

# *A guide*

.....  
*for governmental units  
considering participation*

Maryland  
State Retirement  
*and* Pension System



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This guide provides a general summary of certain features of the Maryland State Retirement and Pension System. The SRPS is governed by law, including Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. If there is a conflict between the law and this guide, the law prevails.

# Participation in the Maryland State Retirement and Pension System

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*Thank you for your request for information about participation in the Maryland State Retirement and Pension System (System). This booklet will provide you with a basic understanding of the process and costs for seeking participation in the System.*



There are several steps in the participation process:

1. **Request Cost Estimate for Preliminary Valuation** For any governmental unit considering participation in the System, the System's actuary must perform a preliminary actuarial valuation to determine the unit's cost of participation. The cost of performing the valuation is an expense the governmental unit will bear whether or not it decides to participate in the System. The cost of the valuation is determined by the actuary. Typically, a preliminary valuation involves 15 to 25 hours of the actuary's services. The governmental unit must request, in writing, that it would like to obtain an estimate. The correspondence should be addressed to the Maryland State Retirement Agency. The Retirement Agency will request the estimate from the actuary on the governmental unit's behalf.

In order for the actuary to develop an estimate, the governmental unit must provide the Retirement Agency with certain demographic data for the employees eligible to enroll in the System if the unit decides to participate.

"Eligible employees" include all full-time and part-time permanent employees working a minimum of 500 hours per fiscal year and any elected officials regardless of hours worked. Contractual and temporary employees are not eligible for membership. (See regulations for the applicable definitions of these terms.)

2. **Request a Preliminary Valuation** Once the governmental unit has received the estimate for the expense of performing the valuation, and if it decides to proceed, the unit would then advise the Retirement Agency, in writing, that it would like to have the preliminary valuation performed. The written request for the preliminary valuation must be received by the Retirement Agency no later than January 1 of the calendar year in which the governmental unit plans to join the System. New employers may only join the System effective July 1. The first valuation is preliminary because it is based on the governmental unit's assumptions regarding who will join the System, and it is based on the previous year's valuation. Depending on the provisions of state law applicable to your governmental unit, some or all of your employees may have the option to join the System.

In order for the actuary to perform the preliminary valuation, the governmental unit must provide the Retirement Agency with the name, Social Security number, date of birth, date of hire, and years of service for each employee, as well as the salary histories for the most recent five years for each employee. This information is needed because the governmental unit's employees are entitled to credit for their previous employment if the unit joins the System.

3. **Action by Governing Body** After the governmental unit has reviewed the preliminary valuation results and the estimated costs to join the System, the governing body of the governmental unit may present the option of joining the System to its employees. If at least 60% of the employees of the governmental unit petition to become members of the System, the governing body of the unit must pass a formal resolution authorizing participation in the System. This resolution must be submitted to the Retirement Agency on or before May 1 of the year the unit intends to join the System.
4. **Employee Enrollment or Opt Out** If your employees have an election to participate in the System, this decision is a *one-time irrevocable* election. Employees should be given at least two weeks to consider their options and make their decision. Benefit summaries to be provided to employees are included on pages 16-18 of this document.
5. **Submission of Employee Enrollment Information** The governmental unit must submit to the Retirement Agency, no later than May 15, all required documents to ensure enrollment of all eligible employees and to initiate timely payroll reporting once the governing body has decided to join the System and at least 60% of the employees have voted in support of the governmental unit joining the System.

On or before May 15, the Retirement Agency must receive the following information properly completed, signed and notarized for all employees of the governmental unit who have indicated through the irrevocable election described in item 4 above to join the plan:

- a. *Application for Membership* (Form 1),
  - b. *Designation of Beneficiary* (Form 4) and
  - c. Proof of date of birth.
6. **Participation Agreement** On or about July 1, the governmental unit and the System will enter into a written Participation Agreement which sets forth the calculation of the cost of participation and the responsibilities of the participating governmental unit.
  7. **Final Valuation** A final valuation will be performed by the actuary several months after the effective date of participation to adjust and finalize the costs of participation. The governmental unit will also be responsible for the expense of that final valuation.

To assist governmental units in making a decision about whether to join the System, this guide provides the following basic information on the operation of the System and the benefits offered to members:

- Copies of brochures describing the benefits that are earned by members of the Employees' and Teachers' Pension System, Law Enforcement Officers' Pension System and Correctional Officers' Retirement System (page 4)
- A link to the Maryland Municipal Corporation Valuation, the annual valuation of the entire portion of the System in which local governmental entities participate (page 15)
- Information concerning the "Employer Pick-up Program" which relates to the taxation of required employee contributions to the System (page 19)

- Links to applicable sections of the State Personnel and Pensions Article of the Annotated Code of Maryland that relate to membership and enrollment in the System (page 20)
- A link to regulations concerning employee eligibility (page 21)

In addition to the above referenced documents, governmental units are encouraged to visit the Retirement Agency's Web page: <http://sra.maryland.gov/Agency/Downloads/Default.aspx>. Here they can obtain and review the Retirement Agency's most current and previously issued Comprehensive Annual Financial Report and Maryland Municipal Corporation Valuation for the System.

It is important that a governmental unit understand that if it elects to participate in the System, the governmental unit becomes obligated to pay the liabilities and normal annual costs for its eligible participating employees. Should the unit determine at a later date that it does not wish to continue participation, the unit would be required to go through a formal withdrawal process. The governmental unit's employees, who are members of the System at that time, would be eligible to remain in the System. Therefore, the governmental unit would continue to have a financial obligation to those employees and the System for the costs of their continued participation.

I understand that this is a considerable amount of information to absorb and that you may have other questions related to the governmental unit's possible participation in the System. Please email any additional questions to me at [mcouress@sra.state.md.us](mailto:mcouress@sra.state.md.us). You can also reach me by telephone at 410-625-5650.

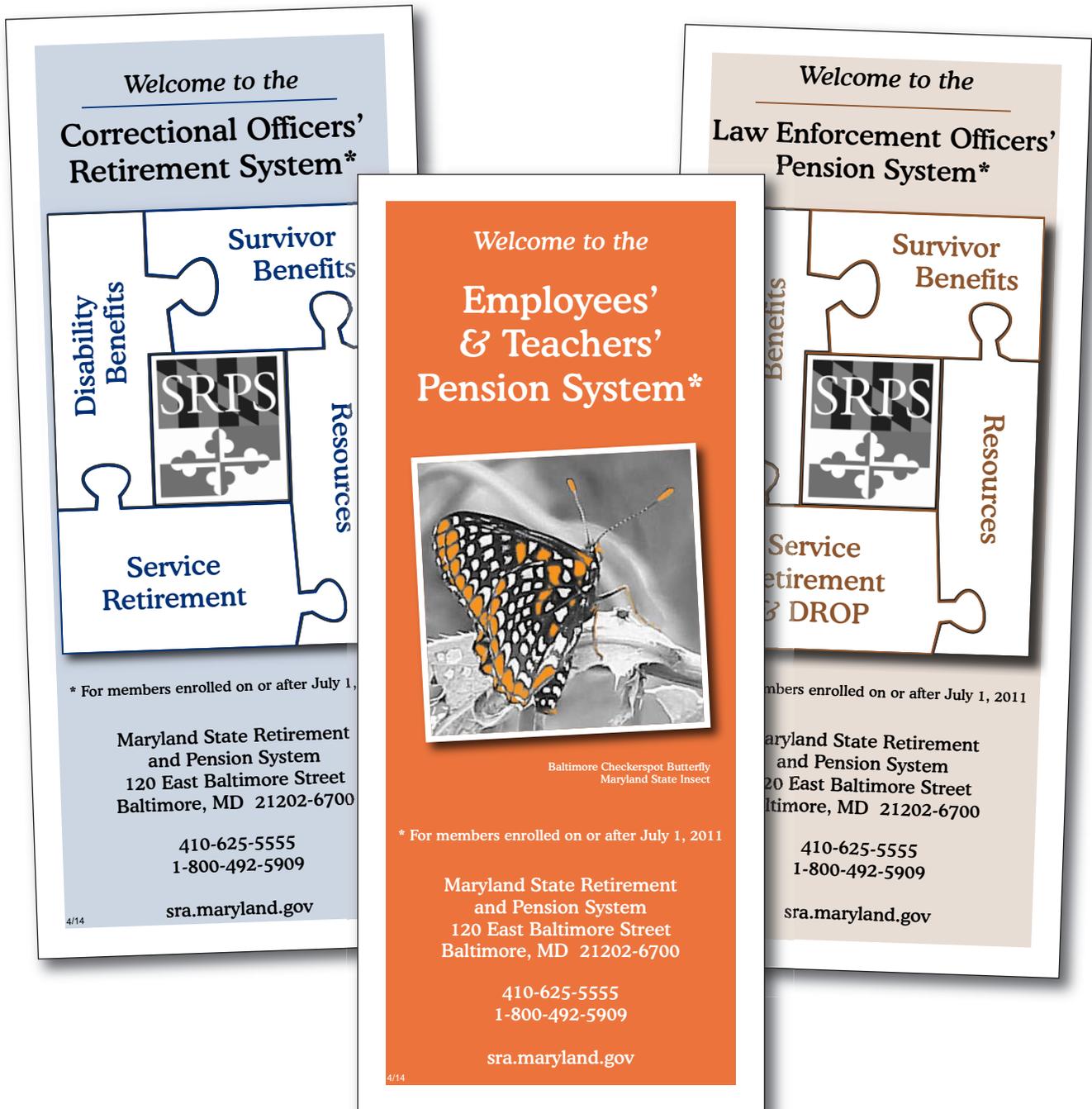
Very truly yours,



Melody Countess  
Chief Operating Officer

# Overview of State Retirement and Pension System Plans

The following brochures provide a summary of the features and benefits of the Employees' and Teachers' Pension System, Law Enforcement Officers' Pension System and Correctional Officers' Retirement System. These Systems are governed by law, including Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. If there is a conflict between the law and these brochures, the law prevails.



Welcome to the  
**Employees’  
& Teachers’  
Pension System\***



Baltimore Checkerspot Butterfly  
Maryland State Insect

\* For members enrolled on or after July 1, 2011

Maryland State Retirement  
and Pension System  
120 East Baltimore Street  
Baltimore, MD 21202-6700

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

[sra.maryland.gov](http://sra.maryland.gov)

4/14

## Welcome!

The Maryland State Retirement and Pension System has a long history of providing retirement benefits to employees and teachers of Maryland state and municipal employers.

This overview deals with the highlights of the Employees’ and Teachers’ Pension System for members enrolled on or after July 1, 2011. Please refer to the pension system handbook on our website at [sra.maryland.gov](http://sra.maryland.gov) for more details about any of these topics.

A retirement coordinator, usually someone in your human resources department, can help you file enrollment forms and answer basic questions about your benefits. The Maryland State Retirement Agency also maintains a staff of retirement benefits specialists to answer questions from members and retirees.

### Enrollment

Membership in the Employees’ and Teachers’ Pension System is mandatory. You must enroll by submitting an *Application for Membership* (Form 1), a *Designation of Beneficiary* (Form 4) and a valid proof of birth date. The forms are available from your retirement coordinator.

If you have membership credit in another Maryland state or Maryland local retirement/pension system, you may be able to transfer that service credit to your new plan. To qualify for the transfer, your employment must be continuous and you must apply within one year of becoming a member in your new system. Contact a retirement benefits specialist if this situation applies to you.

## Employee Contributions

You contribute seven percent of your annual compensation to the Pension System.

## Service Credit

You earn service credit toward your retirement benefits each day you work and pay your required contribution. Your service credit and age determine when you are eligible for retirement and how much your retirement benefit will be.

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

The amount of your retirement benefit is based on creditable service which is determined on the hours you work in a fiscal year. A full-time employee will earn one month of creditable service for each month of employment.

## Your Benefits

The Pension System provides survivor, disability and service retirement benefits. More information on your benefits is available online at [sra.maryland.gov](http://sra.maryland.gov).

### Survivor Benefits

The Pension System provides valuable beneficiary protection for members who die during active membership.

If a member dies after accruing at least one year of eligibility service, or dies in the course of duty, the beneficiary(ies) receives a one-time payment of the member's annual salary plus the member's accumulated contributions and interest.

If a member is eligible to retire or has at least 25 years of eligibility service at the time of death, his or her

surviving spouse may be eligible to receive a monthly benefit in lieu of the one-time payment if the spouse is the sole primary beneficiary.

In lieu of the survivor benefits mentioned here, if a member of the Employees' and Teachers' Pension System is killed in the line of duty, a monthly allowance of two-thirds of the member's average final compensation will be paid to the surviving spouse (if no spouse, to the member's children under age 18. If no spouse or minor children, the benefit is paid to the member's dependent parent for life.) Plus, a return of the member's accumulated contributions with interest is paid to the designated beneficiary.

### Disability Benefits

If you are permanently and totally disabled from performing your job duties, as determined by the System's medical board, you may be eligible for a lifetime monthly disability retirement benefit.

#### *Types of Disability Retirement*

There are two types of disability benefits:

*Ordinary:* Any permanently disabling physical or mental condition.

*Accidental:* Any permanently disabling condition caused by injuries sustained from an accident on the job.

To file for ordinary disability, you must have accrued five years of eligibility service. As an active member, you are eligible to file for accidental disability from your first day on the job provided you file within five years of the date of the accident.

Your retirement coordinator can provide you with the necessary forms to file for a disability retirement benefit.

## Service Retirement

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

*Normal:* At least 90 years of combined age and years of eligibility service. For example:

- Age 57 with 33 years of service,
- Age 60 with 30 years of service or
- Age 63 with 27 years of service

Active members with at least 10 years of eligibility service become eligible for normal service retirement at age 65.

*Early:* Age 60 with at least 15 years of eligibility service.

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

## During Retirement

As a retiree, once you have been retired one full year as of July 1, your retirement allowance may be adjusted each July to help your benefit payments keep pace with inflation.

## If You Leave Employment Before Retirement

If you should leave employment once you have accrued at least 10 years of eligibility service, you are vested and have earned the right to receive a future benefit

based on your service at termination. If you withdraw any of your contributions at termination, you will forfeit the right to a future benefit.

If you are not vested at the time of termination and you don't anticipate returning to membership, you should contact the agency to receive a refund of any contributions with interest you may have made.

## Resources

Visit the State Retirement Agency online at [sra.maryland.gov](http://sra.maryland.gov) for newsletters, member handbooks, retirement benefit estimators, printable forms and updates on the System's financial performance.

To visit the office or write a letter:

State Retirement Agency  
120 East Baltimore Street  
Baltimore, MD 21202-6700

Email inquiries to [sra@sra.state.md.us](mailto:sra@sra.state.md.us)

To speak with a retirement benefits specialist:

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



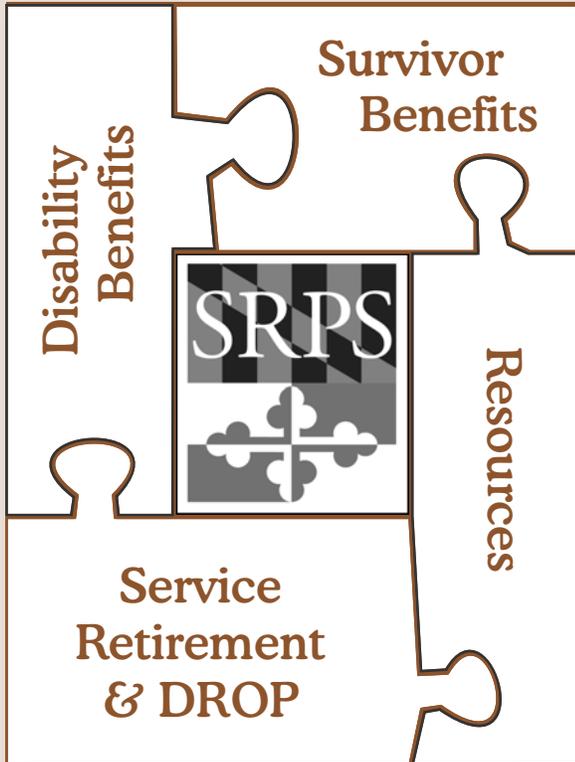
MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

Butterfly photo courtesy of Sue Muller  
Howard County Department of Recreation & Parks

*Welcome to the Employees' & Teachers' Pension System*

Welcome to the

## Law Enforcement Officers' Pension System\*



\* For members enrolled on or after July 1, 2011

Maryland State Retirement  
and Pension System  
120 East Baltimore Street  
Baltimore, MD 21202-6700

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

[sra.maryland.gov](http://sra.maryland.gov)

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## Welcome!

The Maryland State Retirement and Pension System has a long history of providing retirement benefits to law enforcement officers, employees and teachers of Maryland state and municipal employers.

This overview deals with the highlights of the Law Enforcement Officers' Pension System. **Please refer to the pension system handbook on our website at [sra.maryland.gov](http://sra.maryland.gov) for more details about any of these topics.**

A retirement coordinator, usually someone in your human resources department, can help you file enrollment forms and answer basic questions about your benefits. The Maryland State Retirement Agency also maintains a staff of retirement benefits specialists to answer questions from members and retirees.

### Enrollment

Membership in the Law Enforcement Officers' Pension System is mandatory. You must enroll by submitting an *Application for Membership* (Form 1), a *Designation of Beneficiary* (Form 4) and a valid proof of birth date. The forms are available from your retirement coordinator.

If you have membership credit in another Maryland state or Maryland local retirement/pension system, you may be able to transfer that service credit to your new plan. To qualify for the transfer, your employment must be continuous and you must apply within one year of becoming a member in your new system. Contact a retirement benefits specialist if this situation applies to you.

### Employee Contributions

You contribute seven percent of your annual salary to the Law Enforcement Officers' Pension System.

### Service Credit

You earn service credit toward your retirement benefits each day you work and pay your required contribution. Your service credit, and/or your age, determine when

*Welcome to the Law Enforcement Officers' Pension System*

you are eligible for retirement and how much your retirement benefit will be.

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

The amount of your retirement benefit is based on creditable service which is determined on the hours you work in a fiscal year. A full-time employee will earn one month of creditable service for each month of employment.

## Your Benefits

The Law Enforcement Officers' Pension System provides survivor, disability and service retirement benefits. More information on your benefits is available online at [sra.maryland.gov](http://sra.maryland.gov).

## Survivor Benefits

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The Law Enforcement Officers' Pension System provides valuable beneficiary protection for members who die during active membership.

### *Death Benefit*

If you die after accruing at least one year but less than two years of eligibility service, and death does not occur in the course of duty, your beneficiary(ies) receives a one-time payment of your annual salary plus your accumulated contributions and interest.

### *Special Death Benefit*

If you die out of or in the course of the actual performance of duty and without willful negligence, the following will be paid:

- A monthly benefit for your spouse of two-thirds of your average final compensation. If you have no spouse, your children under age 18 will divide the monthly payment until each attains age 18 plus
- Your accumulated contributions with interest.

Or, if you have more than two years of eligibility service at the time of death while in active service and

death occurs without willful negligence, the following will be paid:

- A monthly benefit for your spouse of 50% of the ordinary disability retirement allowance. If you have no spouse, your children under 18 years of age will divide this monthly payment until each attains age 18 plus
- Your accumulated contributions with interest.

If you do not have a spouse or minor children, then the Death Benefit is paid to the designated beneficiary(ies).

## Disability Benefits

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If you are permanently and totally disabled from performing your job duties, as determined by the system's medical board and Board of Trustees, you may be eligible for a lifetime monthly disability retirement benefit.

### *Two Types of Disability Retirement Benefits:*

*Ordinary:* Any permanently disabling physical or mental condition.

*Accidental:* Any permanently disabling condition caused by injuries sustained from an accident on the job.

To file for ordinary disability, you must have accrued five years of eligibility service. To be eligible for accidental disability, you must be an active member who is permanently disabled from performing your job duties. Your incapacity for duty must have arisen out of, or in the course of, the actual performance of duty.

Your retirement coordinator can provide you with the necessary forms to file for a disability retirement benefit.

## Service Retirement & DROP

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Normal service retirement provides a lifetime benefit. Your eligibility for a service retirement depends on two factors: your service credit and age.

### *Normal Service Retirement:*

- Age 50 or
- 25 years of eligibility service at any age

When you retire, your monthly benefit will be paid according to one of several payment options. Your payment option will affect the amount of your monthly benefit. It also will determine the type and amount of benefit, if any, your beneficiary(ies) will receive after your death.

If you're married on the date of retirement, you will receive the Basic Allowance. This provides you with the largest monthly allowance during your lifetime that you are entitled to receive. Upon your death following retirement, your spouse will receive 50% of your monthly allowance for the remainder of his or her lifetime. If you have no spouse but have child(ren) under age 18, the child(ren) will receive this benefit until each child is age 18. If you have no spouse or children under 18 years of age, no survivor's allowance is payable and monthly payments cease at your death.

Unmarried officers may elect the Basic Allowance or one of six additional options which provide varying levels of survivor protection to their beneficiary(ies).

### *Deferred Retirement Option Program (DROP)*

A Deferred Retirement Option Program (DROP) is available for eligible members of the Law Enforcement Officers' Pension System. Under this voluntary program, you can "retire" (and begin accumulating your retirement benefits in a DROP account) while you continue to work (and draw a paycheck) with your same employer. While in DROP, your retirement benefits are deposited in a DROP account within the State Retirement and Pension System. For DROP accounts established on and after July 1, 2011, these deposits earn tax deferred interest of 4% compounded annually for as long as you remain in DROP.

When your DROP participation ends, you must terminate employment with your employer. You will then begin receiving your monthly retirement allowance plus the accumulated balance in your DROP account as a one-time payment.

## During Retirement

As a retiree, once you have been retired one full year as of July 1, your retirement allowance may be adjusted each July to help your benefit payments keep pace with inflation.

## If You Leave Employment Before Retirement

If you should leave employment once you have accrued at least 10 years of eligibility service, you are vested and have earned the right to receive a future benefit based on your service at termination. If you withdraw any of your contributions at termination, you will forfeit the right to a future benefit.

If you are not vested at the time of termination and you don't anticipate returning to membership, you should contact the agency to receive a return of any contributions with interest you may have made.

## Resources

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Visit the State Retirement Agency online at [sra.maryland.gov](http://sra.maryland.gov) for newsletters, member handbooks, retirement benefit estimators, printable forms and updates on the system's financial performance.

To visit the office or write a letter:

State Retirement Agency  
120 East Baltimore Street  
Baltimore, MD 21202-6700

Email inquiries to [sra@sra.state.md.us](mailto:sra@sra.state.md.us)

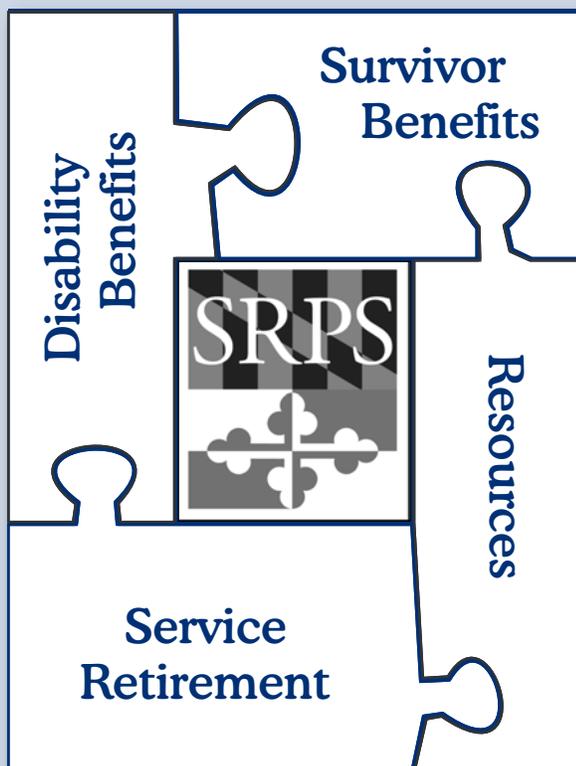
To speak with a retirement benefits specialist:

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

*Welcome to the*

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## Correctional Officers' Retirement System\*



\* For members enrolled on or after July 1, 2011

Maryland State Retirement  
and Pension System  
120 East Baltimore Street  
Baltimore, MD 21202-6700

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

[sra.maryland.gov](http://sra.maryland.gov)

4/14

## Welcome!

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The Maryland State Retirement and Pension System has a long history of providing retirement benefits to employees and teachers of Maryland state and municipal employers.

This overview deals with the highlights of the Correctional Officers' Retirement System. **Please refer to the Retirement System handbook on our Web site at [sra.maryland.gov](http://sra.maryland.gov) for more details about any of these topics.**

At your employer is a retirement coordinator, usually someone in your human resources department, who can help you file retirement forms and answer basic questions about your benefits.

### Enrollment

Membership in the Correctional Officers' Retirement System is mandatory. You must enroll by submitting an *Application for Membership* (Form 1), a *Designation of Beneficiary* (Form 4) and a valid proof of birth date. The forms are available from your retirement coordinator.

If you have membership credit in another Maryland state or Maryland local retirement/pension system, you may be able to transfer that service credit to your new plan. To qualify for the transfer, your employment must be continuous and you must apply within one year of becoming a member in your new system. Contact a retirement benefits specialist if this situation applies to you.

### Employee Contributions

You contribute five percent of your annual salary to the Retirement System.

### Service Credit

You earn service credit toward your retirement benefits each day you work and pay your required contribution. Your service credit, and/or your age,

determine when you are eligible for retirement and how much your retirement benefit will be.

You earn a month of credit for any month in which contributions are reported to the Retirement Agency by your employer.

## Your Benefits

Check out all the benefits membership gives you. If you have questions, contact a retirement benefits specialist at 410-625-5555 or 1-800-492-5909.



The Retirement System provides valuable beneficiary protection for members who die during active membership.

If the member dies after accruing at least one year of eligibility service, the beneficiary(ies) receives a one-time payment of the member's annual salary plus the member's accumulated contributions and interest.

If a member is eligible to retire or at least age 55 with 15 years of creditable service at the time of death, his or her surviving spouse may be eligible to receive a monthly benefit in lieu of the one time payment if the spouse is the sole primary beneficiary.

In lieu of the survivor benefits mentioned here, if a member of the Correctional Officers' Retirement System dies out of or in the course of the actual performance of duty and without willful negligence, a monthly allowance of two-thirds of the member's average final compensation will be paid to the surviving spouse (if no spouse, to your children under

age 18. If no spouse or minor children, the benefit is paid to your dependent parent for life.) Plus, a return of the member's accumulated contributions with interest is paid to the designated beneficiary.



If you are permanently and totally disabled from performing your job duties, as determined by the System's medical board, you may be eligible for a lifetime monthly disability retirement benefit.

### *Types of Disability Retirement*

There are two types of disability benefits:

*Ordinary:* Any permanently disabling physical or mental condition.

*Accidental:* Any permanently disabling condition caused by injuries sustained from an accident on the job.

To file for ordinary disability, you must have accrued five years of eligibility service. As an active member, you are eligible to file for accidental disability from your first day on the job.

Your retirement coordinator can provide you with the necessary forms to file for a disability retirement benefit.



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Normal service retirement provides full benefits. Your eligibility for a normal service retirement depends on two factors: your service credit and age.

*Normal:*

- Age 55 with at least 10 years of service credit (Age 60 if a maximum security attendant at the Clifton T. Perkins Hospital Center) or
- 20 years of service credit regardless of age

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

## **During Retirement**

As a retiree, once you have been retired one full year as of July 1, your retirement allowance may be adjusted each July to help your benefit payments keep pace with inflation.

## **If You Leave Employment Before Retirement**

If you should leave employment once you have accrued at least 10 years of eligibility service, you are vested and have earned the right to receive a future benefit based on your service at termination. If you withdraw any of your contributions at termination, you will forfeit the right to a future benefit.

If you are not vested at the time of termination and you don't anticipate returning to membership, you should contact the agency to receive a return of any contributions with interest you may have made.



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Visit the State Retirement Agency online at [sra.maryland.gov](http://sra.maryland.gov) for newsletters, member handbooks, retirement benefit estimators, printable forms and updates on the System's financial performance.

To visit the office or write a letter:

State Retirement Agency  
120 East Baltimore Street  
Baltimore, MD 21202-6700

Email inquiries to [sra@sra.state.md.us](mailto:sra@sra.state.md.us)

To speak with a retirement benefits specialist:

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

# Actuarial Valuation and Funding

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## Annual actuarial valuations

Each year, the System’s consulting actuary performs an actuarial valuation of what are referred to as the “Maryland Municipal Corporations” that participate in the Maryland State Retirement and Pension System (System), either in the Employees’ Pension System, the Correctional Officers’ Pension System or the Law Enforcement Officers Pension System. The purpose of each annual valuation is to:

- Measure the financial position of the municipal corporations’ participation in the System, and
- Assist the Board of Trustees in establishing basic or pooled employer contribution rates necessary to fund the benefits provided by the System.

The individual member data required for the valuations is furnished to the actuary by the Maryland State Retirement Agency, as it is provided by each participating employer to the Agency. The actuary checks all data for internal and year-to-year consistency, but does not otherwise audit the data.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas, including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. The board adopts these assumptions after considering the advice of the actuary as well as the board’s general investment consultant. These assumptions and the methods used by the actuary comply with the requirements of the Governmental Accounting Standards Board (“GASB”).

Each actuarial valuation takes into account all prior differences between actual and assumed ex-

perience and adjusts the contribution rates as needed. At least every five years, the actuary performs an experience study of the System. Certain assumptions from the experience study, including mortality rates, retirement rates, withdrawal rates and rates of salary increase are adopted by the Board and are applied to the next annual valuation performed.

The board adopted new economic assumptions for the June 30, 2013 valuation — an investment return assumption of 7.70% and an inflation assumption of 2.95%. The ultimate assumptions of a 7.55% investment return and 2.80% inflation assumption are being phased-in over a four-year period such that with the FY2016 valuation 7.55% will be the fixed investment return assumption going forward.

## Funding

### Asset Valuation

The assets of the System are valued using a method referred to as “smoothing.” Asset smoothing is a mechanism that spreads out, or smoothes, annual investment returns, both gains or losses, over a designated period of time in order to minimize volatility. The System employs a five-year rolling average to calculate its actuarial value of assets. In this way, only one-fifth of a given annual gain or loss is recognized during the year in which it occurs. Asset smoothing is often limited by a final adjustment to keep the actuarial value of assets from being too far from the market value of assets. For the System, the actuarial value is not allowed to be lower than 80% of market value or higher than 120%.

### Accrued Liabilities

The State Retirement and Pension System currently uses the “entry age normal cost method” to

determine the actuarial accrued liability on which future employer contribution rates will be based. Under this funding method, the cost of each individual's pension is allocated on a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. The goal is to spread the cost over the career of the member as a level percentage of payroll. The total contribution rate consists of two elements, the normal cost rate and the unfunded actuarial accrued liability rate. The normal cost represents the value of retirement benefits earned by employees in the current year, assuming all actuarial assumptions are precisely accurate, there are no changes in the plan over the lifetime of the employee, and all of the

employee's service is accrued after the establishment of the plan. The unfunded actuarial accrued liability represents the value of retirement benefits earned in prior years, and includes:

- The liability for benefits earned by employees under pre-existing pension plans before the establishment of the current plan;
- The total liability associated with any retroactive benefit enhancement; and
- The net effect of any previous actuarial gains and losses resulting from deviations from assumptions, or changes in assumptions.

Actuarial valuation reports for the Maryland municipal corporations that participate in the Maryland State Retirement and Pension System are available here:

**[http://sra.maryland.gov/Agency/Downloads/Valuation/Actuarial\\_Valuation\\_Reports.aspx](http://sra.maryland.gov/Agency/Downloads/Valuation/Actuarial_Valuation_Reports.aspx)**

## Summaries of Benefits

<b>Employees' Pension System (for members enrolled on or after July 1, 2011)</b>	
<b>Member Contributions</b>	7% of earnable compensation
<b>Service Retirement Eligibility</b>	<b>Eligibility:</b> Age 65 with 10 years of eligibility service or the Rule of 90 (age and eligibility service equals at least 90 – for example 57 years old with 33 years of eligibility service) <b>Annual Maximum Allowance:</b> 1.5 % of Average Final Compensation <sup>1</sup> (AFC) for each year of creditable service (.015 x AFC x Years of Creditable Service)
<b>Early Retirement</b>	<b>Eligibility:</b> Age 60 with at least 15 years of eligibility service. <b>Allowance:</b> The early service retirement benefit is a reduced service retirement benefit. Reduction is 0.5% for each month (6% for each year) you retire prior to reaching age 65. Maximum reduction is 30%.
<b>Ordinary Disability</b>	<b>Eligibility:</b> Five years of eligibility service, permanent incapacity to perform your job duties due to medical reason, and approved by the Maryland State Retirement Agency Medical Board and the Board of Trustees. <b>Allowance:</b> Service retirement benefit formula with creditable service projected to age 65.
<b>Accidental Disability</b>	<b>Eligibility:</b> Permanent incapacity to perform your job duties as a result of an accident which occurs while you are performing your job duties, and approved by the Maryland State Retirement Agency Medical Board and the Board of Trustees <b>Allowance:</b> 2/3rds (66.67%) of AFC, plus an annuity based upon your member contributions.
<b>Cost-of-Living Adjustment</b>	Eligible to receive up to 2.5% compounded cost of living adjustment when the System's investment fund earns or exceeds its assumed actuarial rate of return or limited to 1% compounded cost of living adjustment in years when the assumed actuarial rate is not met.
<b>Active Member Death Benefit</b>	Payment of member's contributions and interest if the member has less than one year of eligibility service, or Payment of member's contributions and interest plus an amount equal to one year of the member's earnable compensation if the member has at least one year or eligibility service, or Payment to the member's surviving spouse of a monthly benefit payment under Option 2 if the spouse was the member's sole primary designated beneficiary and the member was at the date of death eligible to retire, had at least 25 years of eligibility service, or was at least 55 years old with at least 15 years of eligibility service, or Payment to the member's surviving spouse, child under 18 years of age, or dependent parent of a monthly benefit payment based upon 2/3rds (66.67%) of the member's AFC, plus payment of the member's balance of contributions and interest to their designated beneficiary if the member's death arose out of or in the course of the actual performance of duty and without willful negligence by the member.
<b>Vested Benefit</b>	Ten years of eligibility service. Accrued allowance payable at age 65.
<b>Reemployment After Service or Disability Retirement</b>	<b>Service Retirement:</b> A retiree returning to employment with the same participating employer from which they retired may be subject to an earnings limitation. <b>Disability Retirement:</b> Contact the State Retirement Agency for explanation on the effects of reemployment as a disability retiree.

<sup>1</sup>Average Final Compensation equals the highest average earnable compensation of the member during a five consecutive year period.

<b>Law Enforcement Officers' Pension System (for members enrolled on or after July 1, 2011)</b>	
<b>Member Contributions</b>	7% of annual compensation
<b>Service Retirement</b>	Eligibility: Age 50 or any age with 25 years of eligibility service Allowance: 2% of Average Final Compensation (AFC) for each year of creditable service. Maximum benefit 60% of AFC. AFC is the average of five highest years.
<b>Early Retirement</b>	N/A
<b>Ordinary Disability</b>	<b>Eligibility:</b> Five years of eligibility service and certification by Maryland State Retirement Agency Medical Board that member is permanently disabled from performing their job duties. <b>Allowance:</b> Service benefit formula – projected to age 50. Maximum 30 years creditable service.
<b>Accidental Disability</b>	<b>Eligibility:</b> Certified by Maryland State Retirement Agency Medical Board, member is permanently and totally disabled from performing their job duties arising out of, or in the course of, the actual performance of duty. <b>Allowance:</b> 2/3rds of AFC, plus annuity of member's contributions and interest.
<b>Cost-of-Living Adjustment</b>	Eligible to receive up to 2.5% compounded cost of living adjustment when the System's investment fund earns or exceeds its assumed actuarial rate of return or limited to 1% compounded cost of living adjustment in years when the assumed actuarial rate is not met.
<b>Survivor Benefit</b>	<p><b>Active Member – Normal Death Benefit</b> If member has less than one year of eligibility and death does not arise out of or occur in the course of performance of duty, member's accumulated contributions paid to member's designated beneficiary(ies).</p> <p>If member has at least one year of eligibility service and death does not arise out of or occur in the course of performance of duty, an amount equal to the member's annual earnable compensation plus the member's accumulated contributions paid to member's designated beneficiary (ies).</p> <p>If member has at least two years of eligibility service and death does not arise out of or occur in the course of performance of duty, and the member is survived by a spouse or child under the age of 18, a monthly benefit of 50% of an ordinary disability allowance.</p> <p><b>Active Member - Special Death Benefit</b> If death occurs without willful negligence and arising out of or in the course of the actual performance of duty, and the member is survived by a spouse or child under the age of 18, a monthly benefit of 2/3rds of the AFC with the member's accumulated contributions paid to member's designated beneficiary(ies).</p> <p><b>Retiree</b> <b>Basic Allowance</b> Retiree's spouse will receive a monthly benefit of 50% of their monthly allowance. If member has no spouse, the monthly payment will be divided and paid to their children under age 18 years old until they are 18 years of age. Allowance ceases at death if retiree has no spouse or minor children. <b>Optional Allowances</b> All six provide a reduced retiree monthly allowance. See retirement application for information about survivor benefits under each optional allowance.</p>
<b>Vested Benefit</b>	Retirement allowance payable at age 50 with at least 10 years of eligibility service.
<b>Reemployment After Retirement</b>	Must separate from employment in SRPS for at least 45 days. May have an earnings limit if returning to same employer or another participating employer. Contact the State Retirement Agency for clarification on the effects of reemployment.

<b>Correctional Officers' Retirement System (for members enrolled on or after July 1, 2011)</b>	
<b>Member Contributions</b>	5% of earnable compensation
<b>Service Retirement</b>	<p><b>Eligibility:</b> at least 20 years of creditable service with a minimum of the last five years of creditable service in the Correctional Officers' Retirement System</p> <p><b>Annual Maximum Allowance:</b> 1.818 % of Average Final Compensation<sup>1</sup> (AFC) for each year of creditable service (.01818 x AFC x Years of Creditable Service)</p>
<b>Ordinary Disability</b>	<p><b>Eligibility:</b> Five years of creditable service, permanent incapacity to perform your job duties due to medical reason, and approved by the Maryland State Retirement Agency Medical Board and the Board of Trustees.</p> <p><b>Allowance:</b> If member is at least normal retirement age, 55 years old, the greater of a normal service retirement allowance or 25% of the member's AFC.</p> <p>If the member is less than normal retirement age, 55 years old, the greater of a normal service retirement allowance or the lesser of 25% of the member's AFC or a normal service retirement allowance computed to include the number of years of creditable service the member would have received had they worked until normal retirement age.</p>
<b>Accidental Disability</b>	<p><b>Eligibility:</b> Permanent incapacity to perform your job duties as a result of an accident which occurs while you are performing your job duties, and approved by the Maryland State Retirement Agency Medical Board and the Board of Trustees</p> <p><b>Allowance:</b> 2/3rds (66.67%) of AFC, plus an annuity based upon your member contributions.</p>
<b>Cost-of-Living Adjustment</b>	Eligible to receive up to 2.5% compounded cost of living adjustment when the System's investment fund earns or exceeds its assumed actuarial rate of return or limited to 1% compounded cost of living adjustment in years when the assumed actuarial rate is not met.
<b>Active Member Death Benefit</b>	<p>Payment of member's contributions and interest if the member has less than 1 year of creditable service, or</p> <p>Payment of member's contributions and interest plus an amount equal to one year of the member's earnable compensation if the member has at least 1 year of creditable service, or</p> <p>Payment to the member's surviving spouse of a monthly benefit payment under Option 2 if the spouse was the member's sole primary designated beneficiary and the member was at the date of death eligible to retire or was at least 55 years old and had at least 15 years of creditable service, or</p> <p>Payment to the member's surviving spouse, child under 18 years of age, or dependent parent of a monthly benefit payment based upon 2/3rds (66.67%) of the member's AFC, plus payment of the member's balance of contributions and interest to their designated beneficiary if the member's death arose out of or in the course of the actual performance of duty and without willful negligence by the member.</p>
<b>Vested Benefit</b>	10 years of creditable service. Accrued allowance payable at age 55.
<b>Reemployment After Service or Disability Retirement</b>	<p><b>Service Retirement</b> - A retiree returning to employment with the same participating employer from which they retired may be subject to an earnings limitation.</p> <p><b>Disability Retirement</b> - Contact the State Retirement Agency for an explanation on the effects of reemployment as a disability retiree.</p>

<sup>1</sup>Average Final Compensation equals the average of the member's highest five years of earnable compensation.

# Employer Pick-up Program

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The following is provided to acquaint employers who are not currently participating in the “Employer Pick-up Program” with the procedures necessary to apply for the program. Participation in this program allows the employer to withhold mandatory employee retirement contributions on a pre-tax basis for federal income tax purposes. This program does not change Maryland income tax treatment.

In 1988, the General Assembly enacted legislation (now codified in the State Personnel and Pensions Article §21-313) that permits employers to “pick up” mandatory employee contributions paid to the Maryland State Retirement and Pension System so that these contributions may be exempt from federal taxation under Section 414(h)(2) of the Internal Revenue Code. Before an employer may participate, the employer must adopt a resolution to “pick up” employee contributions. (Ask for a sample employer pick-up resolution.)

The Maryland State Retirement Agency (Agency) requires an employer to submit the resolution accompanied by a letter requesting the Board of Trustees’ approval for participation. The letter must indicate the employer’s intention to participate, the anticipated future starting date, and the

employee groups (location codes and plans) which are reported to the System that would be covered under the program. Participation should begin with the first pay period ending date for that month and may not be retroactive. Allow at least sixty days for the Agency to obtain board ratification and initiate automated program modifications.

Because employer pick-up contributions affect the tax reporting for retirement benefit payments and other Agency distributions, employers should not begin the Employer Pick-up Program until the Agency advises, in writing, that participation has been approved by the Board of Trustees. This is confirmation that the Agency’s payroll programs are ready to accept employee contributions as pick-up contributions.

The employer’s payroll department will be required to modify its payroll programs effective with the Agency approved pick-up start date so that the mandatory retirement contributions will not be included in taxable earnings for federal tax purposes. Employers must also modify their wage tax programs with the effective start date to separately report federal taxable earnings and state taxable earnings.

# Selected Sections of the State Personnel and Pensions Article, Annotated Code of Maryland

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The Maryland State Retirement and Pension System is governed by law, including Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland. Excerpts of the Annotated Code of particular interest to governmental units considering participating in the System are provided here. Click on the links to access the corresponding sections.

- § 21-125. Actuary
- § 21-305. Employer contributions -- Participating governmental units
- § 21-305.1. Employer contributions -- Normal contributions
- § 21-305.2. Employer contributions -- Accrued liability contributions
- § 21-305.3. Employer contributions -- Special accrued liability contributions
- § 21-305.4. Employer contributions -- Required employer contributions
- § 21-305.5. Employer contributions -- Withdrawal liability contribution
- § 21-305.6. Employer contributions -- Partial withdrawal
- § 21-309. Employer contributions -- Payment by participating governmental unit
- § 21-309.1. Employer contributions -- Payment by local employers
- § 21-311. Annuity savings funds
- § 21-312. Member contributions -- In general
- § 21-313. Member contributions -- Employer pickup of member contributions
- § 21-314. Member contributions -- Duties of participating employers
- § 21-315. Expense funds
- § 21-316. State and local employer pro rata payments for administrative and operational expenses of Board of Trustees and State Retirement Agency
  
- § 23-201. Membership in the Employees' Pension System -- Scope
- § 23-212. Contributions by members
- § 23-215. Termination of membership
- § 23-225. Scope
- § 23-226. General consideration
- § 23-401. Normal service retirement
  
- § 31-101 to § 31-306. Participating governmental units
  
- § 37-101. Definitions
- § 37-201. Scope of title
- § 37-202. When transfer allowed

# Code of Maryland Regulations, Title 22: Regulations Concerning Employee Eligibility

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The Maryland State Retirement and Pension System is governed by law, including Title 22 of the Code of Maryland Regulations. An excerpt of COMAR of particular interest to governmental units considering participating in the System is provided here. Click on the link to access the corresponding section.

## **Title 22 STATE RETIREMENT AND PENSION SYSTEM**

### **Subtitle 04 MEMBERSHIP**

Chapter 02 Membership in the Employees' System or the Teachers' System—General

**MARYLAND STATE RETIREMENT AGENCY**  
120 EAST BALTIMORE STREET  
BALTIMORE, MARYLAND 21202

**PARTICIPATING GOVERNMENTAL  
UNIT ENTRY APPLICATION**

**IMPORTANT:** An electronic version of this form is available at [sra.maryland.gov](http://sra.maryland.gov).

(REV. 5/14)

Organization Name

Address

Phone

Fax

Primary Contact

Title

Phone

Email

Secondary Contact

Title

Phone

Email

**Status:**  Non-Participating Employer  Existing Participating Employer

**Nature of your request:**  Information Only  New Entrance

**Tentative entry date:** What is the proposed date of entrance? July 1, 20 \_\_\_\_\_

(Note: All new entries into the plan take effect at the beginning of the state's fiscal year)

**Please select the system you are applying to enter:**

Employees

Law Enforcement Officers

Correctional Officers

**A. GOVERNANCE**

1. Please provide the name and contact information of the official of the city/town/other entity who has the authority to act on behalf of the governing body and will be responsible for handling this Entry Application.

Name

Title

Phone

Email

2. Your organization is a :

County

Municipal corporation

Special taxing area

Other: \_\_\_\_\_

How is your organization governed? (eg., council, executive director, board of directors, etc.)

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**B. RELATED PROFESSIONALS**

1. Please provide the name, contact person and phone number of your legal counsel:

\_\_\_\_\_  
Legal Counsel / Law Firm

\_\_\_\_\_  
Legal Counsel Email

\_\_\_\_\_  
Legal Counsel Contact Person

\_\_\_\_\_  
Legal Counsel Phone

2. If you employ the services of an actuary, please provide the name of the actuarial firm, contact person and phone number.

\_\_\_\_\_  
Actuary (if applicable)

\_\_\_\_\_  
Actuary Email

\_\_\_\_\_  
Actuary Contact Person

\_\_\_\_\_  
Actuary Phone

3. If you are you working with a third party plan administrator, please provide the name of the plan administrator, contact person and phone number.

\_\_\_\_\_  
Third Party Administrator (if applicable)

\_\_\_\_\_  
Third Party Administrator Email

\_\_\_\_\_  
Third Party Administrator Contact Person

\_\_\_\_\_  
Third Party Administrator Phone

**C. CURRENT PLAN INFORMATION**

1. Do you provide your employees with a retirement plan?  Yes  No

2. If so, is it a

Defined Benefit Plan?

Defined Contribution Plan?

Other – Please explain \_\_\_\_\_

3. If so, do you have an IRS determination letter that your retirement plan is a qualified plan?

Yes  No

4. If you have a determination letter from the IRS, please attach it to this application.

5. What provision of the Internal Revenue Code governs your retirement plan?

\_\_\_\_\_  
(eg., Section 457(b), 401(a))

6. Do you intend to close your current retirement plan when you join the state system?  Yes  No

