



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Summary of Pension Reform Changes Effective July 1, 2011

THIS IS A SUMMARY OF THE LEGISLATIVE CHANGES THAT APPLY GENERALLY. HOWEVER, IT DOES NOT ADDRESS EVERY CHANGE OR EVERY SITUATION. IF THERE ARE DIFFERENCES BETWEEN THIS SUMMARY AND THE PROVISIONS OF HOUSE BILL 72 AS ENACTED, THE PROVISIONS OF HB 72 WILL CONTROL. IF YOU ARE NOT SURE WHICH SYSTEM OR BENEFIT APPLIES TO YOU, PLEASE CHECK YOUR ANNUAL PERSONAL STATEMENT OF BENEFITS. THAT STATEMENT IDENTIFIES THE SYSTEM/BENEFIT THAT APPLIES TO YOU.

April 22, 2011

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Important Notes:

Refer to page 2 of your most recent Personal Statement of Benefits to confirm your System of participation.

The Teachers' Retirement Systems (TRS) and the Employees' Retirement System (ERS) which were closed to new members in January 1980 are not affected by the 2011 Pension Reform Provisions. Individuals who have earned a two-part (bi-furcated) benefit with one benefit for service prior to July 1984 and one benefit for service earned after June 1984 are members of the TRS or ERS, and are therefore not affected by the 2011 Pension Reform Provisions.

The Judges' Retirement System is not affected by the 2011 Pension Reform Provisions.

Employees' Pension System / Teachers' Pension System, Alternate Contributory Pension Selection

Current Members at June 30, 2011
Changes effective for service earned on and after 7/1/2011

	Currently	Approved Reforms - Effective 7/1/11
Employee contribution	5% of Annual Earnable Compensation	7% of Annual Earnable Compensation
Cost of Living Adjustment	Compound Annual Retiree COLA linked to Consumer Price Index (CPI) with a cap of 3% per year	Compound COLA remains linked to CPI but capped at: 2.5% if assumed rate of return* for investments in prior year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>

Employees' Pension System / Teachers' Pension System, Reformed Contributory Pension Benefit (established July 1, 2011)

New Hires -- employed on or after 7/1/2011

	Approved Reforms - Effective 7/1/11
Employee Contribution	7%
Benefit Multiplier	1.5%
Average Final Compensation	Calculate using highest 5 consecutive years
Full Service Retirement	Rule of 90 (sum of age and eligibility service must equal 90) or age 65 with 10 years eligibility service
Early Service Retirement	Age 60 and 15 years eligibility service
Vesting	10 years eligibility service
Cost of Living Adjustment (COLA)	Compound COLA remains linked to CPI but capped at: 2.5% if assumed rate of return* for investments in prior year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>

State Police Retirement System (SPRS)

	Currently	Approved Reforms - Effective 7/1/11
Average Final Compensation	Calculate using 3 years of highest compensation	Calculate using 5 years of highest compensation <i>(new hires only)</i>
Full Service Retirement	Age 50 or 22 years	Age 50 or 25 years <i>(new hires only)</i>
Vesting	5 years	10 years <i>(new hires only)</i>
Cost of Living Adjustment (COLA)	Unlimited annual compound COLA linked to Consumer Price Index (CPI)	Compound COLA remains linked to CPI but capped at: 2.5% if assumed rate of return* for investments in prior year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>
Deferred Retirement Option Program	Accounts earn interest at rate of 6% compounded monthly Eligibility up to 28 years of service	Accounts earn interest at rate of 4% compounded annually (applies to DROP accounts set up by current and new employees after July 1, 2011) Eligibility between 25 and 29 years of service and less than age 60 <i>(applies to new hires only)</i>

Correctional Officers Retirement System (CORS)

	Currently	Approved Reforms - Effective 7/1/11
Average Final Compensation	Calculate using 3 years of highest compensation	Calculate using 5 years of highest compensation <i>(new hires only)</i>
Vesting	5 years	10 years <i>(new hires only)</i>
Cost of Living Adjustment	Unlimited annual compound COLA linked to Consumer Price Index (CPI)	Compound COLA remains linked to CPI but capped at: 2.5% if assumed rate of return * for investments in prior year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>

Law Enforcement Officers Pension System (LEOPS)

	Currently	Approved Reforms - Effective 7/1/11
Employee Contribution	4% of earnable compensation	6% of earnable compensation for FY 2012 and 7% of salary for FY 2013 and beyond <i>(current employees and new hires)</i>
Average Final Compensation	Calculate using 3 highest consecutive years of compensation	Calculated using 5 highest consecutive years of compensation <i>(new hires only)</i>
Vesting	5 years	10 years <i>(new hires only)</i>
Cost of Living Adjustment	Compound Annual Retiree COLA linked to Consumer Price Index (CPI) with a cap of 3% per year	Compound COLA remains linked to CPI but capped at: 2.5% if assumed rate of return * for investments in prior year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>
Deferred Retirement Option Program (DROP)	Accounts earn interest at rate of 6% compounded monthly	Accounts earn interest at rate of 4% compounded annually <i>(applies to DROP accounts set up by current and new employees after 7/1/2011)</i>

Employees’ Non-Contributory Pension System

These reforms apply to employees of Anne Arundel County Economic Opportunity Commission, City of Crisfield, Crisfield Housing Authority, Town of North Beach, Prince George’s County Government, Prince George’s County Crossing Guards, Town of Elkton, Garrett County Commission, and Garrett County Roads Board.

	Currently	Approved Reforms - Effective 7/1/11
Average Final Compensation	Average of the 3 highest consecutive years	Average of the 5 highest consecutive years <i>(new hires only)</i>
Normal Service Retirement	30 years or Age 62 with 5 years; age 63 with 4 years; age 64 with 3 years; age 65 or older with two years.	The Rule of 90 (sum of age and eligibility service must equal 90) or Age 65 with 10 years eligibility service. <i>(new hires only)</i>
Early Service Retirement	Age 55 with 15 years	Age 60 with 15 years eligibility service <i>(new hires only)</i>
Vesting	5 years	10 years eligibility service <i>(new hires only)</i>
Cost of Living Adjustment	Annual simple COLA linked to Consumer Price Index (CPI) with a cap of 3% s interest	Compounded COLA linked to CPI but capped at: 2.5% if assumed rate of return * for investments in prior calendar year is achieved. 1% if investment target not met <i>(applies to service credit earned by current and new employees after July 1, 2011)</i> <i>*currently 7.75%</i>

The employees of the following employers who elected to remain in the Employees’ Pension System when their agency withdrew are members of the Non-Contributory Pension System, and are only affected by the reforms for cost-of-living adjustments on benefits earned for service accrued on and after July 1, 2011. Those withdrawn employers are: Caroline County Roads Board; Carroll County Government; Town of Elkton; Garrett County Commission, Garrett County Roads Board, and Howard County Government.

Employees' Contributory Pension System

These reforms apply to employees of Town of Emmitsburg, City of Frostburg, Middleton Burgess Commission and City of Taneytown.

	Currently	Approved Reforms - Effective 7/1/11
Average Final Compensation	Average of the 3 highest consecutive years	Average of the 5 highest consecutive years <i>(new hires only)</i>
Normal Service Retirement	30 years or Age 62 with 5 years; age 63 with 4 years; age 64 with 3 years; age 65 or older with two years.	The Rule of 90 (sum of age and eligibility service) or Age 65 with 10 years eligibility service <i>(new hires only)</i>
Early Service Retirement	Age 55 with 15 years	Age 60 with 15 years eligibility service <i>(new hires only)</i>
Vesting	5 years	10 years eligibility service <i>(new hires only)</i>
Cost of Living Adjustment (COLA)	Annual Retiree COLA linked to Consumer Price Index (CPI) with a cap of 3% per year	COLA remains linked to CPI but capped at: 2.5% if assumed rate of return for investments in prior calendar year is achieved. 1% if investment target not met <i>(Applies to credit earned by current and new employees on or after 7/1/2011)</i> <i>*currently 7.75%</i>