTAL CONTRIBUTIONS

Your pension benefits, along with Social Security, provide an important financial foundation for your retirement. These benefits, however, are likely to be only a part of the total financial picture. You may wish to supplement your retirement savings through one of the following:

Employer Annuity Programs

You may be eligible to participate in an annuity program offered by your employer. Some employer programs permit you to make contributions on a tax-deferred or tax-sheltered basis. Check with your personnel office to ask if your employer offers a supplemental annuity program.

Maryland Supplemental Retirement Plans (State Employees Only)

The Maryland Supplemental Retirement Plans offer State employees* a way to save on their own for retirement—through the Maryland 457 Deferred Compensation Plan, 401(k) Savings & Investment Plan, and 403(b) Tax Deferred Annuity Plan. All contributions are made through payroll deductions before Federal and State income taxes are assessed. The minimum contribution is \$5 a biweekly pay. The maximum varies by plan. Participants have a variety of investment options from which to choose to direct their contributions.

- * For purposes of these plans, in most cases, a State employee is defined as an employee who is receiving a paycheck from the State of Maryland. Some exceptions may apply. Note that county teachers are not eligible for participation in these supplemental retirement plans.

For further information, contact the Maryland Teachers’ & State Employees’ Supplemental Retirement Agency by telephone at 410-767-8740 or 1-800-543-5605. Information also can be obtained from the Web site www.msrp.state.md.us.

The State is required to contribute a certain percentage of payroll each year to fund pension benefits. The contribution rate is established annually by the Board of Trustees based upon an annual actuarial valuation. These contributions, along with employee contributions, are invested under the direction of the System's Board.

SYSTEM SAFEGUARDS

To safeguard the proper operation and funding of this multi-billion dollar pension fund, operations are monitored both internally and externally. The system's financial and administrative activities are subject to an annual audit by the State's Legislative Auditor. Funding requirements are calculated by an independent actuary, who prepares an annual valuation of the System's assets and liabilities. Before investment programs are undertaken by the Board, they are reviewed by the Board's Investment Committee, which includes three outside investment experts. All financial decisions require that assets be invested prudently and conservatively in the best interest of our members.

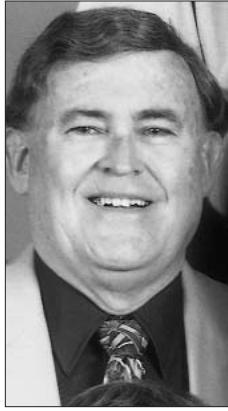
A summary of how your assets are being managed is reported annually in *The Mentor*.

YOUR BOARD OF TRUSTEES

Your Board of Trustees plays an important role in the stewardship of the State Retirement and Pension System. The Board guides System operations, establishes investment policies, formulates administrative policy and oversees the management of System assets.

Some trustees serve on the Board because of their position in State government. Others are appointed by the Governor because of their particular expertise. Still others are elected by you, our members.

5



BENEFIT FORMULAS: ALTERNATE CONTRIBUTORY PENSION SELECTION

This section provides a review of the formulas used by the Retirement Agency to calculate benefits for eligible members of the **Alternate Contributory Pension Selection**. See Appendix A in the back of this book for sample calculations.

Note: The following benefit formulas apply for members of the **Alternate Contributory Pension Selection** only. Benefit formulas for members of other Pension plans are located in Chapters 6 and 7.

Key Elements of the Benefit Formula

- **Creditable Service**—Your total years and months of creditable service (including additional credit granted for unused sick leave, if eligible) as of your retirement date.

Note: For the purposes of benefit calculations, your creditable service earned up to June 30, 1998, is counted separately from that earned after June 30, 1998.

- **Average Final Compensation (AFC)**—The average of your three highest consecutive annual salaries during your career.

Note: With the exception of salary increases due to promotions, any increases exceeding 20% are excluded from the calculation of average final compensation unless approved by the Board of Trustees.

Service Retirement

FORMULA-The following is the calculation for a service retirement benefit.

$$.012 \times \text{Average Final Compensation (AFC)} \times \text{Years of Credit to 6/30/98}^*$$

plus

$$.018 \times \text{Average Final Compensation (AFC)} \times \text{Years of Credit after 6/30/98}$$

equals

Annual Basic Allowance

$$\text{Annual Basic Allowance} \div 12 = \text{Monthly Basic Allowance}$$

*The service credit earned as of June 30, 1998 is multiplied by 1.2% unless the former Non-Contributory formula (0.8% / 1.5%) produces a higher benefit. For most members, the 1.2% multiplier will produce a greater benefit.

Early Service Retirement

FORMULA—The calculation of an early service retirement benefit uses the service retirement formula, but the benefit is reduced for the period of time between a member's retirement date and his or her 62nd birthday. The benefit is reduced by .005 (one-half of one percent) for each month, or 6% for each year, that payment begins prior to a member's 62nd birthday. The maximum reduction is 42%.

The calculation of an early service retirement benefit is a two step process. The first step determines the service retirement allowance. The second applies the reduction factor.

Deferred Vested Benefit

FORMULA— A vested benefit (deferred allowance) is calculated in the same manner as the service retirement benefit. The two key elements of the benefit formula are:

- **Creditable Service**—Your total years of creditable service at termination of membership. (Does not include unused sick leave)
- **Average Final Compensation (AFC)**—The average of your three highest consecutive annual salaries during your career prior to your termination date.

Members who terminate with 15 or more years of eligibility service may receive a vested benefit as early as age 55. Like an early retirement benefit, a vested benefit is reduced by .005 for each month prior to age 62 that payments begin.

If your vested allowance is less than \$50 a month, you may elect to receive a lump-sum payment of the allowance in lieu of a monthly benefit.

Note: Unused sick leave is **not** included as additional service in the calculation of a deferred vested benefit.

Disability Retirement

ORDINARY DISABILITY

FORMULA—The calculation of an ordinary disability benefit uses the service retirement formula with service projected to age 62.

Notes:

- Members who apply for disability within two years after transferring from the Retirement System to the Pension System receive a Retirement System benefit calculation reduced by the amount of their transfer refund.
- Creditable service is based on actual service, plus years and months of service projected to age 62. If you are working part time when disabled, service is projected as part time.
- There is no reduction applied for retiring before age 62.

ACCIDENTAL DISABILITY

FORMULA—The accidental disability benefit is equal to two-thirds (.6667) of a member's average final compensation at the time of disability, regardless of the member's age, plus an annuity based on the member's accumulated contributions.

Notes:

- The calculation of accidental disability benefits is based on average final compensation only.
- The accidental disability benefit also includes an annuity based on the accumulated employee contributions with interest at retirement.
- Accidental disability benefits in most cases are offset against Workers' Compensation paid or payable for the same accident, over the same period of time.

Survivor Benefits

SPECIAL DEATH BENEFIT

FORMULA—The special death benefit is a lifetime annual benefit (paid monthly) for the surviving spouse (or minor children or dependent parents if unmarried) equal to two-thirds of the member's Average Final Compensation PLUS a single payment of the deceased member's accumulated contributions with interest to his or her designated beneficiary.

ORDINARY DEATH BENEFIT

FORMULA—The ordinary death benefit is normally a single payment equal to one year's salary plus accumulated employee contributions, if any.

A surviving spouse may be eligible to receive a monthly survivor benefit over his or her lifetime *if* the spouse is the sole primary beneficiary on record *and* one of the following conditions is met:

- The deceased member was eligible to retire (either on a service retirement or early service retirement) at the time of death or
- The member died after accumulating at least 25 years of eligibility service (regardless of age).

The monthly survivor benefit is calculated using the service retirement formula.

6



BENEFIT FORMULAS: CONTRIBUTORY PENSION SYSTEM

This section provides a review of the formulas used by the Retirement Agency to calculate benefits for eligible members of the **Contributory Pension System**. See Appendix B in the back of this book for sample calculations.

Note: The following benefit formulas apply for members of the **Contributory Pension System** only. Benefit formulas for members of other Pension plans are located in Chapters 5 and 7.

Key Elements of the Benefit Formula

- **Creditable Service**—Your total years and months of creditable service (including additional credit granted for unused sick leave, if eligible) as of your retirement date.

Note: For the purposes of benefit calculations, your creditable service earned up to June 30, 1998, is counted separately from that earned after June 30, 1998.

- **Average Final Compensation (AFC)**—The average of your three highest consecutive annual salaries during your career.

Note: With the exception of salary increases due to promotions, any increases exceeding 20% are excluded from the calculation of average final compensation unless approved by the Board of Trustees.

Service Retirement

FORMULA—The following is the calculation for a service retirement benefit.

$$.012 \times \text{Average Final Compensation (AFC)} \times \text{Years of Credit to 6/30/98}^*$$

plus

$$.014 \times \text{Average Final Compensation (AFC)} \times \text{Years of Credit after 6/30/98}$$

equals

Annual Basic Allowance

$$\text{Annual Basic Allowance} \div 12 = \text{Monthly Basic Allowance}$$

* The service credit earned as of June 30, 1998 will receive the 1.2% multiplier *unless* the Non-Contributory Pension System formula (printed below) produces a greater benefit for that period of service. The formula that produces the greater benefit will apply for service up to June 30, 1998. In 2009, the Social Security Integration Level is \$53,900.

$$.008 \times \text{AFC up to the Social Security Integration Level}$$

plus

$$.015 \times \text{AFC above the Social Security Integration Level}$$

multiplied by

Total years and months of creditable service as of 6/30/98

Early Service Retirement

FORMULA—The calculation of an early service retirement benefit uses the service retirement formula, but the benefit is reduced for the period of time between a member's retirement date and his or her 62nd birthday. The benefit is reduced by .005 (one-half of one percent) for each month, or 6% for each year, that payment begins prior to a member's 62nd birthday. The maximum reduction is 42%.

The calculation of an early service retirement benefit is a two step process. The first step determines the service retirement allowance. The second applies the reduction factor.

Deferred Vested Benefit

FORMULA— A vested benefit (deferred allowance) is calculated in the same manner as the service retirement benefit. The two key elements of the benefit formula are:

- **Creditable Service**—Your total years of creditable service at termination of membership. (Does not include unused sick leave)
- **Average Final Compensation (AFC)**—The average of your three highest consecutive annual salaries during your career prior to your termination date.

Members who terminate with 15 or more years of eligibility service may receive a vested benefit as early as age 55. Like an early retirement benefit, a vested benefit is reduced by .005 for each month prior to age 62 that payments begin.

If your vested allowance is less than \$50 a month, you may elect to receive a lump-sum payment of the allowance in lieu of a monthly benefit.

Note: Unused sick leave is **not** included as additional service in the calculation of a deferred vested benefit.

Disability Retirement

ORDINARY DISABILITY

FORMULA—The calculation of an ordinary disability benefit uses the service retirement formula with service projected to age 62.

Notes:

- Members who apply for disability within two years after transferring from the Retirement System to the Pension System receive a Retirement System benefit calculation reduced by the amount of their transfer refund.
- Creditable service is based on actual service, plus years and months of service projected to age 62. If you are working part time when disabled, service is projected as part time.
- There is no reduction applied for retiring before age 62.

ACCIDENTAL DISABILITY

FORMULA—The accidental disability benefit is equal to two-thirds (.6667) of a member's average final compensation at the time of disability, regardless of the member's age, plus an annuity based on the member's accumulated contributions.

Notes:

- The calculation of accidental disability benefits is based on average final compensation only.
- The accidental disability benefit also includes an annuity based on the accumulated employee contributions with interest at retirement.
- Accidental disability benefits in most cases are offset against Workers' Compensation paid or payable for the same accident, over the same period of time.

Survivor Benefits

SPECIAL DEATH BENEFIT

FORMULA—The special death benefit is a lifetime annual benefit (paid monthly) for the surviving spouse (or minor children or dependent parents if unmarried) equal to two-thirds of the member's Average Final Compensation PLUS a single payment of the deceased member's accumulated contributions with interest to his or her designated beneficiary.

ORDINARY DEATH BENEFIT

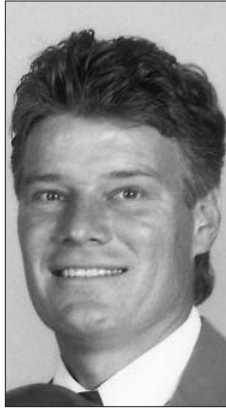
FORMULA—The survivor benefit is normally a single payment equal to one year's salary plus accumulated employee contributions, if any.

A surviving spouse may be eligible to receive a monthly survivor benefit over his or her lifetime *if* the spouse is the sole primary beneficiary on record *and* one of the following conditions is met:

- The deceased member was eligible to retire (either on a service retirement or early service retirement) at the time of death or
- The member died after accumulating at least 25 years of eligibility service (regardless of age).

The monthly survivor benefit is calculated using the service retirement formula.

7



BENEFIT FORMULAS: NON-CONTRIBUTORY PENSION SYSTEM

This section provides a review of the formulas used by the Retirement Agency to calculate benefits for eligible members of the **Non-Contributory Pension System**. See Appendix C in the back of this book for sample calculations.

Note: The following benefit formulas apply for members of the Non-Contributory Pension System only. Benefit formulas for members of other Pension plans are located in Chapters 5 and 6.

Key Elements of the Benefit Formula

- Your total years and months of creditable service (including additional credit granted for unused sick leave, if eligible) as of your retirement date.
- Average Final Compensation (AFC): The average of your three highest consecutive annual salaries during your career.

Note: With the exception of salary increases due to promotions, any increases exceeding 20% are excluded from the calculation of average final compensation unless approved by the Board of Trustees.

- Social Security Integration Level (SSIL): The SSIL is the average of all Social Security Wage Bases over the 35 calendar years prior to your retirement. The Social Security Wage Base is the maximum amount of earnings subject to the Federal Insurance Contribution Act (FICA) tax.

Service Retirement

FORMULA—The following is the calculation for a service retirement benefit.

.008 x Average Final Compensation up to the Social Security Integration Level
plus

.015 x Average Final Compensation above the Social Security Integration Level
multiplied by

Total years and months of creditable service

equals

Annual Basic Allowance

Annual Basic Allowance ÷ 12 = Monthly Basic Allowance

Note: For a member whose Average Final Compensation is less than the SSIL, the entire benefit is calculated using the .008 multiplier.

Early Service Retirement

FORMULA—The calculation of an early service retirement benefit uses the service retirement formula, but the benefit is reduced for the period of time between a member's retirement date and his or her 62nd birthday. The benefit is reduced by .005 (one-half of one percent) for each month, or 6% for each year, that payment begins prior to a member's 62nd birthday. The maximum reduction is 42%.

The calculation of an early service retirement benefit is a two step process. The first step determines the service retirement allowance. The second applies the reduction factor.

Deferred Vested Benefit

FORMULA—A vested benefit (deferred allowance) is calculated in the same manner as the service retirement benefit. The three key elements in the benefit formula are:

- Average Final Compensation (AFC)—The average of the three highest consecutive annual salaries during your career prior to your termination date.
- Social Security Integration Level (SSIL)—The SSIL in effect for the **year in which employment ended** (not the year in which the deferred benefit is to be paid).
- Creditable Service—Your total years of creditable service at termination of membership. (Does not include unused sick leave)

Members who terminate with 15 or more years of eligibility service may receive a vested benefit as early as age 55. Like an early retirement benefit, a vested benefit is reduced by .005 for each month prior to age 62 that payments begin.

If your vested allowance is less than \$50 a month, you may elect to receive a lump-sum payment of the allowance in lieu of a monthly benefit.

Note: Unused sick leave is **not** included as additional service in the calculation of a deferred vested benefit.

Disability Retirement

ORDINARY DISABILITY

FORMULA—The calculation of an ordinary disability benefit uses the service retirement formula with service projected to age 62.

Notes:

- Members who apply for disability within two years after transferring from the Retirement System to the Pension System receive a Retirement System benefit calculation reduced by the amount of their transfer refund.
- Creditable service is based on actual service, plus years and months of service projected to age 62. If you are working part-time when disabled, service is projected as part-time.
- There is no reduction applied for retiring before age 62.

ACCIDENTAL DISABILITY

FORMULA—The accidental disability benefit is equal to two-thirds (.6667) of a member's average final compensation at the time of disability, regardless of the member's age, plus an annuity based on the member's accumulated contributions, if any.

Notes:

- The calculation of accidental disability benefits is based on average final compensation only.
- For contributing members, the accidental disability benefit also includes an annuity based on the accumulated employee contributions with interest at retirement.
- Accidental disability benefits in most cases are offset against Workers' Compensation paid or payable for the same accident, over the same period of time.

Survivor Benefits

SPECIAL DEATH BENEFIT

FORMULA—The special death benefit is a lifetime annual benefit (paid monthly) for the surviving spouse (or minor children or dependent parents if unmarried) equal to two-thirds of the member's Average Final Compensation PLUS a single payment of the deceased member's accumulated contributions with interest to his or her designated beneficiary.

ORDINARY DEATH BENEFIT

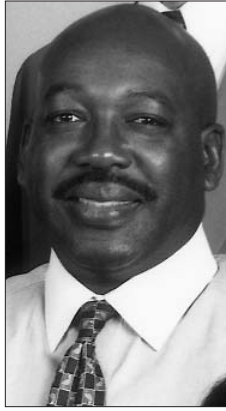
FORMULA—The survivor benefit is normally a single payment equal to one year's salary plus accumulated employee contributions, if any.

A surviving spouse may be eligible to receive a monthly survivor benefit over his or her lifetime *if* the spouse is the sole primary beneficiary on record *and* one of the following conditions is met:

- The deceased member was eligible to retire (on a service retirement or early service retirement) at the time of death or
- The member died after accumulating at least 25 years of eligibility service (regardless of age).

The monthly survivor benefit is calculated using the service retirement formula.

8



PREPARING FOR RETIREMENT

Filing Checklist

Forms provide the necessary information to initiate important benefits and services on behalf of SRPS members—from a change in beneficiaries to the payment of your first retirement check. Because incomplete or inaccurate information hinders benefits processing, it is essential that all forms be properly executed. Before you file a retirement form, refer to the following checklist:

- Have you read all explanatory information before signing?
- Is your Social Security number correct?
- If necessary, has your retirement coordinator provided requested information and signed the form?
- Does the form require notarization?
- Did you keep a copy of the form for your files?
- Did you include required supporting documents with your form?
- If you are selecting Options 2, 3, 5 or 6, did you include proof of the date of birth of your designated beneficiary?

See Appendix D in the back of this book for a list of primary Retirement Agency forms.

Retirement Checklist

The following checklist provides a general timetable for retirement preparation. This schedule shows the best time to begin filing some of the required forms and making the necessary contacts with the Retirement Agency.

ONE TO THREE YEARS PRIOR TO RETIREMENT

- () Attend one of the Retirement Agency's pre-retirement seminars. Contact the Retirement Agency or your personnel department for details. Seminars are conducted annually in the spring and fall.

TWELVE MONTHS PRIOR TO RETIREMENT

- () Request an *Application for an Estimate of Service Retirement Allowances* (Form 9). Allow four to six weeks to receive your estimate. Keep in mind that this form is not a retirement application. It is designed for planning purposes only.
Note: You may request an estimate only during the 12 months prior to your planned retirement date.
- () To apply to purchase any eligible service, file a *Request to Purchase Previous Service* (Form 26) along with your request for an estimate.
- () To apply for any eligible military credit, request a *Claim of Retirement Credit for Military Service* (Form 43).
- () Contact the nearest Social Security office for an estimate of your Social Security benefits. You can obtain an estimate request form by calling the Social Security Administration at 1-800-772-1213.

SIX MONTHS PRIOR TO RETIREMENT

- () If needed, schedule an appointment with a retirement benefits specialist to review your estimated benefits. It is recommended that you bring a copy of your latest estimate so you and the specialist can discuss this information at the meeting.
- () Discuss your estimated benefits/options with your family and financial advisor.
- () Contact your personnel office to inquire if you may continue employer-provided benefits, such as health insurance, after retiring.
- () Obtain proof of birth for beneficiary if you are planning to select Option 2, 3, 5 or 6.
- () Prepare a retirement budget, estimating your retirement expenses against your State pension benefit, Social Security and any other income.
- () Undergo a complete medical check-up.
- () Update or prepare a will.

THREE MONTHS PRIOR TO RETIREMENT

- () Contact Social Security to file for benefits (if age 62 or older).

TWO MONTHS PRIOR TO RETIREMENT

- () Contact your personnel office and file your actual retirement application: *Application for Service or Disability Retirement* (Form 13-23).
- () Provide proof of birth for your designated beneficiary if you select allowance Option 2, 3, 5 or 6.
- () If eligible, complete authorization forms to continue your health coverage and any other benefits provided by your employer.
- () Complete an *Electronic Transfer Sign-Up* (Form 85) for the electronic transmission (direct deposit) of your payment to your bank, savings institution or credit union.

Note: Direct deposit is mandatory for all retirees. In rare cases, a member who believes that direct deposit would pose an undue hardship may request a waiver from the executive director of the Retirement Agency. If your completed Form 85 or waiver is not on file with the Agency, a suspension of your retirement benefit could result.

- () Complete *Re-employment After Retirement* (Form 127) to acknowledge an understanding of the consequences of reentering the workforce (mandatory). No retirement check can be issued until this form is received by the Agency.
- () Complete a *Federal and Maryland State Tax Withholding Request* (Form 766).

ONE MONTH PRIOR TO RETIREMENT

- () Submit your notice of retirement to your employer in accordance with the applicable policies.

9



DURING RETIREMENT

There are a number of matters to be aware of during retirement, from the manner in which pension payments are paid to the importance of staying in touch with the Retirement Agency throughout the years.

Method of Payment

To ensure the timely delivery of benefit payments, it is mandatory for all retirees to receive payment of their monthly allowance through electronic funds transfer (direct deposit) to their savings institution.

Payments are issued on the last day of each month. Because the payments are sent electronically, funds post immediately to the retiree's bank account.

Tax Liability

Retirees are required to pay both federal and state taxes on their Maryland State pension income. Each January, the State Retirement Agency issues an IRS Form 1099-R to each retiree. This tax statement provides information you will need to file your annual tax returns.

When you retire, you will be asked to complete a tax withholding form. If you do not have taxes deducted from your monthly check, you may be required to make quarterly estimated payments to the appropriate tax authority. If you reside in another state after you retire, your pension will be subject to that state's taxes.

Cost-of-Living Adjustments (COLA)

A cost-of-living adjustment (COLA) may be applied to retirees' retirement allowances each July to help benefit payments keep pace with inflation. The annual adjustment is tied to the U. S. Department of Labor's Consumer Price Index, which is the standard unit of measurement for price changes nationwide. A member must be retired at least one year as of July 1 to be eligible to receive that year's increase.

Members of the Contributory Pension System

The annual COLA is applied to the **current** allowance. This allows for COLAs to compound over time.

Members of the Non-Contributory Pension System

The annual COLA is applied to the **original** allowance received when first retired.

Both Pension Systems limit the increase a retiree may receive to a maximum of 3% per year.

Reemployment After Retirement

When you retire and begin receiving retirement benefits, your intention should be to permanently retire from employment with the State or participating governmental employer. Under no circumstances should your decision to retire be conditioned upon an offer of reemployment, and in fact, no offers of reemployment should be discussed by you and your employer prior to your retirement. Such a pre-existing reemployment agreement would signify that there was no intention on your part to retire.

If after retirement you consider reemployment with the same employer from whom you retired (note: all units of Maryland state government, including the University of Maryland System, are considered one employer), you need to be aware of the following important information.

There can be significant consequences to you and the State Retirement and Pension System if you retire before the normal retirement age of your plan and/or before age 59 ½, and are reemployed with the same employer without a bona fide separation of service.

The Internal Revenue Service (IRS) can impose a significant tax penalty on your income if you are under the age of 59 ½, retire and begin receiving your monthly retirement benefits, and are reemployed by the same employer from whom you retired. In order to avoid this penalty there must be a bona fide separation from service between you and your former employer.

If you retire before your normal retirement age, there are also serious tax consequences to the State Retirement and Pension System if a bona fide separation from service does not take place following your retirement and prior to your reemployment with the same employer.

While the IRS has not specifically defined what constitutes a bona fide separation from service, the more differences between your last job before retirement and the job being performed upon your reemployment, and the longer the break between the date of your retirement and the date of your reemployment, the more likely it is that there has been a bona fide separation of service. If you are reemployed to perform the same job, even if there is a reduction in your work schedule, this would not likely qualify as a bona fide separation of service unless there is a lengthy break in employment. Even arrangements where you are rehired as an "independent contractor" may not meet the IRS' standard.

If after retirement you consider reemployment with the same employer from whom you retired, you may wish to review and discuss this information with the employer and your tax advisor. Failure to do so could result in a significant tax penalty on your income.

WHAT IS AN EARNINGS LIMITATION?

An earnings limitation is the maximum annual income an SRPS retiree may earn through reemployment (employment after retirement) without being subject to a reduction of his or her monthly retirement allowance. Your earnings limitation will be listed on the Notice of Retirement Allowance sent to you when you retire.

For a service retiree, this limit is the difference between your average final compensation (AFC) at retirement and your annualized Basic Allowance. With the exception of a January 1 retirement, the earnings limit applies beginning the year following the year of retirement.

AFC – annualized Basic Allowance = Annual Earnings Limitation

For reemployment purposes, **annual earnings** are the annual reemployment compensation *received* by a retiree during a calendar year (i.e., the total compensation reported to the IRS for earnings paid by the employer during the calendar year).

REEMPLOYMENT WITH PARTICIPATING EMPLOYERS

Your pension check may be reduced if after retirement you return to work for the State of Maryland or another employer that participates in the State Retirement and Pension System of Maryland. Participating employers include State agencies, State universities and colleges, public schools and libraries, community colleges, and participating counties, cities and towns.

In accordance with Maryland law, a retiree who is rehired by the same employer must have a break in service of 45 days.

Permanent, contractual or temporary employment

A service retiree returning to permanent, contractual or temporary employment with the same employer (i.e., his or her last participating employer before retirement) will be subject to an earnings limitation.

If you retire early and accept employment with any participating employer within the first 12 months of retiring, you will have an earnings limitation. After you have been retired for 12 months, you have an earnings limitation only if you accept employment with the same employer.

All units of State government, including the University of Maryland System, are considered to be *one employer* under these rules. Pension payments may be reduced if earnings exceed the earnings limit.

A service retiree who accepts temporary or contractual work with the same employer is subject to an earnings limit *unless* his or her average final compensation at retirement was less than \$10,000.

Notification requirements

Prior to accepting work with a participating employer, you are required by law to notify the Retirement Agency in writing of your employer, anticipated earnings and dates of employment. Contact the Retirement Agency for more information.

SPECIAL RULES FOR TEACHERS AND PRINCIPALS

Retired teachers and principals who meet certain guidelines and return to work as a classroom teacher, substitute classroom teacher, teacher mentor or principal, respectively, and work in certain schools are not subject to an earnings limit if retired under a service retirement or if retired early and have been retired early for at least 12 months. To find out if these exceptions apply to you, contact a retirement benefits specialist at 410-625-5555 or 1-800-492-5909.

SPECIAL RULES FOR HEALTH CARE PRACTITIONERS

Retired employees who accept *contractual* employment with the Department of Health and Mental Hygiene as health care practitioners at certain facilities are not subject to an earnings limit if retired under a service retirement or if retired early and have been retired early for at least 12 months. To find out if these exceptions apply to you, contact a retirement benefits specialist at 410-625-5555 or 1-800-492-5909.

SPECIAL RULES FOR RETIREES ELIGIBLE FOR MEMBERSHIP IN THE JUDGES' RETIREMENT SYSTEM

While serving as a judge, a retiree who is receiving a service retirement or a vested allowance from the Employees' Pension System may choose to become a member in the Judges' Retirement System and receive service credit under that plan. The pension benefit would be temporarily suspended while the retiree earns service credit in the Judges' Retirement System.

REEMPLOYMENT WITH NON-PARTICIPATING EMPLOYERS

Earnings limits do not apply for service retirees who work for a non-participating employer, become self employed or accept out-of-state employment.

SPECIAL RULES FOR DISABILITY RETIREES

Persons who accept an ordinary disability retirement are subject to an earnings limit if employed by a participating employer until reaching age 62. For an ordinary disability retiree, the earnings limit is the difference between your average final compensation (AFC) at retirement plus \$5,000 *and* your annualized Basic Allowance.

$$\text{AFC} + \$5,000 - \text{annualized Basic Allowance} = \text{Annual Earnings Limitation}$$

Persons who accept an accidental disability retirement are exempt from earnings limitations.

Suspension of disability retirement

If you began receiving an ordinary or accidental disability allowance on or after July 1, 1998 *and* you are not eligible to receive a service retirement, your retirement benefit shall be temporarily suspended if:

- You are reemployed by a participating employer at an annual compensation that is at least equal to your average final compensation. (Note: You are exempt from the suspension if you were employed at the time of retirement as a law enforcement officer for a participating employer *and* you are reemployed by a participating employer in any position other than a probationary status law enforcement officer, a law enforcement officer or chief as defined in § 3-101 of the Public Safety Article.)

If suspended, the retiree's allowance will be reinstated on the first day of the month following the month in which the retiree ceased employment with the participating employer. Also, the retiree's allowance at the time of reinstatement will be adjusted to reflect the accumulated cost-of-living adjustments during the period of suspension. There is no additional benefit accrued while reemployed by a participating employer.

REEMPLOYMENT AT A GLANCE—FOR MEMBERS OF THE CONTRIBUTORY AND NON-CONTRIBUTORY PENSION SYSTEMS

Review the following table for reemployment provisions that apply to you.

| TYPE OF EMPLOYMENT | SERVICE RETIREMENT | ORDINARY DISABILITY | ACCIDENTAL DISABILITY |
|--|--------------------|---------------------|-----------------------|
| Any position with non-participating employer | 1 | 1 | 1 |
| Employment with a participating employer <i>other than</i> your employer at the time of your last separation from participating employment | 1 | 3* | 1* |
| Employment with the <i>same</i> participating employer (i.e., your last participating employer before your final separation from employment) | 2 | 3* | 1* |
| Retired teacher or principal in eligible employment under §23-407 of the State Personnel and Pensions Article | 1 | Not Applicable | Not Applicable |

*The amount earned may cause a disability retiree's allowance to be temporarily suspended. See *Suspension of disability retirement*.

Key to numbers in the chart

1. No salary restrictions apply. Retiree will continue to receive full monthly allowance regardless of employment income.
Exception: Early service retirees who return to work for a **participating** employer have an earnings limit until they have been retired 12 months.
2. Retirement allowance is reduced \$1 for every \$1 earned in excess of earnings limit.
Exception: Persons who retired with an average final compensation of less than \$10,000 are exempt from a salary limit when returning to contractual or temporary employment with a participating employer.
Exception: The earnings limit is waived after 9 years of retirement. With the exception of a January 1 retirement date, the 9-year period begins on January 1 of the year following the year of retirement.
Exception: Persons who retired under the 16-year rule should contact the Retirement Agency for reemployment policies.
Exception: Retirees who are elected to office as local officials or constitutional officers of a participating municipal corporation are exempt from an earnings limit.
Exception: Teachers and principals who are rehired under special rules.
Exception: Contractual health care practitioners working at certain facilities.
Exception: Persons retired from both the Employees' Pension and the Judges' Retirement System who are temporarily assigned to sit in a Maryland court.
3. Retirement allowance is reduced \$1 for every \$2 earned in excess of earnings limit. After 10 years of retirement, the reduction factor is \$1 for every \$5 in excess of the limit. With the exception of a January 1 retirement, this 10-year period begins on January 1 of the year following the year of retirement. Ordinary disability retirees become exempt from salary limits on January 1 of the year they reach normal retirement age (age 62).

Garnishment of Pension Benefits

Generally, a retiree's pension benefits are not subject to assignment, garnishment, execution or attachment. These situations may occur, however, in cases involving divorce, alimony, child support and tax liens. A portion of the benefit may be assigned or transferred to a former spouse by court order or agreement incorporated in a court order. Furthermore, liens can be placed against a pension for child support, alimony or delinquent payment of Federal or State tax.

Health Insurance

GENERAL BENEFITS

When you retire, you may request various voluntary deductions from your monthly retirement payments for benefits such as health and life insurance. The availability and cost of these benefits vary by employer. Check with your agency personnel office and agency benefits coordinator for information on what benefits you may continue after retirement.

Probably the most important benefit to you and your family is health insurance. Continuing health coverage through your employer may be available to retirees who meet the eligibility requirements. Health benefits for retired State employees are administered by the Department of Budget and Management, Employee Benefits Division.

ELIGIBILITY

Service Retirement

Upon retirement, you may be eligible for continued health care coverage under the State's Health Program.

As a retiree, you are eligible for either partial or full subsidy of your State health benefits if you meet one of the following criteria:

- You have at least 16 years of State creditable service,
- You retired directly from State service with a State retirement allowance and with at least five years of State creditable service,
- You left State service (deferring your retirement allowance) with at least 10 years of State creditable service and within five years of normal retirement age (see "Vested Retirement" in this section), or
- You retired directly from State service with a disability retirement allowance.

A State employee who retires with less than five years of creditable service is not eligible for participation in the State Health Program unless retiring directly from State service with a disability retirement benefit.

The surviving spouse of a deceased retiree with health benefits is eligible to receive continuing State health coverage provided the surviving spouse is receiving a **monthly** allowance under options 2, 3, 5 or 6. A surviving spouse can only cover dependents who would also be eligible dependents of the original State retiree. A surviving child, permanently disabled prior to age 19, who is receiving a monthly allowance is also eligible for continued State health coverage.

Vested Retirement

A former **State** employee who is vested qualifies for State Health Program coverage when applying to receive the vested allowance provided:

- The member left State service (deferring his or her retirement allowance) with at least 10 years of State creditable service and within five years of normal retirement age, or
- The member terminates State employment with at least 16 years of State creditable service.

Disability Retirement

A **State** employee who takes a disability retirement (accidental or ordinary) is automatically eligible for continued health insurance coverage through the State Health Program. No service requirements apply. Health benefits rules for the surviving spouse of a disabled retiree are the same as those described for the surviving spouse of a service retiree.

ENROLLMENT

When you complete your final application to retire, your personnel department and your agency benefits coordinator will provide you with the appropriate health insurance application. Remember, it is up to you to apply for continuing health coverage. These benefits are not automatically continued. The plans are offered during open enrollment and may vary yearly. Plans offered for State retirees include:

- **Medical Plan** which includes vision and mental health/substance abuse benefits. (You must reside in the Maryland service area to be eligible for enrollment in a POS or HMO plan.)
- **Prescription Drug Plan**
- **Dental Plan**
- **Term Life Insurance** (Available only to retirees who were actively employed by the State on or after January 1, 1995, and have term life insurance as an active employee at the time of retirement. Dependents not covered at the time of retirement may not be added to life insurance coverage upon retirement. Retirees can continue life insurance at the same amount or a reduced amount. The coverage amount cannot be increased at or after the time of retirement.)
- **Long Term Care** (You must return a conversion form to the plan within 90 days of your last day of work.)

A retiring State employee is not eligible for:

- Flexible spending accounts
- Personal accidental death and dismemberment insurance

After retirement, enrollment in any State health plan or changes to coverage can occur during normal open enrollment periods (in the spring of each year for an effective date of July 1 of the same year) or within 60 days of a qualifying event.

COST

The State subsidizes health premium costs for retired **State** employees. The amount of this subsidy is determined according to each retiree's State creditable service. A State employee who retires with 16 or more years of State creditable service (or with a disability benefit) receives the same subsidy provided to an active employee.

A **State** employee retiring with at least five (but less than 16) years of State creditable service receives a prorated subsidy. The subsidy equals .5208% (.005208) of the health premium cost for each month of State creditable service, up to 100% with 16 years. The retiree pays the uncovered portion of the prorated subsidy in addition to the normal retiree's portion of the premium. This cost is deducted from the retiree's monthly pension check.

In the event that the monthly pension check does not cover a full monthly premium, the retiree will be billed for the premium directly and must send in monthly premium payments with coupons provided by the Employee Benefits Division.

Membership in the State Health Program does not constitute a contract. The provisions of the program are subject to annual review and modification. Costs may vary each year.

EFFECTS OF MEDICARE

Medicare is the Federal health insurance program administered by the Social Security Administration for persons who:

- Have been certified by the SSA as disabled (must have Parts A and B within two years of the date of disability) **or**
- Are age 65 or older.

A retired State employee and his or her eligible dependents **must sign up for Medicare Parts A and B as soon as they are eligible by way of age or disability** in order to have full claims coverage. The State Health Program is, thereafter, supplemental to Medicare. Anyone covered under the State retirees' health benefits program who does not have Medicare Parts A and B when eligible will become responsible for approximately 80% of claims amounts that would have been paid by Medicare.

This is Not a Contract

The preceding information summarizes the health benefits generally available to retirees of the State of Maryland and the procedures to be followed to secure benefits. Wherever conflicts occur between the contents of this information and the contracts, rules, regulations, or laws governing the administration of the various programs, the terms and conditions set forth in the various program contracts, rules, regulations or laws shall prevail. Space does not permit listing of all limitations and exclusions which apply to each plan. Before using your benefits, contact the Employee Benefits Division for coverage information.

For additional information on matters regarding health benefits, contact:

State Department of Budget and Management
Employee Benefits Division
301 West Preston Street, Room 510
Baltimore, MD 21201
410-767-4775

1-800-30-STATE (outside Baltimore-Washington area)

www.dbm.maryland.gov (use the keywords "Employee Services" and "Health Benefits")

10



SRPS RESOURCES

The State Retirement Agency offers a number of resources to help you stay informed of benefit matters throughout your career. The more you know about your plan, the better able you are to prepare for the future. We encourage you to use all available resources and to contact us whenever you need special assistance.

Information by Telephone

Retirement benefits specialists are available by phone from 8 a.m. to 5 p.m. weekdays to answer basic benefit questions.

State Retirement Agency – Member Services Division

410-625-5555

1-800-492-5909 (toll-free)

For your convenience, you may choose to use the Agency's automated phone system to obtain account information, schedule an appointment or hear up-to-date news on your pension plan. You can access the automated phone system at any time. The following selections are available using your touch-tone phone:

0 Staff Assistance

1 Hot Topic

Listen to a recorded message with the latest news and information from the Retirement Agency.

2 For Retirees & Beneficiaries receiving a monthly payment

Retrieve account information, verify your current mailing address and request forms for retirees and beneficiaries receiving a monthly payment.

3 For Current or Vested Members

Retrieve account information, check beneficiary information on file and request forms for current members and vested members.

4 Appointments

Schedule a counseling session at our Baltimore office or the regional location nearest you.

5 Survivor Benefits

Report the death of a member or retiree.

To protect the confidentiality of member accounts, a member must enter his or her Social Security number and four-digit personal identification number (PIN) before accessing personal account information via the automated phone system. Your initial PIN is the month and year of your enrollment. At retirement, your PIN changes to the month and year of your retirement.

Your PIN is listed on your Personal Statement of Benefits.

The Agency's automated phone system is accessible for the hearing impaired. TDD/TTY users may dial 410-625-5535 to access the automated phone system.

Counseling

OFFICE VISITS

If you require assistance that cannot be provided by phone or letter, you may schedule an appointment to meet with a retirement benefits specialist. While walk-in counseling appointments are welcome, we recommend that members schedule appointments in advance for quickest service.

Office Location:

**120 East Baltimore Street, 14th floor
Baltimore, Maryland**

Counseling Hours: 9 a.m. to 3:30 p.m.

To schedule an appointment:

410-625-5555

1-800-492-5909 (toll-free)

Press 4 on your touch tone phone

REGIONAL COUNSELING

From September to May of each year, specialists are available monthly at locations across the state. Contact your personnel office or the Retirement Agency for specific dates and locations. Regional counseling is by appointment only.

Inquiries by Letter

The Retirement Agency maintains a correspondence unit to respond to written inquiries regarding benefit matters. When making an inquiry in writing, remember to be specific about the information needing clarification and include copies of any related documents, such as your Personal Statement of Benefits. Be sure to identify yourself by full name, mailing address and Social Security number. You should also provide a daytime telephone number.

Correspondence should be addressed to:

The State Retirement Agency
120 East Baltimore Street, 14th floor
Baltimore, Maryland 21202-6700

You also may E-mail your inquiry to the Retirement Agency. Address E-mail correspondence to:

sra@sra.state.md.us

Address Changes

It is important to keep the Retirement Agency informed of any address changes that occur during your career and retirement.

Active Members—Provide your employer with your new address. Your retirement account will automatically be updated with your new address when your employer submits your next payroll record.

Retirees and Deferred Vested Members—For your protection, you are required to notify the Retirement Agency of address changes in writing. The Agency cannot accept this information by telephone.

Newsletters

Our quarterly newsletter, *The Mentor*, provides easy-to-read facts and information on your pension plan—from filing tips to changes in the law that could affect you and your family. After you retire, we continue to stay in touch with you through our informative retiree newsletter, *Retiree News & Notes*. Copies of both of these newsletters are available on our Web site at www.sra.state.md.us.

Web Site

The State Retirement Agency maintains an Internet Web site which features basic information about the State Retirement and Pension System, annual financial reports, an archive of recent Agency newsletters, agency forms, and links to other sites of interest.

You may visit the Agency's Web site at: www.sra.state.md.us

Personal Statement of Benefits

As an active member as of June 30, each fall you will receive an individualized statement of your retirement benefits. Your Statement of Benefits highlights everything you need to know about your account—from the amount of service credit and beneficiaries on record to estimates of future pension income. We encourage you to use this statement to verify the accuracy of your account data.

Seminars

The Retirement Agency offers various seminars spanning the entire period of membership—from enrollment to retirement. Contact your Retirement Coordinator for information on current seminars. Registration forms for these seminars can be found on the Agency's Web site.

Your Retirement Coordinator

For certain retirement matters, you need go no further than your own personnel office for assistance. Your employer has designated a special person, usually in your personnel office, to serve as a retirement coordinator. It's his or her job to assist you with basic retirement matters, such as filing the necessary forms to keep your account records up to date and your benefits in force.

Your retirement coordinator is not an agent of the State Retirement and Pension System and is not authorized to advise you on specific matters. For this type of assistance, you must contact the Retirement Agency.

CONFIDENTIALITY

Under Maryland's Public Information Act, all information in a member's retirement account is confidential, including addresses, telephone numbers, birth dates and enrollment dates. Accordingly, the Retirement Agency can disclose information only to the member who holds the account. Authorization to release this information to a third party must be furnished in writing by the member. There are exceptions to this rule including (but not limited to):

- The member's employer.
- After the death of the member, the member's beneficiary, personal representative or other person who has a valid claim to the member's benefits.
- Court-ordered release of information to a third party.

Note: Certain member information for elected and appointed officials is exempt from the confidentiality rule.

CONFLICTS / APPEALS

Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland takes precedence in resolving questions regarding the policies and benefits of the State Retirement and Pension System. If a member disagrees with information concerning his or her account or entitlement to benefits, the Board of Trustees may grant the individual an administrative hearing.

Any request for an appeal must be filed in writing to the executive director of the State Retirement Agency. Contact a retirement benefits specialist for additional information on the appeal process.



GLOSSARY OF TERMS

Accidental Disability

Total and permanent disability resulting from an on-the-job accident which occurs while carrying out one's job duties.

Actuary

An expert who analyzes risks and computes rates according to probabilities which are based on known experience.

Annuity

Income payable for the lifetime of the retired member in equal monthly payments.

Average Final Compensation (AFC)

Average of a member's salary for the three highest consecutive earning years.

Basic Allowance

Maximum benefit payable to a retiree based on member's total creditable service and average final compensation. Provides no beneficiary coverage.

Beneficiary

Individual(s) named by a member or retiree to receive benefits in the event of the member or retiree's death.

Claimed Credit

Additional retirement credit including service transferred from other pension systems and eligible military service. Member must apply for this credit, unlike earned credit which accrues automatically.

Contingent Beneficiary

Individual(s) named to receive benefits in the event that there are no primary beneficiaries who survive the member/retiree.

Cost-of-Living Adjustment (COLA)

Annual increases of State pension benefit to retirees based on changes to the Consumer Price Index.

| | |
|----------------------------------|---|
| Creditable Service | Service credit used for calculating the <i>amount</i> of a benefit. |
| Early Service Retirement | A reduced benefit payable as early as age 55, with at least 15 years of eligibility service. |
| Earnable Compensation | Annual salary rate payable for working the normal time in the member's position. |
| Earned Credit | Retirement credit earned through payroll reporting. |
| Eligibility Service | Service credit used to determine <i>when</i> a member qualifies to receive a benefit. |
| Fiscal Year | The annual period beginning July 1 and ending June 30. |
| Leave of Absence | An employer-approved and SRPS-qualified absence from work without pay, granted for the following specific purposes: personal illness; maternity/paternity; adoption; career-related study; government sponsored or subsidized employment; and service in a professional or employee organization. |
| Medical Board | A panel of doctors, appointed by the SRPS Board of Trustees, who determine eligibility for disability retirement. |
| Membership | Membership begins your first day on the payroll. Membership ends four years after separation from employment, at retirement, at death or at withdrawal of employee contributions with interest. |
| Military Duty | Period of eligible duty with any of the Armed Forces of the United States, National Guard or Reserves as verified by military discharge papers. |
| Municipality | A city, county or other local government or any other employer specifically named in retirement law. |
| Normal Service Retirement | Retirement at age 62 with at least five years of eligibility service (or at any age after 30 years of eligibility service) with an unreduced monthly benefit. |

Ordinary Disability

Permanent disability caused by any physical or mental illness or medical condition other than an on-the-job accident. Member must have at least five years of eligibility credit to apply.

Participating Employer

Public employers offering State Retirement Agency of Maryland benefits to their personnel. Includes State agencies; public schools and libraries; State universities and colleges; community colleges; participating counties, cities and towns; and municipal corporations.

Primary Beneficiary(ies)

Individual(s) with first claim to a member's/ retiree's benefits.

Retirement Coordinator

An employee, usually a personnel officer of a participating employer, who is trained to assist members with basic retirement matters such as the completion of SRPS forms.

SRA

State Retirement Agency. The State agency that administers the State Retirement and Pension System.

SRPS

State Retirement and Pension System

Vesting

Entitlement to retirement benefits at a later date. A member is vested after five years of eligibility service.

Vested Allowance

A benefit payable at age 62 to a member who terminates employment with five or more years of eligibility service but who is not eligible for normal, early or disability retirement. May also be paid as early as age 55 if member has at least 15 years of eligibility service.

APPENDIX A: SAMPLE BENEFIT CALCULATIONS FOR THE ALTERNATE CONTRIBUTORY PENSION SELECTION

This appendix illustrates how to calculate dollar figures for the various **Alternate Contributory Pension Selection** benefits using the formulas provided in Chapter 5. The following samples are examples only. The Retirement Agency will furnish you with a precise calculation when you are within one year of your retirement date and file Form 9 to request an estimate of your benefits.

Note: The following sample calculations apply for members of the Alternate Contributory Pension Selection only. Calculations for members of other Pension plans are located in Appendices B and C.

Assumptions Used in Sample Calculations

Each of the following sample calculations is based on the election of the Basic Allowance, which provides the highest monthly retirement income to the retiree. It is assumed that the 1.2% portion of the formula will produce a greater benefit than the Non-Contributory Pension System formula in that part of the calculation. Also, an average final compensation of \$45,000 is used in each example, unless otherwise noted.

Service Retirement

EXAMPLE 1: SERVICE RETIREMENT

The following example shows a typical service retirement calculation.

A member retires at age 62 with 24 total years of creditable service. The member earned 13 years of service up to June 30, 1998 and 11 more years after June 30, 1998. The member's average final compensation is \$45,000.

The Basic Allowance is calculated as follows:

$$.012 \times \$45,000 \times 13 \text{ years} = \$7,020.00$$

plus

$$.018 \times \$45,000 \times 11 \text{ years} = \$8,910.00$$

$$\$7,020.00 + \$8,910.00 = \$15,930.00 \text{ annual Basic Allowance}$$

$$\$15,930.00 \div 12 = \$1,327.50 \text{ monthly Basic Allowance}$$

EXAMPLE 2: EARLY SERVICE RETIREMENT

In the following example, a 55-year-old member accepts early service retirement with 18 years of creditable service: seven years of service up to June 30, 1998, and 11 years after June 30, 1998. The member's average final compensation is \$45,000.

STEP 1: Calculate the Basic Allowance

$$.012 \times \$45,000 \times 7 \text{ years} = \$3,780.00$$

plus

$$.018 \times \$45,000 \times 11 \text{ years} = \$8,910.00$$

$$\$3,780.00 + \$8,910.00 = \$12,690.00 \text{ annual Basic Allowance}$$

Deferred Vested Retirement

STEP 2: Apply the reduction factor (for members under age 62 who have less than 30 years)

In this example, since the member is 55, the member is taking retirement seven years (or 84 months) earlier than normal. Thus, the reduction factor is $.005 \times 84 \text{ months} = 0.42$, or 42%.

$$\$12,690.00 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$5,329.80$$

$$\$12,690.00 \text{ (Basic Allowance)} - \$5,329.80 \text{ (reduction amount)} = \$7,360.20$$

\$7,360.20 annual Basic Allowance payable at age 55

$$\$7,360.20 \div 12 = \$613.35 \text{ monthly Basic Allowance payable at age 55}$$

EXAMPLE 3A: DEFERRED VESTED RETIREMENT (FULL BENEFIT)

Imagine a member leaves employment with nine years of eligibility and creditable service. The member earned five years of service up to June 30, 1998, and four more years after June 30, 1998. The member's average final compensation at termination is \$42,000. The vested benefit, payable at age 62, is calculated as follows:

$$.012 \times \$42,000 \times 5 \text{ years} = \$2,520.00$$

plus

$$.018 \times \$42,000 \times 4 \text{ years} = \$3,024.00$$

$$\$2,520.00 + \$3,024.00 = \$5,544.00$$

\$5,544.00 annual Basic Allowance payable at age 62

$$\$5,544.00 \div 12 = \$462.00 \text{ monthly Basic Allowance payable at age 62}$$

EXAMPLE 3B: DEFERRED VESTED RETIREMENT (REDUCED BENEFIT)

In the following example, a member leaves employment at age 53 with 15 years of eligibility and creditable service. The member earned 13 years of service up to June 30, 1998, and two more years after June 30, 1998. The member's average final compensation at termination is \$42,000. The deferred vested benefit at age 55 is calculated as follows:

STEP 1: Calculate the Basic Allowance

$$.012 \times \$42,000 \times 13 \text{ years} = \$6,552.00$$

plus

$$.018 \times \$42,000 \times 2 \text{ years} = \$1,512.00$$

$$\$6,552.00 + \$1,512.00 = \$8,064.00 \text{ annual Basic Allowance}$$

Disability Retirement

STEP 2: Apply the reduction factor

In this example, since the member is 55 (seven years from reaching age 62), the reduction factor is $.005 \times 84$ months = 0.42, or 42%.

$$\$8,064.00 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$3,386.88$$

$$\$8,064.00 \text{ (Basic Allowance)} - \$3,386.88 \text{ (reduction amount)} = \$4,677.12$$

\$4,677.12 annual Basic Allowance payable at age 55

$$\$4,677.12 \div 12 = \$389.76 \text{ monthly Basic Allowance payable at age 55}$$

EXAMPLE 4: ORDINARY DISABILITY RETIREMENT

In the following example, a member accepts an ordinary disability retirement at age 42. The member has 17 years of creditable service (six years of service up to June 30, 1998, and 11 more years after June 30, 1998). The average final compensation is \$45,000.

$$.012 \times \$45,000 \times 6 \text{ years} = \$3,240.00$$

plus

$$.018 \times \$45,000 \times 31 \text{ years (11 years actual service + 20 years of service projected to age 62)} = \$25,110.00$$

$$\$3,240.00 + \$25,110.00 = \$28,350.00 \text{ annual Basic Allowance}$$

$$\$28,350.00 \div 12 = \$2,362.50 \text{ monthly Basic Allowance}$$

EXAMPLE 5: ACCIDENTAL DISABILITY RETIREMENT

Consider a member who retires under accidental disability at age 51. The member's average final compensation is \$45,000 and his employee contributions and interest are \$1,450.

STEP 1: Determine two-thirds of the average final compensation (AFC)

$$\$45,000 \times .6667 = \$30,001.50 \text{ annual Basic Allowance}$$

$$\$30,001.50 \div 12 = \$2,500.13 \text{ monthly Basic Allowance}$$

STEP 2: Calculate the annuity based on accumulated contributions

$$\$1,450^* \div 8.879 \text{ (NAF**)} = \$163.31$$

$$\$163.31 \div 12 \text{ months} = \$13.61 \text{ monthly annuity}$$

STEP 3: Add the results of Steps 1 and 2 to determine the monthly allowance

$$\$2,500.13 + \$13.61 = \$2,513.74 \text{ monthly allowance (Basic Benefit)}$$

* Employee contributions plus interest will vary for each employee.

** Normal Annuity Factor (NAF) is a number set according to age. The Retirement Agency consults an actuarial table published in the Code of Maryland regulations for each person's NAF.

Survivor Benefits

EXAMPLE 6A: SPECIAL DEATH BENEFIT

Consider a member who is killed on the job in the performance of duty. The member's annual salary is \$45,000 and the member has \$4,000 of accumulated contributions with interest. The member's spouse* is his sole primary beneficiary.

$$\$45,000 \times .6667 = \$30,001.50 \text{ annual Basic Allowance}$$

$$\$30,001.50 \div 12 = \$2,500.13 \text{ monthly Basic Allowance}$$

The spouse also receives a single payment of the member's \$4,000 accumulated contributions with interest.

* If the member is unmarried at the time of death, this benefit is payable to the member's minor children or, if no children, to the member's dependent parents. If the member has no spouse, minor children, or dependent parent, then the Ordinary Death Benefit will be paid to the member's designated beneficiary.

EXAMPLE 6B: ORDINARY DEATH BENEFIT

In this example, a member dies at age 57 after 16 years of membership. The member's annual salary is \$45,000, the member has \$4,000 of accumulated contributions with interest, and the member has two primary beneficiaries on record.

$$\$49,000 \div 2 \text{ (number of primary beneficiaries)} = \$24,500$$

\$24,500 single payment to each primary beneficiary

EXAMPLE 6C: SPOUSAL MONTHLY ANNUITY OPTION

Imagine a member dies at age 57 with 16 years of membership (five years prior to June 30, 1998, and 11 years after) and the average final compensation is \$45,000. The member's spouse is sole primary beneficiary on record. Since the conditions are met for a monthly survivor benefit, the spouse may choose to receive **either** a single payment equal to the member's annual salary plus accumulated contributions with interest *or* a monthly survivor benefit calculated as an Option 2 service retirement allowance.

In this example, because the member died 60 months prior to reaching age 62, a reduction factor of .30 (30%) applies. Using the actuarial tables, for a member age 57 and spouse age 56, the option factor of .8389 would apply in this instance to convert the Basic Allowance to Option 2.

STEP 1: Calculate the Basic Allowance

$$.012 \times \$45,000 \times 5 \text{ years} = \$2,700.00$$

plus

$$.018 \times \$45,000 \times 11 \text{ years} = \$8,910.00$$

$$\$2,700.00 + \$8,910.00 = \$11,610.00 \text{ annual Basic Allowance}$$

STEP 2: Apply the reduction factor

$\$11,610.00$ (Basic Allowance) \times 0.30 (reduction factor) = $\$3,483.00$

$\$11,610.00$ (Basic Allowance) $-$ $\$3,483.00$ (reduction amount) = $\$8,127.00$

STEP 3: Determine Option 2 retirement benefit

$\$8,127.00 \times .8389$ (Option 2 factor) = $\$6,817.74$ **annual spouse's survivor benefit**

$\$6,817.74 \div 12 = \568.15 **monthly spouse's survivor benefit for life**

APPENDIX B: SAMPLE BENEFIT CALCULATIONS FOR THE CONTRIBUTORY PENSION SYSTEM

This appendix illustrates how to calculate dollar figures for the various **Contributory Pension System** benefits using the formulas provided in Chapter 6. The following samples are examples only. The Retirement Agency will furnish you with a precise calculation when you are within one year of your retirement date and file Form 9 to request an estimate of your benefits.

Note: The following sample calculations apply for members of the Contributory Pension System only. Calculations for members of other Pension plans are located in Appendices A and C.

Assumptions Used in Sample Calculations

Each of the following sample calculations is based on the election of the Basic Allowance, which provides the highest monthly retirement income to the retiree. It is assumed that the 1.2% portion of the formula will produce a greater benefit than the Non-Contributory Pension System formula in that part of the calculation. Also, an average final compensation of \$45,000 is used in each example, unless otherwise noted.

Service Retirement

EXAMPLE 1: SERVICE RETIREMENT

The following example shows a typical service retirement calculation.

A member retires at age 62 with 24 total years of creditable service. The member earned 13 years of service up to June 30, 1998 and 11 more years after June 30, 1998. The member's average final compensation is \$45,000.

The Basic Allowance is calculated as follows:

$$.012 \times \$45,000 \times 13 \text{ years} = \$7,020.00$$

plus

$$.014 \times \$45,000 \times 11 \text{ years} = \$6,930.00$$

$$\$7,020.00 + \$6,930.00 = \$13,950.00 \text{ annual Basic Allowance}$$

$$\$13,950.00 \div 12 = \$1,162.50 \text{ monthly Basic Allowance}$$

EXAMPLE 2: EARLY SERVICE RETIREMENT

In the following example, a 55-year-old member accepts early service retirement with 18 years of creditable service: seven years of service up to June 30, 1998, and 11 years after June 30, 1998. The member's average final compensation is \$45,000.

STEP 1: Calculate the Basic Allowance

$$.012 \times \$45,000 \times 7 \text{ years} = \$3,780.00$$

plus

$$.014 \times \$45,000 \times 11 \text{ years} = \$6,930.00$$

$$\$3,780.00 + \$6,930.00 = \$10,710.00 \text{ annual Basic Allowance}$$

Deferred Vested Retirement

STEP 2: Apply the reduction factor (for members under age 62 who have less than 30 years)

In this example, since the member is 55, the member is taking retirement seven years (or 84 months) earlier than normal. Thus, the reduction factor is $.005 \times 84 \text{ months} = 0.42$, or 42%.

$$\$10,710.00 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$4,498.20$$

$$\$10,710.00 \text{ (Basic Allowance)} - \$4,498.20 \text{ (reduction amount)} = \$6,211.80$$

\$6,211.80 annual Basic Allowance payable at age 55

$$\$6,211.80 \div 12 = \$517.65 \text{ monthly Basic Allowance payable at age 55}$$

EXAMPLE 3A: DEFERRED VESTED RETIREMENT (FULL BENEFIT)

Imagine a member leaves employment with nine years of eligibility and creditable service. The member earned five years of service up to June 30, 1998, and four more years after June 30, 1998. The member's average final compensation at termination is \$42,000. The vested benefit, payable at age 62, is calculated as follows:

$$.012 \times \$42,000 \times 5 \text{ years} = \$2,520.00$$

plus

$$.014 \times \$42,000 \times 4 \text{ years} = \$2,352.00$$

$$\$2,520.00 + \$2,352.00 = \$4,872.00$$

\$4,872.00 annual Basic Allowance payable at age 62

$$\$4,872.00 \div 12 = \$406.00 \text{ monthly Basic Allowance payable at age 62}$$

EXAMPLE 3B: DEFERRED VESTED RETIREMENT (REDUCED BENEFIT)

In the following example, a member leaves employment at age 53 with 15 years of eligibility and creditable service. The member earned 13 years of service up to June 30, 1998, and two more years after June 30, 1998. The member's average final compensation at termination is \$42,000. The deferred vested benefit at age 55 is calculated as follows:

STEP 1: Calculate the Basic Allowance

$$.012 \times \$42,000 \times 13 \text{ years} = \$6,552.00$$

plus

$$.014 \times \$42,000 \times 2 \text{ years} = \$1,176.00$$

$$\$6,552.00 + \$1,176.00 = \$7,728.00 \text{ annual Basic Allowance}$$

Disability Retirement

STEP 2: Apply the reduction factor

In this example, since the member is 55 (seven years from reaching age 62), the reduction factor is $.005 \times 84 \text{ months} = 0.42$, or 42%.

$$\$7,728.00 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$3,245.76$$

$$\$7,728.00 \text{ (Basic Allowance)} - \$3,245.76 \text{ (reduction amount)} = \$4,482.24$$

\$4,482.24 annual Basic Allowance payable at age 55

$$\$4,482.24 \div 12 = \$373.52 \text{ monthly Basic Allowance payable at age 55}$$

EXAMPLE 4: ORDINARY DISABILITY RETIREMENT

In the following example, a member accepts an ordinary disability retirement at age 42. The member has 17 years of creditable service (six years of service up to June 30, 1998, and 11 more years after June 30, 1998). The average final compensation is \$45,000.

$$.012 \times \$45,000 \times 6 \text{ years} = \$3,240.00$$

plus

$$.014 \times \$45,000 \times 31 \text{ years (11 years actual service + 20 years of service projected to age 62)} = \$19,530.00$$

$$\$3,240.00 + \$19,530.00 = \$22,770.00 \text{ annual Basic Allowance}$$

$$\$22,770.00 \div 12 = \$1,897.50 \text{ monthly Basic Allowance}$$

EXAMPLE 5: ACCIDENTAL DISABILITY RETIREMENT

Consider a member who retires under accidental disability at age 51. The member's average final compensation is \$45,000 and his employee contributions and interest are \$1,450.

STEP 1: Determine two-thirds of the average final compensation (AFC)

$$\$45,000 \times .6667 = \$30,001.50 \text{ annual Basic Allowance}$$

$$\$30,001.50 \div 12 = \$2,500.13 \text{ monthly Basic Allowance}$$

STEP 2: Calculate the annuity based on accumulated contributions

$$\$1,450^* \div 8.879 \text{ (NAF**)} = \$163.31$$

$$\$163.31 \div 12 \text{ months} = \$13.61 \text{ monthly annuity}$$

STEP 3: Add the results of Steps 1 and 2 to determine the monthly allowance

$$\$2,500.13 + \$13.61 = \$2,513.74 \text{ monthly allowance (Basic Benefit)}$$

* Employee contributions plus interest will vary for each employee.

** Normal Annuity Factor (NAF) is a number set according to age. The Retirement Agency consults an actuarial table published in the Code of Maryland regulations for each person's NAF.

Survivor Benefits

EXAMPLE 6A: SPECIAL DEATH BENEFIT

Consider a member who is killed on the job in the performance of duty. The member's annual salary is \$45,000 and the member has \$4,000 of accumulated contributions with interest. The member's spouse* is his sole primary beneficiary.

$$\$45,000 \times .6667 = \$30,001.50 \text{ annual Basic Allowance}$$

$$\$30,001.50 \div 12 = \$2,500.13 \text{ monthly Basic Allowance}$$

The spouse also receives a single payment of the member's \$4,000 accumulated contributions with interest.

* If the member is unmarried at the time of death, this benefit is payable to the member's minor children or, if no children, to the member's dependent parents. If the member has no spouse, minor children, or dependent parent, then the Ordinary Death Benefit will be paid to the member's designated beneficiary.

EXAMPLE 6B: ORDINARY DEATH BENEFIT

In this example, a member dies at age 57 after 16 years of membership. The member's annual salary is \$45,000, the member has \$4,000 of accumulated contributions with interest, and the member has two primary beneficiaries on record.

$$\$49,000 \div 2 \text{ (number of primary beneficiaries)} = \$24,500$$

$$\$24,500 \text{ single payment to each primary beneficiary}$$

EXAMPLE 6C: SPOUSAL MONTHLY ANNUITY OPTION

Imagine a member dies at age 57 with 16 years of membership (five years prior to June 30, 1998, and 11 years after) and the average final compensation is \$45,000. The member's spouse is sole primary beneficiary on record. Since the conditions are met for a monthly survivor benefit, the spouse may choose to receive **either** a single payment equal to the member's annual salary plus accumulated contributions with interest *or* a monthly survivor benefit calculated as an Option 2 service retirement allowance.

In this example, because the member died 60 months prior to reaching age 62, a reduction factor of .30 (30%) applies. Using the actuarial tables, for a member age 57 and spouse age 56, the option factor of .8389 would apply in this instance to convert the Basic Allowance to Option 2.

STEP 1: Calculate the Basic Allowance

$$.012 \times \$45,000 \times 5 \text{ years} = \$2,700.00$$

plus

$$.014 \times \$45,000 \times 11 \text{ years} = \$6,930.00$$

$$\$2,700.00 + \$6,930.00 = \$9,630.00 \text{ annual Basic Allowance}$$

STEP 2: Apply the reduction factor

$$\$9,630.00 \text{ (Basic Allowance)} \times 0.30 \text{ (reduction factor)} = \$2,889.00$$

$$\$9,630.00 \text{ (Basic Allowance)} - \$2,889.00 \text{ (reduction amount)} = \$6,741.00$$

STEP 3: Determine Option 2 retirement benefit

$$\$6,741.00 \times .8389 \text{ (Option 2 factor)} = \$5,655.02 \text{ **annual spouse's survivor benefit**}$$

$$\$5,655.02 \div 12 = \$471.25 \text{ **monthly spouse's survivor benefit for life**}$$

APPENDIX C: SAMPLE BENEFIT CALCULATIONS FOR THE NON-CONTRIBUTORY PENSION SYSTEM

This appendix illustrates how to calculate dollar figures for the various **Non-Contributory Pension System** benefits using the formulas provided in Chapter 7. The following samples are examples only. The Retirement Agency will furnish you with a precise calculation when you are within one year of your retirement date and file Form 9 to request an estimate of your benefits.

Note: The following sample calculations apply for members of the Non-Contributory Pension System only. Calculations for members of other Pension plans are located in Appendices A and B.

Assumptions Used In Sample Calculations

Each of the following sample calculations is based on the election of the Basic Allowance, which provides the highest monthly retirement income to the retiree. All examples are based on a 2009 retirement date with a 2009 SSIL of \$53,900. Also, an average final compensation of \$58,000 is used in each example unless otherwise noted.

Service Retirement

EXAMPLE 1: SERVICE RETIREMENT

The following example shows a typical service retirement calculation:

A member retires at age 62 with 20 years of eligibility and creditable service. The member's average final compensation is \$58,000.

$$.008 \times \$53,900 \text{ (AFC up to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 20 \text{ years of service} = \$9,854.00 \text{ **annual Basic Allowance**}$$

$$\$9,854 \div 12 = \$821.17 \text{ **monthly Basic Allowance**}$$

EXAMPLE 2: EARLY SERVICE RETIREMENT

In the following example, a 55-year-old member accepts early service retirement with 17 years of eligibility and creditable service. The member's average final compensation is \$58,000.

STEP 1: Calculate the Basic Allowance

$$.008 \times \$53,900 \text{ (AFC up to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 17 \text{ years of service} = \$8,375.90 \text{ **annual Basic Allowance**}$$

Deferred Vested Retirement

STEP 2: Apply the reduction factor (for members under age 62 who have less than 30 years)

In this example, since the member is 55, the member is taking retirement seven years (or 84 months) earlier than normal. Thus, the reduction factor is $.005 \times 84$ months = 0.42, or 42%.

$$\$8,375.90 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$3,517.88$$

$$\$8,375.90 \text{ (Basic Allowance)} - \$3,517.88 \text{ (reduction amount)} = \$4,858.02$$

$$\$4,858.02 \text{ **annual Basic Allowance payable at age 55**}$$

$$\$4,858.02 \div 12 = \$404.84 \text{ **monthly Basic Allowance payable at age 55**}$$

EXAMPLE 3A: DEFERRED VESTED RETIREMENT (FULL BENEFIT)

Imagine a member leaves employment in 2009 with nine years of eligibility and creditable service, and the member's average final compensation at termination is \$58,000. The member's vested benefit, payable at age 62, is calculated as follows:

$$.008 \times \$53,900 \text{ (AFC to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 9 \text{ years of service} = \$4,434.30 \text{ **annual Basic Allowance payable at age 62**}$$

$$\$4,434.30 \div 12 \text{ months} = \$369.53 \text{ **monthly Basic Allowance payable at age 62**}$$

EXAMPLE 3B: DEFERRED VESTED RETIREMENT (REDUCED BENEFIT)

In the following example, a member leaves employment in 2009 at age 53 with 15 years of eligibility and creditable service. The member's average final compensation at termination is \$58,000. The deferred vested benefit at age 55 is calculated as follows:

STEP 1: Calculate the Basic Allowance

$$.008 \times \$53,900 \text{ (AFC to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 15 \text{ years of service} = \$7,390.50 \text{ **annual Basic Allowance**}$$

Disability Retirement

STEP 2: Apply the reduction factor

In this example, since the member is 55 (seven years from reaching age 62), the reduction factor is $.005 \times 84 \text{ months} = 0.42$, or 42%.

$$\$7,390.50 \text{ (Basic Allowance)} \times 0.42 \text{ (reduction factor)} = \$3,104.01$$

$$\$7,390.50 \text{ (Basic Allowance)} - \$3,104.01 \text{ (reduction amount)} = \$4,286.49$$

\$4,286.49 annual Basic Allowance payable at age 55

$$\$4,286.49 \div 12 \text{ months} = \$357.21 \text{ monthly Basic Allowance payable at age 55}$$

EXAMPLE 4: ORDINARY DISABILITY RETIREMENT

In the following example, a member in 2009 accepts an ordinary disability retirement at age 42. The member has 15 years of creditable service and the average final compensation is \$58,000.

$$.008 \times \$53,900 \text{ (AFC up to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 35 \text{ years (15 years actual service + 20 years of service projected to age 62)} = \$17,244.50 \text{ annual Basic Allowance}$$

$$\$17,244.50 \div 12 \text{ months} = \$1,437.04 \text{ monthly Basic Allowance}$$

EXAMPLE 5: ACCIDENTAL DISABILITY RETIREMENT

Consider a member who retires under accidental disability at age 51. The member's average final compensation is \$42,000.

$$\$42,000 \times .6667 = \$28,001.40 \text{ annual Basic Allowance}$$

$$\$28,001.40 \div 12 = \$2,333.45 \text{ monthly Basic Allowance}$$

Survivor Benefits

EXAMPLE 6A: SPECIAL DEATH BENEFIT

Consider a member who is killed on the job in the performance of duty. The member's annual salary is \$45,000. The member's spouse* is his sole primary beneficiary.

$$\$45,000 \times .6667 = \$30,001.50 \text{ annual Basic Allowance}$$

$$\$30,001.50 \div 12 = \$2,500.13 \text{ monthly Basic Allowance}$$

A single payment of the member's accumulated contributions with interest would also have been paid. Since his earnings were below the Social Security Wage Base, he never made any contributions

* If the member is unmarried at the time of death, this benefit is payable to the member's minor children or, if no children, to the member's dependent parents. If the member has no spouse, minor children, or dependent parent, then the Ordinary Death Benefit will be paid to the member's designated beneficiary.

EXAMPLE 6B: ORDINARY DEATH BENEFIT

In this example, a member dies at age 57 after 16 years of membership. The member's annual salary is \$58,000, the member has \$4,000 of accumulated contributions with interest, and the member has two primary beneficiaries on record.

$$\$58,000 \div 2 \text{ (number of primary beneficiaries)} = \$29,000$$

\$29,000 single payment to each primary beneficiary

EXAMPLE 6C: SPOUSAL MONTHLY ANNUITY OPTION

Imagine a member dies in 2009 at age 57 with 15 years of membership and an average final compensation of \$58,000. The member's spouse is sole primary beneficiary. Since the conditions are met for a monthly survivor benefit, the spouse may choose to receive **either** a single payment equal to the member's annual salary plus accumulated contributions with interest *or* a monthly survivor benefit calculated as an Option 2 service retirement allowance.

In this example, because the member died 60 months prior to reaching age 62, a reduction factor of .30 (30%) applies. Using the actuarial tables, for a member age 57 and a spouse age 56, the option factor of .8389 would apply in this instance to convert the Basic Allowance to Option 2.

STEP 1: Calculate the Basic Allowance

$$.008 \times \$53,900 \text{ (AFC to SSIL)} = \$431.20$$

plus

$$.015 \times \$4,100 \text{ (AFC above SSIL)} = \$61.50$$

$$\$431.20 + \$61.50 = \$492.70$$

$$\$492.70 \times 15 \text{ years of service} = \$7,390.50 \text{ **annual Basic Allowance**}$$

STEP 2: Apply the reduction factor

$$\$7,390.50 \text{ (Basic Allowance)} \times 0.30 \text{ (reduction factor)} = \$2,217.15$$

$$\$7,390.50 \text{ (Basic Allowance)} - \$2,217.15 \text{ (reduction factor)} = \$5,173.35$$

STEP 3: Determine Option 2 retirement benefit

$$\$5,173.35 \times .8389 \text{ (Option 2 factor)} = \$4,339.92 \text{ **annual spouse's survivor benefit for life**}$$

$$\$4,339.92 \div 12 \text{ months} = \$361.66 \text{ **monthly spouse's survivor benefit for life**}$$

APPENDIX D: RETIREMENT AGENCY FORMS

Primary Retirement Agency Forms

All forms are available through your personnel office and on our Web site. For tips on filing forms, see “Filing Checklist” on page 43.

| Title | Form Number | Purpose |
|--|-------------|---|
| Application for Membership | 1 | To enroll in Pension System |
| Designation of Beneficiary | 4 | To designate or change beneficiaries |
| Application for an Estimate of Service Retirement Allowances | 9 | To obtain an estimate of various payment options for normal or early service retirement within one year prior to expected retirement date |
| Application for Service or Disability Retirement | 13-23 | To apply for normal, early or disability retirement |
| Statement of Disability | 20 | To file a claim for ordinary or accidental disability |
| Application for an Estimate of Disability Retirement Allowances | 21 | To obtain an estimate of disability benefits following approval of an ordinary or accidental disability claim |
| Request to Purchase Previous Service | 26 | To transfer or purchase eligible periods of employment |
| Claim of Retirement Credit for Military Service | 43 | To claim credit for eligible military service |
| Application to be Placed on a Qualifying Approved Leave of Absence | 46 | To continue accrual of retirement credit and secure death benefit coverage while on an approved leave of absence |
| Electronic Fund Transfer Sign-Up | 85 | To authorize SRPS to transfer your monthly retirement allowance directly into your bank account |
| Reemployment After Retirement | 127 | To inform new retirees of the consequences of reemployment after retirement |
| Preliminary Application for Disability Retirement | 129 | Should a disability applicant die before submitting his or her full <i>Application for Disability</i> , this form authorizes the Board of Trustees to decide whether a disability allowance may be paid |
| Federal and Maryland State Tax Withholding Request | 766 | To authorize Federal and Maryland State withholding options to be applied to your monthly retirement allowance |