MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Benefits handbook

Revised July 2010

Retirement System for Employees and Teachers of the State of Maryland

Retirement System
for Employees and Teachers
of the State of Maryland

Benefits Handbook

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This booklet provides a summary of the features and benefits of your retirement plan. Retirement 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.

MARYLAND
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Message from the Board of Trustees

Welcome to the Employees' and Teachers' Retirement 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 retirement plan.

We designed this handbook to be easy to read, with 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 or toll-free at 1-800-492-5909. Useful information about your retirement 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.

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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 retirement benefits to the State's public school employees, SRPS today covers thousands of employees—from teachers and State personnel to our law makers 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 14-member Board of Trustees, which establishes policy, oversees investments, and represents our various employee interests.

Participation

Our membership includes close to 200,000 State and municipal employees, educators, law enforcement personnel, judges, and legislators. Each of these employee groups is covered under individual employee plans, or systems.

This booklet deals with the Employees' and Teachers' Retirement Systems. These systems were closed to new members as of January 1, 1980. The Retirement System, as it is called, covers State and participating municipal employees and personnel of Maryland public schools, public libraries, and affiliated State universities and colleges who were enrolled prior to January 1, 1980, and who have elected to remain a member of the Retirement System.

Three Retirement System Plans

Retirement System members participate under one of three options:

Plan A Member elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited cost of living adjustments.

Plan B Member continued pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited cost of living. Cost of living adjustments are capped at 5%.

Plan C Member chose a combination, or two part (bifurcated) benefit. The portion of the service prior to the election is calculated at retirement as a Retirement System benefit; the portion of service after the election is calculated at retirement as a Pension System benefit.

Eligibility

Prior to 1980, your employer participated in the State Retirement and Pension Systems. Because you were employed before January 1, 1980, your membership was automatic as a permanent employee who works at least 50% of the normal working time. If you enrolled before January 1, 1974, you may participate regardless of the percentage of hours you work. Membership began when your employer placed you on the payroll and submitted your completed enrollment application.

Taking An Active Role

Throughout your career it's wise to take an active interest in your retirement plan. That's why we offer a number of resources to keep you informed of benefit matters affecting you now and in the future. These include your Personal Statement of Benefits, which provides an annual summary of your retirement account, and our quarterly newsletter the *Mentor*, designed to keep you up to date on important 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.

Beneficiary Changes

You originally designated your beneficiaries when you enrolled. 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 as soon as it is received by the State Retirement Agency.

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, your spouse must be your **sole primary beneficiary** as one of the conditions for the monthly survivor benefit option. See discussion on Survivor Benefits on page 11 for more information.
>
> *Contingent Beneficiary:* The individual(s) whom you designate to receive the one-time benefit in the event that all designated primary beneficiaries predecease you.

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 the following specific types of approved leave:

- Personal illness
- Maternity/paternity
- Adoption
- Career-related study
- Government-sponsored or subsidized employment
- 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.

FILING FOR LEAVE

It's extremely important that you file for leave properly. Proper filing ensures that should you die while away on an approved leave, your survivor benefit remains in effect. It also makes you eligible to purchase the leave period later on if you wish to add to your service credit.

Before your leave begins you must file an *Application to be Placed on a Qualifying Approved Leave of Absence* (Form 46) with the Retirement Agency. Also, the form 46 is filed **in addition** to any forms your employer requires to grant your leave request. Your employer must also certify that the leave has been approved.

PURCHASING CREDIT

To actually purchase the credit, complete a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates. You must file a *Request to Purchase Previous Service* (Form 26) while an active member or within 60 days of the end of a leave of absence.

Terminating Membership

Membership ends if the member is separated from employment for more than:

(a) 4 years, if a member of the Employees' Retirement System; or
(b) 5 years, if a member of the Teachers' Retirement System.

Other circumstances which end membership are when a member:

(c) withdraws his or her accumulated contributions;
(d) transfers to the Employees' Pension System or Teachers' Pension System on or before December 31, 2004;
(e) becomes a retiree; or
(f) 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 yourself about your benefits before leaving membership

Am I vested? (See page 17) At least 5 years of eligibility service.	( )YES	( )NO
Do I qualify for normal service retirement? (See page 18) Age 60 regardless of service, or 30 years of service credit, regardless of age.	( )YES	( )NO
Do I qualify for early retirement? (See page 18) At least 25 years of service credit.	( )YES	( )NO
Do I qualify to apply for disability? (See page 12) General Qualifications: **Ordinary Disability** Permanently disabled from performing job duties, with 5 years of service credit.	( )YES	( )NO
General Qualifications: **Accidental Disability** Permanently disabled by an on-the-job accident. While there is no service requirement the accident must have occurred within 5 years of your application for disability	( )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

IMPORTANT: If you feel you are eligible to apply for a disability benefit, please contact the Retirement Agency immediately.

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HOW YOU EARN OR ACCRUE SERVICE CREDIT

Earned Credit

As a member of the Retirement System of the State of Maryland, you earn service credit toward your retirement benefits for each month your employer submits your employee contribution. Plan C members earn service credit for their hours worked.

Your employer reports your contribution and hours worked each pay period. The Retirement Agency then credits your account with the appropriate amount of service credit. You earn a month of credit for any month in which contributions are reported. Under Plan C if you work 500 hours, you earn credit for every hour you are paid in a fiscal year (July 1 to June 30). For more detailed information on Plan C benefits, see the Appendix.

Your service credits are used to determine both your eligibility for benefits and to calculate the amount of your benefits. If you make a contribution in any month, you will receive credit for the entire month. Part-time members receive full credit for each month of part-time service in which contributions are received.

Attention 10-month members: All members of the Teachers' Retirement System, whether employed 10, 11 or 12 months, participate as 10-month members. Each month of service is credited as 1/10th of a year, and a full year of service credit is earned September through June. This rule also applies to certain members of the Employees' Retirement System who qualify as 10-month employees. A 10-month employee is defined as an employee of a county board of education who works on a 10-month school year basis.

Claimed Credit—It's Up to You

In addition to the service credit you earn through payroll reporting, you may be eligible to claim additional credit in certain special situations. Please note that it is your responsibility to claim this credit by completing the required forms, available through your personnel office or the Retirement Agency. You must be a member to claim service. See page 3 for when membership ends. No additional credit can be claimed after you have left membership or have retired.

There are two types of service for which you may claim credit:

- Previous service earned in another system
- U. S. military service.

SERVICE EARNED IN ANOTHER SRPS SYSTEM OR IN A LOCAL RETIREMENT OR PENSION SYSTEM

A member may be eligible to transfer previous service credit from a previous retirement system to a new retirement system. An example would be a regular state employee, currently a member of the state's Employees' Pension System, who accepts a position as a state correctional officer, which requires membership in the state's Correctional Officers' System. Another example is a Baltimore City employee, with membership in Baltimore City's retirement plan, who becomes a state employee, which requires membership in the state's Employees' Pension System.

To transfer credit, you must complete an *Election to Transfer Service* (Form 37). To qualify for the transfer of your credit, your employment must be continuous and you must apply to transfer the credit within one year of becoming a member of the new system.

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. 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 dis-

charge dates. To claim National Guard or Reserve service, include a retirement credit record (Form NGB-23 or similar form).

Note for bifurcated Plan C members: Effective October 1, 2006, military credit claimed and applied to a member's account before July 1, 1998, receives the benefit formula multiplier in effect at the time of retirement. Members retiring prior to October 1, 2006 will retain the multiplier in effect at the time the military service was claimed.

Purchased Credit

Purchased credit refers to service credit you may buy through direct payment to the Retirement Agency for specific types of previous employment. If you are contemplating a purchase of service, you may wish to speak with a retirement benefits specialist for information on how the cost is calculated. Also remember that you must purchase service prior to retirement. Only members who are on paid employment or on a State Retirement Agency approved leave of absence may purchase service.

Retirement System costs fall into one of two categories: “normal cost” or “full cost”. The type of cost is determined by the type of employment service being purchased. In some cases, a full cost purchase is prohibitively expensive.

NORMAL COST

At any time during membership, a Retirement System member may purchase service credit at “normal cost” for the following types of service. “Normal cost” is a rate determined by the contributions that should have been paid for the period in question, plus the statutory rate of interest, currently 4%, to the date of payment.

- *Retroactive/Missed Service*—A period of time during full-time permanent employment when contributions were not deducted, either prior to membership (retroactive) or during membership (missed). Cost is based on salaries paid during purchase period plus compounded interest to the date of payment.
- *SRA Approved Leave of Absence*—Approved only for personal illness, study, paternity, maternity (including adoption), service that is government sponsored and/or subsidized and service in a professional or employee organization. Cost is based on salary at the start of leave period plus compounded interest to the date of payment. In order to be eligible to purchase the leave time, a member must have filed an *Application to be Placed on a Qualifying Approved Leave of Absence* (Form 46) before the leave began.
- *Redeposit*—Previous service credit withdrawn from SRPS. Cost is based on the amount withdrawn plus compounded interest to the date of payment.
- Any period of membership in the State Police Retirement System during which the member’s credit was not vested.

In addition, members of the Employees’ Retirement System may purchase service credits for employment:

- by the State or a participating governmental unit
- by the Department of Legislative Reference, the Office of the Attorney General, or as Secretary to the Speaker of the House of Delegates or President

of the Senate during a session of the General Assembly (a year or part of a year equals 1 year of service)

- by a member of the Senate or House of Delegates or the office of the Secretary of the Senate or the Chief Clerk of the House of Delegates (130 days or more equals 1 year of service).

An application to purchase credit at normal cost may be made at any time. That's because the cost is determined by the contributions that should have been paid for the period in question at the statutory interest rate, which is currently 4%. You will need to complete a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates.

FULL COST

In the year of retirement, a member of the Retirement System may purchase service credits at "full" cost for the following:

- Out-of-state public school teaching
- Public or non-public school teaching
- Post-secondary school teaching (a maximum of five years may be purchased)
- Federal employment
- Out-of-state municipal employment
- In-state non-participating municipal employment

In addition, members of the Teachers' Retirement System may purchase qualified approved leaves granted by Baltimore City to a teacher while a member of the Baltimore City Retirement Plan.

An application to purchase service at full cost may only be made within the year of retirement. The cost is determined by computing the additional reserves needed to fund the retirement benefit created by the additional purchased credit. A minimum of one month up to a maximum of 10 years may be purchased, unless noted. You should apply to purchase service when you submit your *Application for an Estimate of Service Retirement Allowances* (Form 9). You will need to complete a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates.

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, accordingly, can increase the amount of your benefit. *It does not, however, affect when you are eligible to retire, nor does it affect the reduction for early retirement.*

When you file your retirement application, your employer will verify 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 remaining, you receive an additional month of creditable service.

The maximum number of sick days that can be used to calculate additional service is 15 days for each year of your membership.

Important Notes on Unused Sick Leave:

- Unused sick leave is credited only when calculating the retirement benefit. 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.
- Sick leave for 10 month employees such as teachers is credited according to the table.

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

Sick Leave Conversion Schedule

Sick Leave in Days	10 Month Member	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’ Retirement System is a 10-month system.

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YOUR BENEFITS

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

Your Benefits Include

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.

Let's take a look at the eligibility requirements, payment formula, and filing procedures for each of these benefits.

Survivor Benefits

ELIGIBILITY REQUIREMENTS

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

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 have your employer's prior approval **and** must file a special leave form with the Retirement Agency **before** your leave begins—See section on Approved Leave of Absence, page 3).

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

One-time

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

- your annual salary at date 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 **both** of the following conditions are met:

- member is eligible to retire, or at least age 55 with 15 years of creditable service upon death **and**
- spouse is designated as sole primary beneficiary.

The monthly survivor benefit is equal to the payment your beneficiary would receive had you retired under Option 2, the 100 percent survivorship option. (See discussion on Allowance Options, page 19, for more information.)

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.)

Disability Benefits

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

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

If you are an employee of a State agency who takes a disability retirement, you are automatically eligible for continued health insurance coverage through the State.

Also, please be aware that disability retirement entails a two step process. Step 1, applying for disability, is described on page 14. The second step must be carried out if you are approved for disability benefits. (See page 16). At this point you must file an application to actually retire.

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.

ELIGIBILITY REQUIREMENTS

Individuals filing for disability must demonstrate that they are completely and permanently unable to perform the duties of their job, as determined by the Retirement Agency's Medical Board and approved by the Board of Trustees. Eligibility requirements specific to the two types of disability follow.

Two Types of Disability

Ordinary Disability

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

Accidental Disability

There is no service requirement 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 five years of your application for 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 of the Employees' Retirement System must apply for both ordinary and accidental disability benefits while still on payroll or within four years of going off payroll. In special cases, a 24-month filing extension may be granted if you can prove you were mentally or physically incapacitated from filing within the deadline, due to the disability itself. In this situation, however, the requirements are difficult to meet.

Members of the Teachers' Retirement System must file for disability while still on payroll or within 5 years of going off payroll. A 12-month filing extension may be granted if you can prove you were mentally or physically incapacitated from filing within the deadline.

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 where a decision is made by the Medical Board and the Board of Trustees. 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 benefits specialist immediately. Also, in the event you are incapacitated, let your family members know they should contact the Retirement Agency to find out 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): 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). The Form 20 provides 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, for accidental disability, you 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

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

Additional Requirements for Accidental Disability

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.)
2. Did the accident occur while you were performing your assigned duties?
3. Was the disability directly caused by the accident?

CLAIM REVIEW/APPROVAL

Disability claims are evaluated by the Retirement Agency's Medical Board, which reviews cases on a weekly basis. Currently, the physicians 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 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

Submit a completed *Application for Service or Disability Retirement* (Form 13-23) to the Retirement Agency.

BENEFIT AMOUNT

The information that follows is based on the Basic Allowance, which is the maximum monthly payment available to the retiree, but it provides no beneficiary protection. Other options are available which provide a lower payment to the retiree depending on the degree of beneficiary protection. See "Choosing an Allowance Option" in this chapter and "Calculating Your Benefits" for more information.

Ordinary Disability Benefit
The ordinary disability retirement allowance is computed using the service retirement formula, with a minimum benefit equal to 25% of the average final compensation. This means that your benefit is computed as a service retirement benefit without reduction. If you choose one of the optional allowances, the benefit will be less.

Accidental Disability Benefit
The accidental disability retirement allowance is equal to two thirds (.6667) of your average final compensation (average of the three highest years of salary) plus an annuity based on member contributions with interest. If you choose one of the optional allowances, the benefit will be less.

Important Note on Workers' Compensation: It is VERY IMPORTANT that you 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. 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 us to withhold from your disability benefits an amount equivalent to the Workers' Compensation award, if the Workers' Compensation benefits and disability are based on the same event and are paid over the same period of time. However, the Retirement Agency does not offset your annuity (portion of benefit based on your contributions) and must leave enough benefit to cover the cost of your health insurance premiums. If you apply for Workers' Compensation benefits, please inform us immediately. Please include your Workers' Compensation case number in this notification.

REEMPLOYMENT RESTRICTIONS

Only members 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 acknowledgement sent to you upon retirement. If you exceed your earnings limitation, your retirement allowance is reduced one dollar for every two earned in excess of your earnings limit. After 10 years of retirement, the reduction is one dollar for every five exceeding the limit. Earnings restrictions are lifted on January 1 of the year when you reach retirement age (age 60). (For a summary of situations which may cause your disability benefit to be suspended, see "Suspension of Disability Retirement.")

Vesting

As an active member, you should also be aware that your accumulated benefits are protected if you leave the State Retirement System and you are vested (have accrued five years of creditable service). 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.

ELIGIBILITY

A vested allowance is payable at age 60. In as much as the Retirement System has been a closed system since January 1, 1980, all active members by now have at least the minimum five years needed for vesting. If you are vested and return to work for a participating employer while still classified as a member (membership in the Employees' System extends for four years once paid employment ends, Teachers' System membership extends for five years), you will return to membership in the Retirement System. If you return after the membership period ends, then you must join the Pension System. Under those circumstances, you'll retain your right to a vested benefit from the Retirement System, while earning benefits from the Pension System.

If you are in this situation, call a retirement benefits specialist for information on receiving the vested benefit while continuing to work.

PAYMENT

The calculation of a vested allowance uses the normal service retirement formula. The calculation uses your average final compensation (three highest years of salary) and creditable service at termination. Unused sick leave is not included in the calculation of your vested allowance. See "Calculating Your Benefits" 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.

NOTIFICATION

Approximately three months before your 60th birthday, the Retirement Agency sends a letter and a blank estimate form to the address on record. After you return the completed form, you'll receive an estimate of your vested allowance under various allowance options. That's why it's important to keep the Retirement Agency apprised of any address changes over the years. Please do your part to ensure that we can contact you when benefits become payable at age 60.

Service Retirement

Your eligibility for retirement depends on two factors: how long you've been working to earn retirement credit and how old you are. Let's begin with a normal service retirement which is retirement with full benefits.

NORMAL SERVICE RETIREMENT

Eligibility Requirements
You qualify for a normal service retirement when you meet either of the following age or service criteria:

- age 60, regardless of service
- 30 years eligibility service, regardless of age.

Retirement Allowance
Your annual retirement income is based on your service and average final compensation upon retirement. See "Calculating Your Benefits" for more information.

NOTE: With the exception of salary increases due to promotions, salary increases of 20 percent or greater are not automatically included in the calculation of average final compensation (AFC). These "extraordinary salary increases" are subject to review by the System's Board of Trustees on a case-by-case basis. Your actual benefit cannot exceed either 100% of your average final compensation or the IRC §415 limit.

EARLY SERVICE RETIREMENT

Eligibility Requirements
Some people decide to take an early retirement. Requirements for early retirement under the State Retirement System are a minimum of 25 years of eligibility service prior to age 60.

Early Retirement Allowance
Employees who opt for an early retirement receive a smaller pension. The Retirement System plan provisions provide for a 6% reduction for each year the payments begin prior to age 60 or 30 years of service, whichever produces the smaller reduction. The reduction is calculated on a monthly basis which means that generally, the benefit is reduced by .005 for each month payments begin early. However, for members who earn service credits on a ten month basis (all teacher members and some employee members), the reduction for service is .006 for each month prior to 30 years.

For example, a member retiring at age 57 with 25 years of eligibility service would receive an 18% reduction since the member is 3 years from age 60. Credit for unused sick leave does not affect the reduction for early retirement. Refer to “Calculating Your Benefits” for more information.

CHOOSING AN ALLOWANCE OPTION

When it comes time to retire, you will be able to choose from a number of payment plans. These plans 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. Contact the State Retirement Agency if you need assistance in deciding which option best suits your situation. Also keep in mind that the option you choose may affect your beneficiary’s eligibility for continued health coverage after your death. Check with your personnel office.

You should carefully review your personal circumstances before selecting an option. Think about how much income you will need to maintain an acceptable standard of living during retirement, as well as the needs of your survivor(s).

The Basic Allowance
This 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 may need some form of income continuation after your death, you may wish to consider one of the following options.

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 one-time payment to the retiree’s designated beneficiaries.

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

These 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 **single** 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. Because these options provide a continuing monthly payment to a beneficiary, they normally result in a smaller benefit payment than Option 1 or 4. Again, this is because benefits are expected to be paid over two lifetimes, the retiree's and the beneficiary's, rather than the retiree's alone.

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. We urge you to discuss your needs with your family and financial advisor. Contact the State Retirement Agency if you need assistance in deciding which option best suits your situation.

Additionally, the option you choose may affect your beneficiary's eligibility for continued health coverage after your death. For retirees from State Agencies, only the selection of a dual-life annuity with the spouse as beneficiary (Options 2, 3, 5 or 6) continues health program coverage to the surviving spouse (see page 39 for more details). Retirees from other employers should check with their personnel office.

Applying for Retirement

It is important that you 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. Step-by-step instructions on the application process follow. All retirement forms mentioned can be obtained through your personnel office or on the Internet at www.sra.state.md.us. See "Retirement Checklist" for a detailed checklist that includes some important financial and personal planning matters.

We urge you to take advantage of our member services as you prepare for retirement. You should plan to meet with one of our retirement benefits specialists to discuss your situation when you are within one year of your intended retirement date. Additionally, the Retirement Agency holds pre-retirement seminars for members who are within eight years of retirement.

4

FUNDING YOUR BENEFITS

Types of Contributions

EMPLOYER CONTRIBUTIONS

The Employees' and Teachers' Retirement Systems are contributory for most members. Your employer, however, contributes the largest amount necessary 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

You are required to make an employee contribution based on your selection of Plan A, Plan B, or Plan C. Members who elected Plan A generally contribute at the rate of 7%. However, those who were paying less than 5% as of July 1, 1984, received an increase to their contribution rate of 2% over their 1984 rate.

Members who elected Plan B contribute 5% of salary or continue to pay the rate in place as of July 1984.

Members who selected Plan C and are eligible for the Contributory Pension System benefit are required to contribute 2% of their earnable compensation to the System. Plan C members who are eligible for the Non-Contributory Pension System benefit are required to contribute 5% of any portion of their salary that exceeds the Social Security Wage Base.

Contributions due are determined on the basis of earnings reported for the ending date of each pay period through the close of the calendar year, regardless of the date paychecks are issued by the employer. For example, if the pay period ends on December 31, a retirement contribution is due on those earnings though the actual pay date is January.

Employer Pick-Up Contributions

All State agencies and many participating employers have joined the State's "employer pick-up" program. Under the pick-up 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 from the System.

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

SUPPLEMENTAL CONTRIBUTIONS

Your pension benefits, along with Social Security, will 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.

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 see 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.

System Investments

Participating employers are 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 activities are subject to an annual audit by the State's External Auditor and the system's administrative activities are subject to a tri-annual audit by the State's Legislative Auditor. Additionally, the system's financial and administrative activities are subject to routing internal audits. 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 published annually in the Retirement Agency's newsletter, 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; while others are elected by you, our members.

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CALCULATING YOUR BENEFITS

This section illustrates how to calculate dollar figures for the various SRPS benefits. The samples provided are examples only. The Retirement Agency will furnish you with a precise calculation when you file for benefits.

Key Elements of the Benefit Formula

1. *Average Final Compensation (AFC):* the average of the three highest annual salaries during your career.

NOTE: With the exception of a salary increase due to a promotion, any increase exceeding 20% is excluded from the calculation of average final compensation unless approved by the Board of Trustees.

2. *Creditable Service:* your total creditable service (including additional credit granted for unused sick leave) as of your retirement date.

Assumptions Used In Sample Calculations

Each of the following sample calculations is based on the Basic Allowance, which provides the highest monthly retirement income to the retiree, but provides no beneficiary protection. Also, these calculations would apply only to retirement system members who opted to join Plan A or B. Additionally, the service credit is converted to years based on a 12 month employee.

For members of Plan C (bifurcated plan), a two part calculation is required. Part of Plan C benefits are calculated using the Retirement System formula. The remainder of the benefit is calculated using the Pension System formula. For detailed information on how Plan C benefits are calculated, see the Appendix.

Service Retirement

FORMULA—SRPS guarantees the total Basic Allowance will equal 1/55th of the average final compensation for each year of creditable service.

Service Retirement Benefit =

$$\frac{\text{Total years and months of creditable service x AFC}}{\text{55 (Guarantee)}} = \text{Basic Annual Allowance}$$

(divide by 12 for Basic Monthly Allowance)

Example 1A: Service Retirement at Age 60

Let's now look at how these components fit into the equation by way of example. You are age 60, with 25 years and 3 months of creditable service. Your average final compensation is $42,000. The basic benefit is calculated as follows:

$$\frac{\text{25.25 years x \$42,000 (AFC)}}{55} = \text{\$19,281.82 (annual allowance)}$$

$19,281.82 ÷ 12 = **$ 1,606.82 monthly allowance (Basic Allowance)**

Example 1B: Service Retirement with 30 Years of Service

If we now assume that you are age 55 with 30 years of service, then the formula is calculated as follows:

$$\frac{\text{30 years x \$42,000 (AFC)}}{55} = \text{\$22,909.09 (annual allowance)}$$

$22,909.09 ÷ 12 = **$ 1,909.09 monthly allowance (Basic Allowance)**

Early Retirement

FORMULA—The calculation of an early retirement benefit uses the normal service retirement formula but **with a reduction.** As discussed earlier, the reduction is 6% per year and can be based on either age or service. If based on age, the monthly reduction is .005 for each month under age 60. If based on service credit, the reduction for members of the Teachers' System (10 month system) is .006 for each month. For members of the Employees' System (12 month system) the monthly reduction is .005 for each month. Either reduction applies for each month you are under 30 years of service credit. The reduction cannot exceed 30 percent. Also remember that credit for unused sick leave does not affect the reduction for early retirement.

Example 2: Early Retirement

To illustrate, let's look at a member who is age 58 and has 25 years of creditable service. His average final compensation is $42,000. The early retirement calculation is a **two-step** process:

STEP 1: Use Normal Service Retirement Formula

$$\frac{\text{25 years x \$42,000 (AFC)}}{55} = \text{\$19,090.91}$$

$19,090.91 ÷ 12 = $ 1,590.91 (monthly benefit)

STEP 2: Apply Reduction Factor (member under age 60)

Early Retirement reduction factor is .005 x months to age 60 (which is the smaller reduction when age and service are considered). In this example, since the employee is exactly age 58, he is taking retirement 2 years earlier than normal. Thus, the reduction is:

.005 x 24 months = 12%

$1,590.91 (monthly benefit) x 12% (reduction factor) = $190.91 reduction per month

$1,590.91 - $190.91 = **$1,400.00 monthly allowance (Basic Allowance) payable at age 58**

Vested Benefit

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

- **Average final compensation** (AFC) at termination of membership
- **Creditable service** at termination of membership (does not include unused sick leave)

Example 3: Vested Retirement (Full Benefit)

Let's assume that you leave membership with 16 years of creditable service and your average final compensation is $42,000. Your vested benefit, payable at age 60 is calculated as follows:

$$\frac{\text{16 years x \$42,000 (AFC)}}{55} = \$12,218.18$$

$12,218.18 ÷ 12 = **$ 1,018.18 monthly allowance (Basic Allowance)**

NOTE: Unused sick leave is not included as additional service in the calculation of your deferred benefit.

Ordinary Disability

FORMULA—The calculation of an ordinary disability benefit makes use of the normal service retirement formula. The law provides that the minimum benefit payable for most people is equal to 25% of the average final compensation. Since the Retirement System has been closed to new members since January 1980, it is likely that the benefit based on actual service will exceed the minimum 25%.

Example 4: Ordinary Disability Retirement

Here's how the benefit would be calculated for an employee age 42 with 20 years of creditable service and an average final compensation of $42,000:

$$\frac{\text{20 years x \$42,000 (AFC)}}{55} = \$15,272.73$$

$15,272.73 ÷ 12 = $ **1,272.73 monthly allowance (Basic Allowance)**

NOTE: A claim must be approved by the Medical Board and the Board of Trustees before the Retirement Agency can issue a calculation of benefits. An application for disability retirement must be filed at that time in order to actually retire. For estimates of the Basic Allowance for both ordinary and accidental disability, refer to your annual Personal Statement of Benefits.

Accidental Disability

FORMULA—Unlike ordinary disability, accidental disability does not make use of the normal service retirement formula. The accidental benefit is based on two-thirds of an employee's average final compensation at the time of disability, plus an annuity based on accumulated employee contributions with interest.

Example 5: Accidental Disability Retirement

To illustrate, let's look at an employee who retires under accidental disability at age 51. His average final compensation is $42,000, and his employee contributions and interest are $26,928. The two step formula uses a second calculation to determine the annuity based on the employee contributions.

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

$42,000 (AFC) x .6667	= $28,001.40	
$28,001.40 ÷ 12 months	= $ 2,333.45	$2,333.45

STEP 2: Calculate the annuity

$26,928.00 x 8.879 (Employee contributions plus interest*) (NAF**)	= $ 3,032.77	PLUS
$3,032.77 ÷ 12 months	= $ 252.73	$ 252.73
	TOTAL	**$2,586.18 monthly allowance (Basic Allowance)**

* Employee contributions plus interest will vary for each employee.

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

NOTES:

- A disability claim must be approved by the Medical Board and Board of Trustees before the Retirement Agency can issue an estimate of benefits.
- 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

Example 6: Special Death Benefit

Consider a member who is killed on the job in the performance of duty. The member's annual salary is $75,000 and the member has $40,000 of accumulated contributions with interest. The member's spouse* is his sole primary beneficiary.

> $75,000 x .6667 = $50,002.50 **annual Basic Allowance**
>
> $50,002.50 ÷ 12 = $4,166.88 **monthly Basic Allowance**
>
> The spouse also receives a single payment of the member's $40,000 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 7: Ordinary Death Benefit

A member dies at age 57 after 18 years of membership with two primary beneficiaries listed on the record. The annual salary at time of death is $42,000, with employee contributions of $22,000.

The salary and the accumulated contributions are divided equally between the two primary beneficiaries, providing a one-time payment of $32,000 to each beneficiary.

In lieu of the one-time survivor benefit, a monthly survivor benefit may be paid to the surviving spouse over the spouse's life time, if the following conditions are met:

- At the time of death, the member is eligible to retire or is at least age 55 with 15 years of eligibility service **and**
- Spouse is designated as sole primary beneficiary.

Example 8: Spousal Monthly Annuity Option

Same situation as described in example 7, but in this example the spouse is designated as the sole primary beneficiary. Since the conditions for the monthly survivor benefit are met, the spouse has the choice of the one-time benefit of the annual salary plus contributions and interest equaling $64,000, or a monthly survivor benefit calculated like the benefit payment under an Option 2 allowance for a service retirement. We will also assume the spouse is age 56.

The monthly survivor benefit is calculated using the normal service retirement formula. In the following example, the early reduction factor based on age applies. The factor is 18% since death occurs at age 57, 36 months prior to age 60. The Option 2 factor used of .8389, is determined by using the actuarial tables based upon both the member's age (57) and the beneficiary's age (56) at the time of member's death.

Step 1: Use Normal Service Retirement Formula

$$\frac{18 \text{ years} \times \$42{,}000(\text{AFC})}{55} = \$13{,}745.45$$

Step 2: Apply Early Retirement Reduction Factor

$13,745.45 x .18	= $ 2,474.18
$13,745.45 - $ 2,474.18	= $11,271.27

Step 3: Apply Option 2 factor

$ 11,271.27 x .8389	= $ 9,455.47
$ 9,455.47 ÷ 12	= $ 787.96 monthly spouse benefit

The spouse receives $787.96 per month with future cost-of-living increases, in lieu of the one-time payment.

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PREPARING FOR RETIREMENT

Primary Retirement Forms

All forms are available through your personnel office and on our Web site.

Title	Form Number	Purpose
Designation of Beneficiary	4	To designate multiple beneficiaries at retirement, under Options 1 or 4, and to make any later beneficiary changes.
Application for an Estimate Service Retirement Allowances	9	To obtain an estimate of various payment options for normal or early service retirement within one year of expected retirement date.
Application for Service or Disability Retirement	13-23	To apply for normal service, early service and also disability retirement.
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 military service.
Direct Deposit 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 retiree of the consequences of reemployment after retirement.
Federal and Maryland State Tax Withholding Request	766	To authorize Federal and Maryland State withholding options to be applied to your monthly retirement allowance.

Filing Checklist

Forms provide the necessary information to initiate important benefits and services on behalf of SRPS members — anything 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 selecting Option 2, 3, 5 or 6 did you include proof of date of birth of designated beneficiary?

Retirement Checklist

As you prepare for retirement, there is a general timetable you should try to follow in order to get the best service from the Retirement Agency. The timetable below illustrates the best time frames during which you can comfortably begin to file some of the required forms and make the necessary contacts with the Retirement Agency.

One to Three Years Prior to Retirement

( ) Inquire about attending one of the Retirement Agency's Pre-retirement Seminars. Contact the Retirement Office or your personnel department for details.

Twelve Months Prior to Retirement

( ) Request an estimate of benefits (Form 9). Check all option choices to obtain information on the various payment plans.

( ) Apply to purchase any eligible service (Form 26) with your request for an estimate.

( ) Apply for any eligible military credit (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.

( ) 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(ies).

( ) Prepare a retirement budget, estimating your retirement expenses against your State retirement benefit, Social Security, and any other income.

( ) Obtain 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 final retirement application (Form 13-23).
( ) Provide proof of birth for designated beneficiary (if you choose Option 2, 3, 5, or 6).
( ) Complete a *Direct Deposit Electronic Fund Transfer Sign-Up* (Form 85) for the direct deposit (electronic transmission) of your payment to your bank, savings institution, or credit union (mandatory).
( ) Complete the *Reemployment After Retirement* (Form 127) to acknowledge an understanding of the consequences of re-employment after retirement (mandatory).
( ) Complete a tax withholding form (Form 766) for federal and state tax withholding.
( ) If eligible, complete authorization forms to continue your health coverage, and any other benefits provided by your employer.

One Month Prior to Retirement

( ) Submit a formal letter of retirement to your employer.

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DURING RETIREMENT

There are a number of matters to be aware of during retirement, from the manner in which retirement payments are made 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, the Retirement Agency has instituted a mandatory direct-deposit policy for the payment of monthly benefits to all retirees.

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. At the time of your first direct deposit, you will receive an advice slip showing the amount of your payment, along with any deductions. After your first payment, you will receive advice slips in January, July and in any month in which your net payment changes.

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 all retirees. This tax statement provides information you will need for filing 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 will 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.

You should contact a tax consultant or the appropriate tax agency for specific information on your tax responsibilities.

Cost-of-Living Adjustments

SRPS retirees may receive an annual cost-of-living adjustment (COLA) each July to help keep pace with inflation. The 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 the adjustment.

Most retirees receive a compounded COLA, meaning the increase is applied to their current allowance. The increase is limited at 5% for members who elected Plan B. For members who chose Plan A, the increase is unlimited.

Retirees from Plan C are subject to a two-part COLA calculation. Please refer to the Appendix for more information.

Address Changes

It's important that you maintain a current mailing address on file with the Retirement Agency for tax statements, newsletters, and special bulletins issued throughout the year. To ensure prompt delivery of this information, you must keep the Retirement Agency apprised of any address changes during your retirement. For your protection, you are required to notify the Retirement Agency of address changes in writing. We cannot accept this information by telephone.

Reemployment

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 permanent, 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 $25,000.

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' Retirement System may choose to become a member in the Judges' Retirement System and receive service credit under that plan. The retirement 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.

AFC + $5,000 – annualized Basic Allowance = 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

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 *other than* your employer at the time of your last separation from participating employment	1	3*	1*
Employment with the *same* 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 §22-407 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 $25,000 are exempt from a salary limit when returning to permanent, 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 are exempt.

   Exception: Persons retired from both the Employees' Retirement 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 retirement check.

In the event that the monthly retirement 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")

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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.

Newsletter

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 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. Payments cease upon retiree's death.
Beneficiary	Individual(s) named by a member or retiree to receive benefits in the event of the member or retiree's death.
Bifurcated Plan	A two-part plan where benefits are based on both Retirement System and Pension System calculations. This plan is also known as Plan C.
Claimed Credit	Additional retirement credit including service transferred from other pension systems and 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 adjustments of State retirement benefit based on changes to the Consumer Price Index.
Creditable Service	Service credit used for calculating the *amount* of a benefit, and credit used to determine *when* a member qualifies to receive a benefit.
Early Retirement	A reduced benefit payable after earning 25 years of eligibility service, regardless of age.
Earned Credit	Retirement credit earned through payroll reporting.

Fiscal Year	The annual period beginning July 1 and ending June 30.
Leave of Absence	An employer-approved, SRPS-authorized 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 three or more doctors, appointed by the SRPS Board of Trustees, who determine eligibility for disability retirement.
Membership	Since the Retirement System became a closed plan in 1980, no further enrollment is possible. Membership began your first day on the payroll. Membership ends if you are separated from employment for more than: four years, if a member of the Employees' Retirement System, OR five years, if a member of the Teachers' Retirement System. Other circumstances which end membership are when a member: withdraws his or her accumulated contributions; transfers to the Employees' Pension System or Teachers' Pension System prior to December 31, 2004; becomes a retiree; or dies.
Military Duty	Period of duty with any of the Armed Forces of the United States, 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 60, or after 30 years of eligibility service, with a full 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 5 years of retirement 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/ 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 service.
Vested Allowance	A benefit payable at age 60 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.

APPENDIX — PLAN C BENEFITS

Table of Contents

The following sections provide additional information on Plan C, a two part Retirement System plan which combines components of the Retirement System and the Pension System. These sections explain benefits as mandated by regulations in the Annotated Code of Maryland, outlining specific formulas, rules and limitations for Plan C members of the Retirement System. The sections shown here represent areas where Plan C benefits **differ** from Plan A and B benefits. If a section does not appear in this Appendix which does appear in the front portion of this handbook, please assume that Plan C benefits apply under the general explanation provided.

1 MEMBERSHIP IN SRPS

Pension System Provisions

As a Plan C member, the Pension System portion of your benefit is calculated under the provisions of the Alternate Contributory Pension Selection Plan, the Contributory Pension System or the Non-Contributory Pension System. Review the criteria below to determine which rules apply to you.

The Alternate Contributory Pension Selection Plan provisions apply for the following members who are active as of June 30, 2006 (provided that they did not transfer from the Retirement System after April 1, 1998):

- Members of the Teachers' Retirement System Plan C,
- Members of the Employees' Retirement System Plan C who are State employees and
- Members of the Employees' Retirement System Plan C (who are not State employees) who are employed by a participating governmental unit that elected to join the Alternate Contributory Pension Selection plan between July 1, 2006 and June 30, 2007.

The Contributory Pension System provisions apply for the following members (provided that they did not transfer from the Retirement System after April 1, 1998):

- Members of the Employees' Retirement System Plan C (who are not State employees) who are employed by a participating governmental unit that elected to join the Contributory Pension System between July 1 and December 31, 1999, but did not elect to join the Alternate Contributory Pension Selection plan between July 1, 2006 and June 30, 2007.

The Non-Contributory Pension System provisions apply for all other members.

2 HOW YOU EARN SERVICE CREDIT

There are two components to Plan C service credit: a Retirement System component and a Pension System component.

Earned Credit

RETIREMENT SYSTEM COMPONENT

Service credit earned before selecting Plan C is maintained in your account as eligibility and creditable service and is used both in qualifying for benefits and in the actual benefit calculation.

PENSION SYSTEM COMPONENT

Service credit earned after selection of Plan C is divided into two types:.

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 according to the provisions of the applicable pension system.

Members eligible for the Contributory Pension System	Members eligible for the Non-Contributory Pension System
Members who work part time receive prorated eligibility service during *any* years of membership in which they work fewer than 500 hours.	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 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' Retirement System, whether employed 10, 11 or 12 months per year, participate 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' Retirement System who qualify as 10-month employees as approved by the Board of Trustees.

For example, imagine you work only 400 hours during one year of membership in Plan C and you are eligible for the Contributory Pension System. Your eligibility service would be calculated as follows.

Year of Membership in Plan C

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

Plan C members who are eligible for the Non-Contributory Pension System earn **no** eligibility service for years in which fewer than 500 hours are worked *except* during the first and last years of membership.

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 = Years Creditable Service						
Hours Worked / Standard Hours	624 / 2080	832 / 2080	1040 / 2080	1248 / 2080	1664 / 2080	2080 / 2080
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 workweek and 2080-hour work year.						

Prorated Creditable Service — 10 Month Member

FORMULA: (Hours Worked ÷ Standard Hours) x 10 Months = Years Creditable Service						
Hours Worked / Standard Hours	495 / 1650	660 / 1650	825 / 1650	990 / 1650	1320 / 1650	1650 / 1650
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 workweek and 1650-hour work year.						

* Creditable service would be prorated at three months for Plan C members who are eligible for the Contributory Pension System. Plan C members who are eligible

for the Non-Contributory Pension System earn neither creditable nor eligibility service for years in which fewer than 500 hours are worked *except* during the first and last years of employment.

Claimed Credit

PURCHASED CREDIT

Eligible periods of service which occurred *before* you joined Plan C may be purchased at normal or full cost. This service will be applied to your Retirement System benefit. Service that occurred *after* you selected Plan C must be purchased at full cost (except for purchasing service for approved leaves of absence or for periods of membership in the Contributory Pension Plan for which no contributions were received) and is applied to your Pension System benefit. See "Purchased Credit" on page 8 for definitions of normal cost and full cost, and an explanation of how service may be purchased.

Unused Sick Leave

If you retire directly upon terminating employment, you will receive additional **creditable** service for your accumulated unused sick leave. This credit will be applied to the Retirement System and Pension System components of your benefit in the same ratio as the creditable service in your benefit calculation. For example, if you have 20 years of creditable service under the Retirement System and 10 years under the Pension System, then two-thirds of the unused sick leave will apply to your Retirement System benefit and one-third will apply to the Pension System benefit.

When you file your retirement application, your employer will verify the total unused sick leave you have accumulated. You may 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 remaining, you receive an additional month of creditable service.

The maximum number of sick days that can be used to calculate additional service is 15 days for each year of your membership. See "Unused Sick Leave" on page 9 for more information.

3 YOUR BENEFITS

Disability Benefits

With the exception of the differences described below, disability benefits for Plan C members are structured in the same way as those for Plan A and Plan B members. Please read the section titled "Disability Benefits" on page 12 for a thorough explanation of these benefits.

BENEFIT AMOUNT

The information that follows assumes the member will receive the Basic Allowance, which is the maximum monthly payment available to a retiree but provides no beneficiary protection. Other options are available that provide a lower payment to the retiree depending on the degree of beneficiary protection. See the section "Choosing an Allowance Option" for more information.

Ordinary Disability Benefit

For Plan C members, the Retirement Agency initially calculates a service retirement benefit using both the Retirement System and Pension System formulas. The member receives the greater of the two benefits.

Accidental Disability Benefit

Benefits are calculated in the same manner as for Plan A and Plan B members. The benefit is equal to two thirds (.6667) of the member's average final compensation (average of his or her three highest years of salary) plus an annuity based on member contributions with interest. Members who choose one of the optional allowances will receive a lower monthly benefit.

Service Retirement

NORMAL SERVICE RETIREMENT

Retirement Allowance

The portion of your benefits based on your service credit in the Retirement System will be calculated under the Retirement System formula. For the service credit earned after you selected Plan C, the Pension System formula will be used. Review "Calculating Your Benefits" in this Appendix for an explanation of how this benefit is calculated.

EARLY SERVICE RETIREMENT

Eligibility Requirements

Members of Plan C must have at least 25 years of eligibility service to be eligible for early retirement. See "How You Earn Service Credit" in this Appendix for more information on service accrual.

Early Retirement Allowance

The calculation for an early retirement allowance uses the Retirement and Pension System formulas and a reduction factor. The Retirement System portion of the benefit is reduced .005 for each month (6% per year) that retirement precedes the date the member will reach age 60 or complete 30 years of service, whichever produces the smaller reduction. For 10-month members (all teacher members and some employee members as approved by the Board of Trustees), the reduction for service credit is .006 for each month that the retirement precedes the date the member will complete 30 years of service. The maximum reduction may not exceed 30%.

The Pension System portion also uses a reduction factor of .005 for each month (6% per year). The reduction is based on age, but it applies starting from age 62 rather than age 60. The maximum reduction may not be greater than 42%.

4 FUNDING YOUR BENEFITS

Types of Contributions

EMPLOYEE CONTRIBUTIONS

After selecting Plan C, members who are eligible for the Contributory Pension System benefit are required to contribute 2% of their earnable compensation to the System (effective July 1, 1998). Plan C members eligible for the Non-Contributory Pension System benefit are required to contribute 5% of any portion of their salary that exceeds the Social Security Wage Base.

Plan C members who are eligible for the Alternate Contributory Pension Selection Plan are required to make payroll contributions as follows:

- 5% of earnable compensation.

Contributions are automatically deducted from your paycheck.

Contributions due are determined on the basis of earnings reported for the ending date of each pay period through the close of the calendar year, regardless of the date paychecks are issued by the employer. For example, if the pay period ends on December 31, a pension contribution is due on those earnings even though the actual pay date is in January.

Contribution Deficiency

A contribution deficiency typically occurs when a required contribution is not deducted from your pay and remitted to the System by your employer. The deficiency equals the amount of your missing contribution plus 4% interest applied at the end of each fiscal year. If payment is remitted before the end of the fiscal year, no interest is applied to the deficiency for that year. If a contribution deficiency exists when you claim a benefit, your benefit is reduced actuarially.

5 CALCULATING YOUR BENEFITS

Key Elements of the Benefit Formula

1. *Average Final Compensation (AFC):* the average of the three highest 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.

2. *Creditable Service:* your total creditable service (including additional credit granted for unused sick leave) as of your retirement date.

NOTE: For the purposes of benefit calculations, the creditable service you earned prior to Plan C selection is counted separately from that earned after Plan C selection. For members eligible for the Contributory Pension System, creditable service earned after Plan C selection is further divided into years earned prior to June 30, 1998 and years earned after June 30, 1998.

3. *Social Security Integration Level (SSIL)*: This element is used **only** for the Non-Contributory Pension System benefit. The SSIL is the average of all Social Security Wage Bases over the 35 calendar years prior to your year of retirement. The Social Security Wage Base is the maximum amount of earnings subject to the Federal Insurance Contribution Act (FICA) tax. The SSIL changes annually on January 1.

Assumptions Used in Sample Calculation

The following sample calculation is based on the Basic Allowance, which provides the highest monthly retirement income to the retiree, but provides no beneficiary protection.

Service Retirement

FORMULA: For Plan C members, the service retirement benefit is calculated in two steps. The first portion of the benefit is calculated using the Retirement System formula. The remainder of the benefit is calculated using the Alternate Contributory Pension Selection formula, the Contributory Pension System formula or the Non-Contributory Pension System formula. See "Membership in SRPS" in this Appendix to determine which Pension System formula applies for you.

Service Retirement Benefit

Step 1: Calculate the Retirement System Benefit

$$\frac{\text{AFC}}{55} \times \text{Years of Service Prior to Plan C Selection} = \textbf{Annual Basic Allowance}$$

Step 2: Calculate the Pension System Benefit

Alternate Contributory Pension Selection formula

.012 × Average Final Compensation (AFC) × Years of Credit to 6/30/98*

plus

.018 × Average Final Compensation (AFC) × Years of Credit after 6/30/98

equals

Annual Basic Allowance

Annual Basic Allowance ÷ 12 = 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.*

OR

Contributory Pension System formula

.012 × AFC × Years of Service to 6/30/98*

plus

.014 × AFC × Years of Service after 6/30/98

equals

Annual Basic Allowance

**The service credit earned as of June 30, 1998 is multiplied by .012 unless the Non-Contributory Pension System formula for years of service up to June 30, 1998 produces a greater benefit. For most members, the .012 multiplier will produce a greater benefit.*

OR

Non-Contributory Pension System formula

.008 × AFC up to SSIL × Years of Service After Plan C Selection

plus

.015 × AFC above SSIL × Years of Service After Plan C Selection

equals

Annual Basic Allowance

Add results of Step 1 and Step 2 to determine the total Annual Basic Allowance

Example:

The following example illustrates how the Basic Allowance would be calculated for a member who retires in 2009 with 30 years of creditable service (20 years earned prior to selecting Plan C and 10 years after.) The member's average final compensation is $52,000 and the member is eligible for the Alternate Contributory Pension Selection benefit.

Step 1: Calculate the Retirement System Benefit

$\frac{\$52{,}000}{55}$ x 20 years = $18,909.09 **annual Basic Allowance**

Step 2: Calculate the Alternate Contributory Pension Selection Benefit

.012 x $52,000 x 1 year (Years of Service to 6/30/98) = $ 624.00

plus

.018 x $52,000 x 9 year (Years of Service after 6/30/98) = $8,424.00

equals $9,048.00

annual Basic Allowance

Add results of Step 1 and Step 2 to determine the total Annual Basic Allowance

$18,909.09 (result from Step 1) + $9,048.00 (result from Step 2) = $27,957.09
annual Basic Allowance

$27,957.09 ÷ 12 = $2,329.76 **monthly Basic Allowance**

If this member had been eligible for the Contributory Pension System Benefit, Part 2 of this calculation would have been calculated as follows:

Step 2: Calculate the Contributory Pension System Benefit

.012	x	$52,000	x	1 year (Years of Service to 6/30/98)	=	$ 624.00
				plus		
.014	x	$52,000	x	9 year (Years of Service after 6/30/98)	=	$6,552.00
				equals		$7,176.00
						annual Basic Allowance

Add results of Step 1 and Step 2 to determine the total Annual Basic Allowance

$18,909.09 (result from Step 1) + $7,176.00 (result from Step 2) = $26,085.09 **annual Basic Allowance**

$26,085.09 ÷ 12 = $2,173.76 **monthly Basic Allowance**

If this member had been eligible for the Non-Contributory Pension System Benefit, Part 2 of this calculation would have been calculated as follows. The SSIL for 2009 is $53,900.

Step 2: Calculate the Non-Contributory Pension System Benefit

.008	x	$52,000 (AFC up to SSIL)	x	10 years	=	$4,160.00
		plus				
.015	x	$0 (AFC above SSIL)	x	10 years	=	$ 0
		equals				$4,160.00 **annual Basic Allowance**

Add results of Step 1 and Step 2 to determine the total Annual Basic Allowance

$18,909.09 (result from Step 1) + $4,160.00 (result from Step 2) = $23,069.09 **annual Basic Allowance**

$23,069.09 ÷ 12 = $1,922.42 **monthly Basic Allowance**

Additional Retirement Allowance Calculations

For an explanation of the Plan C member calculations for early service retirement, vested benefit, ordinary disability and survivor benefits, please contact the Retirement Agency. Please note that for accidental disability, Plan C members' benefits are calculated in the same manner as for Plan A and Plan B members. See "Accidental Disability" section in "Calculating your Benefits" chapter.

7 DURING RETIREMENT

Cost-of-Living Adjustments (COLA)

Plan C retirees may receive an annual cost-of-living adjustment (COLA) each July to help their retirement benefits keep pace with inflation. The 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 adjustment.

As with the retirement allowance, the COLA for Plan C members is calculated in two steps.

Step 1: For the Retirement System portion of the benefit, the COLA is applied to the member's *current* Retirement System allowance, enabling COLA's to compound over time. The increase, when applicable, is unlimited for Plan A accounts and is capped at 5% for Plan B accounts.

Step 2: The COLA calculation for the Pension System portion of the benefit varies depending on the member's Pension System.

- For Plan C retirees who are eligible for the Alternate Contributory Pension Selection benefit or the Contributory Pension System benefit, the COLA adjustment is applied to their *current* Pension System allowance, enabling COLA's to compound over time.
- For Plan C retirees who are eligible for the Non-Contributory Pension System benefit, the COLA is applied to their *original* Pension System allowance.

The COLA increase for the Pension System portion of the benefit is capped at 3%.