



Benefits

handbook

Revised
July 2011

MARYLAND
STATE RETIREMENT
and PENSION SYSTEM



Pension
System for
Law
Enforcement
Officers
of the State
of Maryland

PENSION SYSTEM
FOR LAW ENFORCEMENT OFFICERS
OF THE STATE OF MARYLAND

Benefits Handbook

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July 2011 This booklet provides a summary of the features and benefits of your pension plan. Pension provisions outlined in this document are set forth in the State Personnel and Pensions Article of the Annotated Code of Maryland. If there are any questions of interpretation, the provisions of the State Personnel and Pensions Article will control to resolve them.



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Message from the Board of Trustees:

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

We designed this handbook to be easy to read, with 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 now, during your career.

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

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 successful career.

INTRODUCTION

How to Use This Book

The policies, formulas and benefits described in the main portion of this handbook apply for the majority of Law Enforcement Officers' Pension System (LEOPS) members. **For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, certain special provisions apply. These special provisions are described in the Appendix located at the end of this book.**

The Appendix includes only the provisions which **differ** from those described in the main portion of this handbook. If a section appears in the first portion of this handbook but not in the Appendix, the same general provisions apply for all members.

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1



MEMBERSHIP IN SRPS

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

Participation and Eligibility

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

This booklet deals with the Law Enforcement Officers’ Pension System (i.e., LEOPS) which was established in 1990. LEOPS covers the following employees:

- 1) Employees of the Department of Natural Resources commissioned by the Secretary of Natural Resources as
 - Natural Resources police officers or
 - law enforcement officers, other than Natural Resources police officers;
- 2) Law enforcement officers employed by the Maryland Investigative Services Unit;
- 3) Members of the Maryland Transportation Authority Police Force who have the powers granted to a police officer under § 4-208 of the Transportation Article;
- 4) Deputy sheriffs employed by the Baltimore City Sheriff’s Department;
- 5) Members of the University of Maryland Police Force and Morgan State University Police Force who have the powers granted to a police officer under § 13-601 and § 14-106, respectively, of the Education Article;

- 6) Law enforcement officers or firefighters employed by a participating governmental unit that on or after July 1, 1999, elected to participate in LEOPS;
- 7) The State Fire Marshal and Deputy State Fire Marshals;
- 8) Members of the Baltimore Washington International (BWI) Airport Fire and Rescue Department;
- 9) Members of the Department of General Services Police Force who have the powers granted to a police officer under §4-605 of the State Finance and Procurement Article;
- 10) Employees of the Department of Health and Mental Hygiene commissioned by the Secretary of Health and Mental Hygiene as Health and Mental Hygiene police officers;
- 11) Employees of the Motor Vehicle Administration commissioned by the Secretary of the Department of Transportation as Motor Vehicle Administration police officers;
- 12) Employees of the Department of Labor, Licensing and Regulation commissioned by the Secretary of Labor, Licensing and Regulation as Labor, Licensing and Regulation police officers;
- 13) Firefighters or law enforcement officers for the Martin State Airport employed by the Military Department;
- 14) Police officers employed by the Division of Rehabilitation Services in the Department of Education, certified in accordance with the Maryland Police and Corrections Training Commission;
- 15) Firefighters or paramedics employed by the Salisbury Fire Department;
- 16) Members of the Maryland Transit Administration Police Force who have the powers granted to a police officer under §7-207 of the Transportation Article;
- 17) Aviators employed by the Department of State Police to operate an aircraft for the State Emergency Medical System;
- 18) An individual who is elected or appointed as the Baltimore City Sheriff and who does not elect to join the Employees' Pension System within six months of taking office;
- 19) Members of the Department of Public Safety and Correctional Services Internal Investigative Unit who have the powers granted to a police officer under § 10-701 of the Correctional Services Article; or
- 20) Police officers employed by the Baltimore City Community College who have the powers granted to a police officer under §16-513 of the Education Article.

Exception: Membership does not apply to an individual who is elected or appointed as the Baltimore City Sheriff and who submits an application to join the Employees' Pension System within six months of taking office.

Exceptions: The following employees who transferred from the Employees' Retirement System to the Employees' Pension System on or after the dates shown are **not** members of the Law Enforcement Officers' Pension System:

- 1) Maryland Transportation Authority police officers, deputy sheriffs employed by the Baltimore City Sheriff's Department, the State Fire Marshal or Deputy

- State Fire Marshals and police officers employed by the Baltimore City Community College who transferred on or after December 1, 1996;
- 2) Members of the University of Maryland and Morgan State University Police Forces, law enforcement officers or firefighters employed by a participating governmental unit, and Maryland Port Administration police officers who transferred on or after December 1, 1997; or
 - 3) Members of the Baltimore Washington International (BWI) Airport Fire and Rescue Department; firefighters for the Martin State Airport employed by the Military Department; members of the Department of General Services, Department of Health and Mental Hygiene, Motor Vehicle Administration, Department of Labor, Licensing and Regulation, Division of Rehabilitation Services in the Department of Education Police Force; firefighters or paramedics employed by the Salisbury Fire Department; and aviators employed by the Department of State Police who transferred on or after April 1, 1998.

Membership begins when your employer places you on payroll.

For new employees in the eligible groups listed, membership in LEOPS is mandatory. In the past, employees in these groups had the option to participate in other plans. Some individuals chose to remain in these other plans, and thus are not covered under LEOPS.

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 which may affect you now or in the future. These resources include your Personal Statement of Benefits, which provides an annual summary of your pension account, and our quarterly newsletter *The Mentor*, which offers up-to-date benefit news and information. 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.

Terminating Membership

Primary Beneficiary: This is your first choice for the individual(s) who would receive survivor benefits should you die during membership. See “Survivor Benefits” for more information.

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

Membership ends if the member:

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

Questions to ask before leaving membership

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.

Am I vested? (See “Vested Benefits”)	()YES	()NO
Do I qualify for service retirement? (See “Service Retirement”)	()YES	()NO
Do I qualify to participate in the Deferred Retirement Option Program (DROP)? (See “DROP Eligibility”)	()YES	()NO
Do I qualify to apply for disability? (See “Disability Benefits”) General Qualifications: Ordinary Disability — Permanently disabled from performing job duties, with 5 years of eligibility service.	()YES	()NO
General Qualifications: Accidental Disability — Permanently disabled from performing job duties, with disability arising out of or in the course of the actual performance of duty (no service requirement).	()YES	()NO
Have I checked with my personnel office regarding the impact of terminating on other benefits offered through my employer, such as health insurance?	()YES	()NO

IMPORTANT: If you believe you may be 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 Law Enforcement Officers' Pension System, you earn service credit toward your retirement benefits each day on the job. Your service credit determines how much your retirement benefit will be.

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

During your membership you earn two types of service credit:

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

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

Please note that the earning of service credit is contingent upon paying the appropriate employee contribution. See page 23 for the employee contributions required.

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.

Prorated Eligibility Service

Members receive prorated eligibility service during any years of membership in which they work less than 500 hours. To prorate eligibility service, the Retirement Agency divides the normal hours you work by 500 and multiplies the resulting percentage by 12 months. Partial months are always rounded up to the next full month.

For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, different rules apply for prorating eligibility service. Please refer to the Appendix for more information.

For example, imagine you work part time and earn only 400 hours during one fiscal year. Your eligibility service is calculated as follows:

$$400 \text{ hours} \div 500 \text{ hours} = .8 \text{ (80\%)}$$

$$.8 \times 12 \text{ months} = 9.6, \text{ rounded up to 10 months}$$

Thus, by working 400 hours in a fiscal year, you would earn 10 months of eligibility credit.

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. Full-time members earn one month of creditable service for each month of employment.

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 employment at his or her work place, as demonstrated in the following table.

Prorated Creditable Service

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

Career Changes

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

CAREER CHANGES WITHIN LEOPS

Vested Members

A vested LEOPS member who experiences a separation from employment and then returns to employment as a LEOPS member is entitled to the service earned before the separation.

If the vested member separated from employment prior to July 1, 2000, one year of employment as a LEOPS member must be completed before accounts can be combined.

Non-Vested Members

A non-vested LEOPS member who experiences a separation from employment after July 1, 2000, and then returns to employment as a LEOPS member is entitled to the service earned before the separation if:

- The member returns to employment as a member of LEOPS within four years of the beginning of the separation and
- The member did not withdraw his or her accumulated contributions.

Loss of service credit

During a separation from employment, a LEOPS member's previously earned service credit may be dropped from the member's account if:

- The member is separated from employment for *more than* four years (non-vested members only) or
- The member withdraws his or her accumulated contributions (vested or non-vested members).

In these situations, a returning LEOPS member may be eligible to purchase the service credit earned before the separation. (See "Purchased Credit" for instructions.)

For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, different rules apply for career changes within LEOPS. Please refer to the Appendix for more information.

CAREER CHANGES WITH ENROLLMENT IN A NEW PENSION SYSTEM

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

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

To qualify for the transfer of your credit you must:

- Be hired in a position that no longer allows participation in your former system,
- Begin employment immediately following termination of previous employment (no break between employment periods),
- **FILE AN ELECTION TO TRANSFER SERVICE** (Form 37) or a *Request to Purchase Previous Service* (Form 26), as appropriate, **WITHIN 12 MONTHS OF NEW EMPLOYMENT AND**

- Transfer/deposit contributions as required. (Contact a retirement benefits counselor for an explanation of the amount of contributions required, as the amount is dependent on the systems involved.)

To transfer credit within SRPS, you must complete Retirement Agency form *Election to Transfer Service* (Form 37). To transfer credit earned outside of SRPS into an SRPS plan, you must complete Retirement Agency form *Request to Purchase Previous Service* (Form 26). If you retire within five years of transferring service, benefits payable for the transferred service may not be greater than the benefits that would have been payable under the previous system.

If you do not begin employment immediately following termination of previous employment, no transfer of service credit from the former system is permitted.

Claimed Credit— It's Up to You

In addition to the service you earn through payroll reporting, you may be eligible to claim additional credit in certain special situations. It is your responsibility to claim this credit by completing the required forms, available through your personnel office or the Retirement Agency. In most cases, you must be a member to claim service. You cannot claim service after you retire. If you are on an approved leave of absence, you may purchase this leave if you have separated from employment and you make the purchase within 60 days after the leave of absence expires. You can still purchase the time you were on an approved leave if you are an active member.

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

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

APPROVED LEAVE OF ABSENCE

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

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

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

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

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

Members must pay contributions missed during a leave of absence, plus interest, to be eligible to receive retirement credit for the leave period. You must file a *Request to Purchase Previous Service* (Form 26).

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 now apply for military credit. Retired members who are receiving a monthly benefit are not eligible to claim military credit.

Once retirement credit has been granted for military service, a member cannot ask that it 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 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 credit while employed as a member of a state system 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 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 days of 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 during your membership or assigned active or inactive duty training while serving in the National Guard or a reserve unit that results in a break in your membership, you should file an *Application to be Placed on a Qualifying Leave of Absence* (Form 46) before leaving employment. The filing of this form serves **only** to give your pension plan notice of your absence for military service.

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

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

How to Apply

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

Purchased Credit

Purchased service refers to service credit you may buy through direct payment to the Retirement Agency for specific types of previous employment. You may purchase a minimum of one month up to a maximum of 10 years of service credit to be included as eligibility and creditable service under your current pension system account. You can purchase service if you are a member or if you are on an SRA approved leave of absence. Service may be purchased for the following types of employment:

- Federal government,
- Out-of-state municipality,
- Non-participating Maryland municipality,
- In-state public school or out-of-state school (teaching positions only) or
- Prior service with the State or a participating municipality not covered under your current account.

Only members who are on paid employment or on a State Retirement Agency approved leave of absence may purchase service.

Cost

You pay the entire cost to fund the benefit your additional purchased service will provide. The cost varies depending on your age, average final compensation and the amount of credit you intend to purchase. In many cases the cost of a purchase is prohibitively expensive. A member may purchase prior service credit using funds from any fund source that is not specifically prohibited by the Internal Revenue Code.

If you are contemplating a purchase of service, contact the Retirement Agency for additional information.

How to Apply

You may apply to purchase service only during the 12 months preceding retirement.

When you submit your *Application for an Estimate of Service Retirement Allowances* (Form 97), you should also apply to purchase service. Complete a *Request to Purchase Previous Service* (Form 26) and attach verification of your employment, indicating your entrance and termination dates.

NOTE: A LEOPS member who withdrew his or her accumulated contributions after a prior termination of membership in LEOPS may purchase service credit for this period of employment if:

- During the period of employment, the member was subject to the 4% employee contribution.

Such a member may purchase this service credit *at any time* before retirement by submitting the necessary claim form to the Retirement Agency and repaying, in a single payment, the member contributions with interest to the date of payment for the period of employment being purchased. A member may not purchase eligibility service that exceeds the member's creditable service.

Unused Sick Leave

You must retire within 30 days of terminating employment with a participating employer to receive additional **creditable** service for your accumulated unused sick leave. Since creditable service determines the amount of the benefit, unused sick leave, accordingly, can increase the amount of your benefit. **It does not, however, affect when you are eligible to retire.**

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 of unused sick leave remaining, you receive an additional month of creditable service.

A maximum of 15 sick days for each year of membership may be used to calculate additional service.

Important Notes on Unused Sick Leave:

- Unused sick leave is credited only when calculating the retirement benefit amount. It is not used to qualify for retirement benefits.
- Unused sick leave is not used in the calculation of a vested benefit.

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

Unused Sick Leave Conversion Chart

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

3



YOUR BENEFITS

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

Your Plan Provides:

Coverage While You Work

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

Retirement Benefits

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

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

Survivor Benefits

ELIGIBILITY REQUIREMENTS

Your designated beneficiary will receive a single payment if you die in active service before you are eligible for retirement. Depending on your years of membership or if your death occurs while on duty, your designated beneficiary or certain family members may receive either a Death Benefit or a Special Death Benefit.

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

DEATH BENEFIT

If you die before retirement and have at least one but less than two years of eligibility service and your death does not occur out of or in the course of your actual performance of duty, your designated beneficiary will receive a single payment of

- 100% of your actual annual salary at the time of death plus
- your accumulated contributions with interest.

NOTE: If you die before retirement with less than one year of eligibility service and your death does not occur in the line of duty, your designated beneficiary will receive a single payment consisting only of your accumulated contributions with interest.

SPECIAL DEATH BENEFIT

If your death occurs 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 your death while in active service and your death occurs without willful negligence, the following amounts will be paid:

- A monthly benefit for your spouse equal to 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 have no spouse or minor children, then the Death Benefit will be paid to your designated beneficiary(ies).

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 and Pension System provides important disability coverage in the unfortunate event that a serious injury, illness or injury due to military duty permanently incapacitates you from performing your job duties. While we hope

you never have to apply for disability benefits, an accident or illness can happen at any time. For this reason, it is important that you be aware of the disability provisions of your plan.

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

TYPES OF DISABILITY

Accidental versus Ordinary Disability

The State of Maryland provides benefits for two types of disability: accidental and ordinary. Accidental disability applies to a permanently disabling medical condition arising out of or in the course of the actual performance of duty. Ordinary disability covers a permanently disabling medical condition. 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

Eligibility requirements specific to the two types of disability follow:

Ordinary Disability

- A minimum of five years of eligibility service.
- Permanent incapacity to perform one's job duties due to any medical reasons.
- Approved by the medical board and board of trustees.

Accidental Disability

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

- You are totally and permanently disabled from performing your duties as a police officer.
- Your incapacity for duty arises out of or in the course of the actual performance of duty.
- Your incapacity for duty is not the result of any willful negligence on your part.
- Approved by the medical board and the board of trustees.

STEP 1: APPLYING FOR DISABILITY BENEFITS

Filing Requirements

Be aware that you cannot wait indefinitely to file for disability. If you are a retiree or have withdrawn your contributions, you can not file for disability benefits.

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

How to File A Claim

Filing for a disability benefit can be a lengthy process. Two to three months can go by from the time you file your claim to the point when a decision is made by the medical board and the board of trustees. 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 counselor immediately. Let your family members know that, in the event you are incapacitated, they should contact the Retirement Agency to learn what options are available to you.

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

- **Statement of Disability** (Form 20): This form provides information on the nature and cause of the disability. It requires your physician's medical report, which should include an opinion as to whether or not you are permanently disabled, and if so, why.
- **Job description:** The medical board evaluates the medical condition in relation to your job duties. The job description must be signed and dated by your supervisor.
- **All pertinent medical records:** Ask your doctor(s) to help you submit all medical information in support of your claim, such as your medical history, X-rays, test results and hospital reports. Form 20 contains a complete list of pertinent medical data.
- **Preliminary Application for Disability Retirement** (Form 129): This form protects the disability applicant should he or she die before submitting an application to accept a disability retirement. It authorizes the agency's board of trustees to decide whether a disability allowance may be paid.
- **Application for an Estimate of Disability Retirement Allowances** (Form 100): This form authorizes the agency to provide benefit estimates under various allowance options. An estimate of the allowance options checked on this form is automatically generated if you are approved for disability benefits.
- **Notification of Social Security claim/award**

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

- **Accidental disability documentation:** For accidental disability claims, the employee must submit evidence to document that the disability arose out of or in the course of the performance of duty.
- **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 Benefits

1. Did your disabling condition arise out of or in the course of the actual performance of duty?
2. If a DROP participant, did your disabling condition arise out of or in the course of the actual performance of duty during participation in DROP?

CLAIM REVIEW/APPROVAL

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

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

NOTIFICATION

The claimant is notified of the decision after the board of trustees rules on the action recommended by the medical board.

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

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

RETIREMENT DATE

If your disability claim is approved, you may then submit an *Application for Disability Retirement* (Form 101). The Retirement Agency at this time will determine your retirement date. Please contact a retirement benefits specialist for further information.

BENEFIT AMOUNT

The information that follows is based on the Basic Allowance, which is the maximum monthly payment available to the retiree. If you are single, other options are available which provide a lower payment to you with varying degrees of beneficiary protection. See “Benefit Options” and “Calculating Your Benefits” for more information.

Ordinary Disability Benefit

The ordinary disability retirement allowance varies depending on the age of the retiree. For a member who is at least age 50 on the day of retirement, the ordinary disability allowance is equal to the full service retirement allowance. For younger members, the ordinary disability allowance equals the full service retirement allowance computed as though the member had continued to work until age 50 without any change in the rate of earnable compensation. **For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, a different formula is used to calculate the ordinary disability benefit. Please refer to the Appendix for more information.**

Accidental Disability Benefit

The accidental disability retirement allowance is equal to two thirds (66.7%) of the member's average final compensation (AFC) plus an annuity based on the actuarial value of the member's accumulated contributions with interest. The total benefit may not exceed the member's average final compensation (AFC).

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. However, if you apply for and receive a Workers' Compensation award payable while retired, your accidental disability retirement benefit may be reduced for an accidental personal injury but not for an occupational disease.

Retirement law directs the Retirement Agency to withhold from your disability benefits an amount equivalent to the Workers' Compensation award, if the Workers' Compensation benefits and disability are based on the same event and are paid over the same period of time. The Retirement Agency does not offset that part of your monthly benefit based on your contributions. The agency only offsets the part derived from the employer's funded portion. We also must leave enough monthly benefit to cover the cost of your health insurance premiums. If you apply for Workers' Compensation benefits, please inform the Retirement Agency 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 with a participating employer as a probationary status law enforcement officer, a law enforcement officer or chief. If you exceed your earnings restriction your retirement allowance may be reduced or suspended. Earnings restrictions are lifted when you reach retirement age, which is age 50 for your plan. However, all disability retirees, whether accidental or ordinary, have employment restrictions with a participating employer. See Chapter 8 for more details on earnings limitations and temporary suspension of disability benefits if you become reemployed.

Vested Benefits

As an active member, you should be aware that your accumulated benefits are protected if you leave the State Retirement and Pension System and you are vested. Members enrolled on or after July 1, 2011, become vested once they have accrued at least 10 years of eligibility service. Members enrolled before July 1, 2011, are vested after five years of eligibility service. Vested benefits are forfeited if you withdraw your accumulated contributions. **For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, a withdrawal of accumulated contributions does not necessarily result in a forfeiture of future benefits. See the Appendix for more information.**

If you should leave your job for any reason once you are vested, you will receive a future benefit for the years and months of service earned before termination.

ELIGIBILITY

A vested monthly allowance is payable at age 50.

PAYMENT

The vested allowance is calculated with the service retirement formula, using the member's accumulated creditable service and average final compensation at the date of termination. Unused sick leave is not included in the calculation of a vested allowance. See "Calculating Your Benefits" for more information.

Members who terminate service prior to becoming vested receive a refund of their accumulated contributions, if any, plus interest.

Members who terminated employment on or before June 30, 2000, with a deferred vested benefit will, when they become eligible, receive a retirement allowance based on the plan provisions that were in effect at the time they terminated employment. Contact the State Retirement Agency for more information.

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

(For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, this rate is 4%.)

NOTIFICATION

Approximately three months before a vested member's 50th birthday, the vested member should contact the Retirement Agency to request an *Application for an Estimate of Service Retirement Allowances* (Form 10). After returning the completed form, the member will receive an estimate of his or her vested allowance under various allowance options. It is important to keep the Retirement Agency apprised of any address changes that occur over the years so you can be notified.

Service Retirement

Your eligibility for retirement depends on the amount of service credit you have earned **or** your age.

ELIGIBILITY REQUIREMENTS

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

- Age 50
- or
- 25 years of eligibility service

RETIREMENT ALLOWANCE

The full service pension allowance is equal to 2% of the member's average final compensation (AFC) multiplied by the member's years of accumulated creditable service up to 30 years. A member retiring with 30 or more years of service is limited to 60% of average final compensation. **For members who transferred from Plan A or B of the Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, service retirement allowances are calculated using a different formula. See the appendix for more information.**

Notes: With the exception of salary increases due to promotions, salary increases of 20% or more 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. Also, the Internal Revenue Code 401(a)(17) limits the amount of your annual compensation that can be considered in your benefit.

Benefit Options

Married Officers by Law Receive the Basic Allowance

By law, LEOPS members who are married on the date of retirement receive the Basic Allowance. This provides the largest monthly allowance that the retiree is entitled to receive. Upon the retiree's death, his or her spouse will receive one-half of the retiree's monthly allowance for life. If there is no surviving spouse or if the surviving spouse dies before the youngest child of the retiree is 18 years old, all children of the deceased retiree under age 18 divide this allowance until each reaches 18. If there is no surviving spouse or children under age 18, monthly payments cease at the retiree's death.

If a member marries *after* retiring and had previously chosen the Basic Allowance, upon the retiree's death, his or her spouse will receive one-half of the deceased retiree's monthly allowance for life.

Choices for Unmarried Law Enforcement Officers

Unmarried officers may either elect the Basic Allowance or choose from one of several options. You should carefully review your personal circumstances before selecting an option. Items to consider include the amount of income you'll need to maintain an acceptable standard of living during retirement and the needs of your survivor(s). Please keep in mind that you may not change your option after you retire. Also, if you select an option then later marry, you may change your beneficiary but not the option.

HOW THE OPTIONS WORK

Each option guarantees you a monthly allowance during your lifetime and may provide either:

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

Single-Life Annuities

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

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

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

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

OPTION 4—Full Return of Employee Contributions

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

Dual-Life Annuities

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

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

OPTION 2—100% Survivor’s Benefit

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

OPTION 3—50% Survivor's Benefit

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

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

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

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

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

Special Limitation on Beneficiary Under Option 2 or Option 5

Effective January 1, 2006, if you choose Option 2 or Option 5, your beneficiary cannot be more than 10 years younger than you unless the beneficiary is your spouse or disabled child. If you are naming your disabled child at retirement, you need to have verification from a physician of your child's disability. Form 143 *Verification of Retiree's Disabled Child for Selection of Option 2/5 Beneficiary* must be completed and attached with your application for retirement.

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

Applying for Retirement

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

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FUNDING YOUR BENEFITS

Types of Contributions

EMPLOYER CONTRIBUTIONS

The Law Enforcement Officers' Pension System is contributory for all 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

Effective July 1, 2011, you are required to contribute 6% of your earnable compensation to the Pension System. On July 1, 2012, this rate increases to 7%. **For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, contribution requirements are different. Please refer to the Appendix for more information on the amount of your contribution.**

Employer Pick-Up Program

Since January 1989, the state has participated in an "employer pick-up program." Under a pick-up program, an employee's contributions are treated as "employer" contributions for federal income tax purposes. Federal income tax on those contributions is deferred until termination of membership and withdrawal of contributions, or retirement.

The employer pick-up program affects federal income tax only. Employee contributions remain subject to Maryland income tax during active membership.

You should speak with your tax advisor if you have any further questions.

SUPPLEMENTAL CONTRIBUTIONS

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

System Investments

Maryland Supplemental Retirement Plans (State Employees Only)

The Maryland Supplemental Retirement Plans offer State employees a low cost way to save additional money for retirement—through the 457 Deferred Compensation Plan, 401(k) Savings & Investment Plan, and 403(b) Tax Deferred Annuity Plan. All contributions are made through payroll deduction. You choose to contribute before- or after-taxes (Roth), or use a combination. You choose how much to save and how to invest your contributions.

The State Retirement Agency does not administer this program. For further information, contact the Maryland Teachers & State Employees Supplemental Retirement Plans by telephone at 410-767-8740 or 1-800-543-5605. Information also can be obtained from the website www.msrp.state.md.us.

Your employer is required to contribute a certain percentage of payroll each year to fund pension benefits. The contribution rate is established annually by the board of trustees based upon an annual actuarial valuation. These contributions, along with employee contributions, are invested under the direction of the system's 14-member 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 Mentor*.

YOUR BOARD OF TRUSTEES

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

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

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CALCULATING YOUR BENEFITS

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

For members who transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, see the Appendix for calculations specific to your plan.

Members who terminated employment prior to June 30, 2000 with a deferred vested benefit will, when they become eligible, receive a retirement allowance based on the plan provisions that were in effect at the time they terminated employment.

Key Elements of the Benefit Formula

1. *Average Final Compensation (AFC)*: the average of the three highest consecutive annual salaries during your career. (If you were hired on or after July 1, 2011, your AFC is the average of the five highest consecutive annual salaries during your career.)

Note: With the exception of salary increases due to promotions, any increases exceeding 20% are excluded from the calculation of average final compensation unless approved by the board of trustees. Also, the Internal Revenue Code 401(a)(17) limits the amount of your annual compensation that can be considered in your benefit.

2. *Creditable Service*: your total creditable service (including additional credit granted for unused sick leave, if eligible) 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.

Service Retirement

FORMULA—The total Basic Allowance will equal 2% of the average final compensation (AFC) for each year of creditable service up to a maximum of 30 years. If you have more than 30 years of service, your benefit at retirement will be based only on your creditable service up to 30 years as your benefit is limited to a maximum of 60% of your average final compensation.

Service Retirement Benefit

$$.02 \times \text{AFC} \times \text{Years of Service (up to 30 years)} = \text{Annual Basic Allowance}$$

Divide this number by 12 to determine the monthly retirement allowance

Example 1: Service Retirement

Let's look at an example of how these components fit into the equation. Consider you are age 49, with 25 years of eligibility and creditable service. Your average final compensation is \$50,000.

$$.02 \times \$50,000 \text{ (AFC)} = \$1,000$$

$$\$1,000 \times 25 \text{ years of service} = \$25,000 \text{ **annual Basic Allowance**}$$

$$\$25,000 \div 12 \text{ months} = \$2,083.33 \text{ **monthly Basic Allowance**}$$

Deferred Vested Benefit

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

- **Average Final Compensation (AFC)** is the average of the three highest consecutive annual salaries during your career up to your termination date. (If you were hired on or after July 1, 2011, your AFC is the average of your five highest consecutive annual salaries during your career up to your termination date.)
- **Creditable Service** at termination of membership (does **not** include unused sick leave)

Example 2: Deferred Vested Retirement

Let's assume you leave membership after eight years and your average final compensation is \$50,000. Your vested benefit is payable at age 50. Here's how it's calculated:

$$.02 \times \$50,000 \text{ (AFC)} = \$1,000$$

$$\$1,000 \times 8 \text{ years of service} = \$8,000 \text{ **annual Basic Allowance**}$$

$$\$8,000 \div 12 \text{ months} = \$666.67 \text{ **monthly Basic Allowance** payable at age 50}$$

Ordinary Disability

FORMULA—The calculation of an ordinary disability benefit uses the service retirement formula, with service projected to age 50.

Example 3: Ordinary Disability Retirement

Here's how the benefit would be calculated for an employee who is 42 years old with 15 years of creditable service and an average final compensation of \$50,000.

$$.02 \times \$50,000 \text{ (AFC)} = \$1,000$$

$$\$1,000 \times 23 \text{ years (15 years actual + 8 years projected to age 50)} = \$23,000$$

annual Basic Allowance

$$\$23,000 \div 12 \text{ months} = \$1,916.67 \text{ monthly Basic Allowance}$$

NOTES:

- Creditable service is based on actual service, plus years and months of service projected to age 50. If you are working part-time when disabled, service is projected as part-time.
- A claim must be approved by the medical board and the board of trustees before the Retirement Agency can issue a calculation of benefits. Refer to your annual Personal Statement of Benefits for estimates of the monthly retirement allowance for both ordinary and accidental disability.

Accidental Disability

FORMULA—The accidental disability benefit is equal to two-thirds (66.67%) of a member's average final compensation at the time of disability, plus an annuity based on the member's accumulated contributions.

Example 4: Accidental Disability Retirement

To illustrate, consider an employee who retires under accidental disability at age 48. The member's average final compensation is \$50,000. His employee contributions with interest are \$4,500.

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

$$.6667 \times \$50,000 \text{ (AFC)} = \$33,335.00 \text{ annual Basic Allowance}$$

$$\$33,335.00 \div 12 \text{ months} = \$2,777.92 \text{ monthly Basic Allowance}$$

STEP 2: Calculate the annuity based on accumulated contributions

$$\$4,500^* \div 9.027 \text{ (NAF**)} = \$498.50$$

$$\$498.50 \div 12 \text{ months} = \$41.54$$

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

$$\$2,777.92 + \$41.54 = \$2,819.46 \text{ monthly allowance (Basic Benefit)}$$

* Employee contributions plus interest will vary for each employee.

**Normal Annuity Factor (NAF) is a number set according to age. The Retirement Agency consults an actuarial table 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 benefits, if both are based on the same accident and are paid for the same time period.

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PREPARING FOR RETIREMENT

Primary Retirement Forms

All retirement forms are available through your personnel office.

Title	Form Number	Purpose
Designation of Beneficiary	4	To designate or change beneficiaries at retirement under options 1 or 4.
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.
Application for an Estimate of Service Retirement Allowances	97	To obtain an estimate of payment options for service retirement within one year prior to expected retirement date.
Application for Service Retirement	98	To apply for service retirement.
Application for an Estimate of Disability Retirement Allowances	100	To obtain an estimate of payment options for ordinary or accidental disability retirement.
Application for Disability Retirement	101	To apply for disability retirement.
Reemployment After Retirement	131	To inform new retiree of the consequences of reemployment after retirement.
Application for the Deferred Retirement Option Program (DROP)	504	To apply for DROP participation.
Application for Withdrawal of DROP Account	505	To apply for withdrawal of DROP funds.
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—from a change in beneficiaries to the payment of your first retirement check. Because incomplete or inaccurate information hinders benefits processing, it is essential that all forms be properly executed. Before you file a retirement form, refer to the following checklist:

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

Retirement Checklist

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

One to three years prior to retirement

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

Twelve months prior to retirement

- () Request an *Application for an Estimate of Service Retirement Allowances* (Form 97). Allow four to six weeks to receive your estimate. Keep in mind that this form is not a retirement application. It is designed for planning purposes only.
Note: You may request an estimate only during the 12 months prior to your planned retirement date.
- () To apply to purchase any eligible service, file a *Request to Purchase Previous Service* (Form 26) along with your request for an estimate.
- () To apply for any eligible military credit, file a *Claim of Retirement Credit for Military Service* (Form 43).
- () Contact the nearest Social Security office for an estimate of your Social Security benefits. You can obtain an estimate request form by calling the Social Security Administration at 1-800-772-1213.
- () Consider participating in the Deferred Retirement Option Program (DROP), if eligible.

Six months prior to retirement

- () If needed, schedule an appointment with a retirement benefits specialist to review your estimated benefits. It is recommended that you bring a copy of your latest estimate so you and your retirement benefits specialist can discuss this information at the meeting.

- () Discuss your estimated benefits/options with your family and financial advisor.
- () Contact your personnel office to inquire if you may continue employer-provided benefits, such as health insurance, after retiring.
- () Obtain proof of birth for beneficiary if you are planning to select Option 2, 3, 5 or 6.
- () Prepare a retirement budget, estimating your retirement expenses against your State pension benefit, Social Security and any other income.
- () Undergo a complete medical check-up.
- () Update or prepare a will.

Three months prior to retirement

- () Contact Social Security to file for benefits.

Two months prior to retirement

Traditional Retirement (no Deferred Retirement Option Program participation)

- () Contact your personnel office and file your actual retirement application: *Application for Service Retirement (Form 98)*.
- () If single, provide proof of birth for designated beneficiary if you select allowance option 2, 3, 5 or 6.
- () If eligible, complete authorization forms to continue your health coverage and any other benefits provided by your employer.
- () Complete an *Electronic Transfer Sign-Up (Form 85)* for the electronic transmission (direct deposit) of your payment to your bank, savings institution or credit union.

Note: Direct deposit is mandatory for all new retirees. In rare cases, a member who believes that direct deposit would pose a hardship may request a waiver from the executive director of the Retirement Agency.

If your completed Form 85 or waiver is not on file with the agency, a suspension of your retirement benefit could result!

- () Complete *Re-employment After Retirement (Form 131)* to acknowledge an understanding of the consequences of reentering the workforce (mandatory).
- () Complete a *Federal and Maryland State Tax Withholding Request (Form 766)*.

OR

Deferred Retirement Option Program (if eligible)

- () Contact your personnel office and file your *Application for the Deferred Retirement Option Program (DROP) (Form 504)*.
- () File your final retirement application (Form 98).
- () Submit a binding of letter of resignation accepted by the Secretary of your employing department or a designee of the Secretary. For non-state members, the Appointing Authority must accept the letter.
- () Submit proof of birth for designated beneficiary (Options 2, 3, 5 or 6).

One month prior to retirement

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

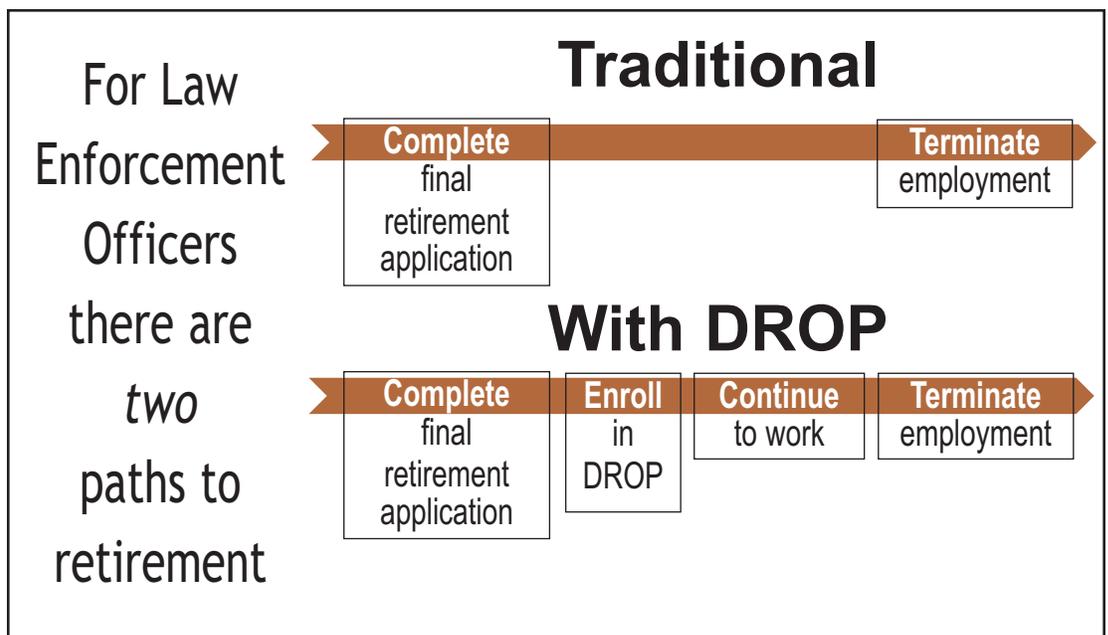
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THE DEFERRED RETIREMENT OPTION PROGRAM (DROP)

The Deferred Retirement Option Program (DROP) provides another path to retirement 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 monthly retirement benefits are deposited in a DROP account within the State Retirement and Pension System and earn compounded interest for as long as you remain in DROP.

When your DROP participation ends, you must terminate employment with your LEOPS employer. You will then begin receiving your monthly retirement allowance plus the accumulated balance in your DROP account.



DROP Eligibility

Members of LEOPS may elect to participate in the DROP when they have at least 25 years but less than 30 years of creditable service.

Enrolling in DROP

NECESSARY FORMS

To begin participation in DROP, eligible members must file an *Application for the Deferred Retirement Option Program (DROP)* (Form 504) with the Retirement Agency stating:

- Member's intent to participate in DROP.
- Member understands the election to participate in DROP is irrevocable.
- Date when the member wants to retire.
- Length of time the member wants to participate in DROP.
- Date member will terminate employment in the form of a binding letter of resignation accepted by the Secretary of the member's employing department or a designee of the Secretary. For non-state members, the Appointing Authority must accept the letter.

The member also must submit an *Application for Service Retirement* (Form 98).

Unused Sick Leave

On your retirement application (Form 98), your Retirement Coordinator notifies the Retirement Agency of the number of unused sick leave days you have at retirement.

As a DROP participant, you may wish to retain all or a portion of your sick leave days to use during your DROP participation. You can choose to have all of your unused sick leave reported to the Retirement Agency or only a portion of your unused sick leave, with the remainder continuing in effect during DROP participation. You will accrue sick leave during DROP subject to personnel regulations.

Remember that at the end of DROP participation, any unused sick leave days cannot be re-applied as creditable service in your benefit formula.

Effective Date of DROP

DROP participation begins the first day of the month after the State Retirement Agency has accepted all of the required forms.

Note: If you choose to participate in DROP, the decision is irrevocable. Be sure you clearly understand the provisions of DROP before making your election.

Length of DROP Period

An officer applying to enter DROP must indicate the length of time he or she wants to participate in the program. The DROP participation period is limited to the lesser of:

- Five years.
- Difference between 30 years of service and the member's creditable service upon election.
- A term selected by the member (not to exceed five years).

Unused sick leave is not counted as creditable service for the purpose of determining the length of time a retiring member may participate in DROP.

Participating in DROP

While participating in DROP, the retiree is subject to the personnel laws, regulations and policies applicable to an employee and continues to receive compensation, health insurance and other benefits provided by his or her employer.

Members in DROP are “retirees” of the Law Enforcement Officers’ Pension System. While employed, a DROP participant:

- Makes no employee contributions to SRPS.
- Does not earn any service in his or her retirement account.
- Will have no change in the Average Final Compensation used in the benefit formula even if salary increases occur.
- Will have no additional sick leave accrual considered in the benefit formula.
- Will not be subject to any earnings limitations.
- Is not eligible to receive an ordinary disability retirement allowance.
- May be eligible to receive an accidental disability retirement allowance.

End of Participation

A retiree’s participation in DROP ends:

- On the DROP termination date selected by the participant on Form 504, or
- If the LEOPS employer terminates the participant’s employment, or
- If the participant elects to shorten the DROP participation period by terminating employment with his or her LEOPS employer prior to the termination date originally selected, or
- If the participant accepts an accidental disability retirement allowance.

Once participation ends, the Retirement Agency will begin paying to the retiree the monthly retirement allowance chosen by the retiree on the *Application for Service Retirement* (Form 98) plus any cost-of-living adjustments (COLA’s) which were paid during the DROP participation period.

The monthly retirement allowance paid is based on the retiree’s creditable service and average final compensation when the retiree elected to participate in DROP.

DROP Benefits

WHILE PARTICIPATING

DROP participation allows a retiree to accumulate a single payment while still working as a law enforcement officer. Each month of DROP participation, the retiree’s monthly retirement check is deposited in a DROP account that earns compounded interest. For DROP accounts established before July 1, 2011, interest accrues at the rate of 6% a year, compounded monthly. For DROP accounts established on or after July 1, 2011, interest accrues at the rate of 4% compounded annually.

During the time a retiree participates in DROP, the benefits provided by the Retirement Agency are different than benefits for active members.

Disability Benefits

DROP participants are not eligible for ordinary disability retirement. DROP participants may apply for an accidental disability retirement allowance only if they are totally and permanently incapacitated for duty as a result of an accident or condition that arises out of or in the course of the actual performance of duty during their participation in the DROP, and without willful negligence on their part.

If the board of trustees approves an accidental disability benefit, the participant must elect to either:

- Accept an accidental disability retirement allowance, which is computed using the participant's average final compensation as of the date of the application for accidental disability retirement **and** receive payment of the DROP balance

OR

- Continue as a DROP participant with no change in retirement benefits.

See "Disability Benefits" for eligibility requirements and application instructions for accidental disability retirement.

Survivor Benefits

If a DROP participant dies while in DROP, the balance in his or her DROP account is paid to the surviving spouse. If not survived by a spouse, the amount is paid to the retiree's child(ren) under age 18. If the DROP participant is not survived by a spouse or minor children, the balance in the account is paid to the participant's designated beneficiary.

In addition, under the Basic Allowance, the spouse (or if no spouse, minor children) would start receiving a monthly retirement benefit equal to 50% of the participant's monthly retirement allowance. If the retiree had no spouse and children, payment of the retirement account to the designated beneficiary would be based on the option selected by the participant at the time of retirement. (See "Benefit Options" for a complete explanation.)

PAYMENT OF DROP ACCOUNT BALANCE

At the end of DROP participation, the State Retirement Agency pays the balance in your account within 90 days of the receipt of the *Application for Withdrawal of DROP Account* (Form 505) and all other required distribution forms. This balance includes all of your monthly retirement checks deposited, any cost-of-living adjustments that may have been made during participation, and the accumulated interest.

It is your choice as to the form of payment. You can receive a single payment of the entire amount or you can elect to have a tax-free rollover of the taxable portion of your account into an eligible retirement plan, such as an IRA.

If you choose to receive the entire amount, the Retirement Agency is required by law to withhold 20% for Federal taxes. You should consider consulting a tax advisor to determine if any additional penalties apply.

Contact the Retirement Agency within two months of your termination of DROP participation to receive Form 505 and the other required distribution forms. At that time, general information on the Safe Harbor rules and taxation will be provided.

PAYMENT OF SRPS BENEFITS

When a retiree concludes participation in DROP, he or she will begin receiving the monthly retirement allowance, increased by any cost-of-living adjustments that were made during participation. The monthly benefit is based on the option chosen

on Form 98 at the time the member retired. The monthly benefit is not recalculated to account for any increases in salary during DROP participation or for any remaining unused sick leave days.

DROP Accumulation

The amount of money a participant will have at the end of the DROP period depends on a variety of factors:

- Amount of monthly retirement benefit deposited
- Length of participation in DROP
- Amount and number of the cost-of-living adjustments each year applied to the account
- Amount of accumulated interest

The following are some examples of how your DROP balance can grow based on your monthly retirement allowance and various time periods of DROP participation.

Examples of Balance Accumulation

Let's assume a member with 25 years of service retires and decides to participate in DROP. The monthly retirement benefit is \$2,250.00 (based on an average final compensation of \$54,000) and the retiree chooses to participate for five years. The member retires July 1 and receives a cost-of-living adjustment (COLA) of 2% for four years. At the end of DROP, this participant would accumulate approximately \$155,011.

If, in the above example, the retiree had chosen to participate for only three years instead of five years and had only two years of COLA at 2%, the participant would accumulate approximately \$87,654.

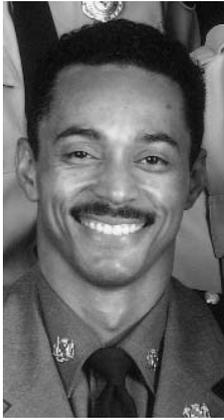
As another example, consider a member with 27 years of service who retires and decides to be a DROP participant for three years. The monthly retirement benefit is \$2,835.00 (based on an average final compensation of \$63,000) and the retirement date is July 1. Assuming two years of COLA at 3%, the participant would accumulate approximately \$111,516.

If this same participant only participated for two years and four months, he or she would accumulate approximately \$84,898.

If the COLA is lower than 3%, the accumulated amount would be less. If the member transferred from Plan A or Plan B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, and the actual COLA is higher than 3% during participation, the accumulated amount in the examples shown would be higher.

See "Length of DROP Period" in this section to determine the period of time you can participate.

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DURING RETIREMENT

There are a number of matters to be aware of during retirement, from the manner in which pension 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, it is mandatory for all new retirees to receive payment of their monthly allowance through electronic funds transfer (direct deposit) to their savings institution.

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

Tax Reporting

Each January, the State Retirement Agency sends to your home or other mailing address on your file an IRS form, 1099-R tax statement, providing information you need to file annual federal and state tax returns.

When you file for retirement, you are asked to complete a tax withholding form (Form 766). If you elect not to have taxes withheld as a deduction from your monthly allowance, you may be required to make quarterly estimated payments to the appropriate taxing authority.

The State Retirement Agency does not provide tax advice. Payment of tax is your responsibility. You should contact a tax consultant or the appropriate taxing authority for specific information regarding your tax liabilities..

Cost-of-Living Adjustments

A cost-of-living adjustment (COLA) may be applied to retirees' retirement allowances each July to help benefit payments keep pace with inflation. The annual adjustment is tied to the U. S. Department of Labor's Consumer Price Index (CPI), 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.

During years in which the CPI produces a negative COLA, a "zero" COLA will be applied. The negative COLA then is carried over and applied against the positive

COLA to be paid the following year. If negative COLAs occur for two consecutive years, the total negative amount is carried over to be applied against the next positive year or years.

ADJUSTMENT CAPS

The COLA rate may be capped if it exceeds the limits set by your plan.

Members hired on or after July 1, 2011

Eligible retirees will receive a COLA capped at 2.5% when the system's investment fund earns or exceeds its assumed actuarial rate of return (currently 7.75%) or capped at 1% in years when the assumed actuarial rate is not met.

Members hired before July 1, 2011

A two-part adjustment applies. For service earned before July 1, 2011, the COLA rate for eligible retirees is uncapped and is not tied to investment performance. For service earned on or after July 1, 2011, the same caps apply as for members hired on or after July 1, 2011.

For LEOPS members who transferred from Plan A or B of the Employees' Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers' Modified Pension Benefit, different COLA applications and limits apply. Please see the appendix for more information.

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.

REEMPLOYMENT

Service retirees returning to permanent, contractual, or temporary employment with the same employer (i.e., your last participating employer before you retired) may not be rehired within 45 days of their retirement date. All units of State government, including the University of Maryland System, are considered to be one employer under these rules.

Under certain situations, if you return to work for a participating employer, you may be subject to an earnings limitation.

WHAT IS AN EARNINGS LIMITATION?

An earnings limitation is the maximum annual income an SRPS retiree may earn through 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 sent to you when you retire.

In the LEOPS system, service retirees and accidental disability retirees are exempt from an earnings limitation.

A retiree receiving an ordinary disability allowance shall be subject to an earnings limitation if the retiree:

- Is under normal retirement age (50), and
- Is employed by a participating employer as a probationary status law enforcement officer, a law enforcement officer, or chief as defined in §3-101 of the Public Safety Article, and
- Is receiving an annual compensation that exceeds the retiree's earnings limitation.

CALCULATING AN EARNINGS LIMITATION

Persons who accept an ordinary disability retirement may be subject to an earnings limit depending on their employer and job duties until reaching age 50. For an ordi-

nary 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

An ordinary disability retiree's retirement allowance is reduced one dollar for every two dollars he or she earns in excess of his or her limit. After 10 years of retirement the reduction is one dollar for every five dollars the retiree earns over the limit. The earnings limitation is lifted once the retiree reaches normal retirement age (age 50).

Suspension of Disability Retirement

An ordinary or accidental disability allowance shall be temporarily suspended if the retiree:

- Is not eligible for normal service retirement, and
- Is employed by a participating employer as a probationary status law enforcement officer, a law enforcement officer, or chief as defined in §3-101 of the Public Safety Article, and
- Is receiving an annual compensation that is at least equal to the retiree's average final compensation at retirement.

There is no additional benefit accrued while employed. 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. The retiree's allowance at time of reinstatement will be adjusted to reflect the accumulated cost-of-living adjustments during suspension. Please note that the temporary suspension of a disability benefit causes the temporary suspension of retiree health insurance coverage if a deduction was being made from your monthly benefit for this coverage.

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 behavioral health benefits.
- **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
- Accidental death and dismemberment insurance (Conversion policy available within 30 days of retirement.)

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

COST

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

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

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

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

EFFECTS OF MEDICARE

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

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

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

This is Not a Contract

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

For additional information on matters regarding health benefits, contact:

State Department of Budget and Management
Employee Benefits Division
301 West Preston Street, Room 510
Baltimore, MD 21201
410-767-4775
1-800-30-STATE (outside Baltimore-Washington area)
www.dbm.maryland.gov/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. 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 also is accessible by TDD/TTY at 410-625-5535.

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
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
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 retirement. For your protection, you are required to notify the Retirement Agency of address changes in writing. The agency cannot accept this information by telephone.

Newsletters

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

Personal Statement of Benefits

As an active member, 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. Our Pre-Retirement Seminar is highly recommended for members who are within eight years of retiring. Contact your retirement coordinator for information on current seminars. Registration forms for the Pre-Retirement Seminars can be found on the agency's website at sra.maryland.gov.

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.

Internet

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

You may visit the agency's website at: sra.maryland.gov

Special Communications Concerns

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):

- 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	Permanent disabling medical condition arising out of or in the course of the actual performance of duty.
Actuary	An expert who analyzes risks and computes rates according to probabilities which are based on known experience.
Annuity	Income payable in equal monthly payments for the lifetime of the retired member or beneficiary if applicable.
Average Final Compensation (AFC)	For members hired on or after July 1, 2011, the AFC is the average of their <i>five</i> highest consecutive earning years. The AFC for members hired before July 1, 2011, is the average of their <i>three</i> highest consecutive earning years.
Basic Allowance	Provides the retiree with the largest possible monthly allowance during his or her lifetime. At the retiree's death, the spouse will receive one-half of the monthly allowance. If the retiree had no spouse, his or her children under 18 years of age will receive one-half of the monthly allowance, until reaching 18 years of age. If there is no spouse or children under 18, no survivor's allowance is payable and monthly payments cease at the retiree's death. If a member retires under the Basic Allowance, <i>then marries</i> , upon his or her death the spouse will receive one-half of the monthly allowance for life.
Beneficiary	Individual(s) named by a member or retiree to receive benefits in the event of the member or retiree's death.
Claimed Credit	Additional retirement credit, including service transferred from other pension systems and eligible military service. Member must apply for this credit, unlike earned credit which accrues automatically.
Contingent Beneficiary	Individual(s) named to receive benefits in the event that there are no primary beneficiaries who survive the member/retiree.
Cost-of-Living Adjustment (COLA)	Annual adjustment of state pension benefit based on changes to the Consumer Price Index.

Creditable Service	Service credit used for calculating the <i>amount</i> of a benefit.
Deferred Retirement Option Program (DROP)	A program administered by the State Retirement Agency that permits eligible LEOPS retirees to continue to work for their employer while depositing their monthly retirement allowance in an account which earns compounded interest.
Earned Credit	Retirement credit earned through payroll reporting.
Eligibility Service	Service credit used to determine <i>when</i> a member qualifies to receive a benefit.
Fiscal Year	The annual period beginning July 1 and ending June 30.
Leave of Absence	An employer-approved and SRPS-qualified absence from work without pay, granted for the following specific purposes: personal illness; maternity/paternity; adoption; career-related study; government sponsored or subsidized employment; and service in a professional or employee organization.
Medical Board	A panel of three or more doctors, appointed by the SRPS Board of Trustees, who determine eligibility for disability retirement.
Membership	Membership begins your first day on the payroll. Membership ends if you are separated from employment for more than four years. Other circumstances which end membership are when a member withdraws his or her accumulated contributions, becomes a retiree or dies.
Military Duty	Period of eligible duty with any of the Armed Forces of the United States, National Guard or Reserves as verified by military discharge papers.
Municipality	A city, county or other local government or any other employer specifically named in retirement law.
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 eligibility credit to apply.
Participating Employer	Public employers offering State Retirement Agency of Maryland benefits to their personnel. Includes State agencies; public schools and libraries; State universities and colleges; community colleges; participating counties, cities and towns; and municipal corporations.

Primary Beneficiary(ies)	Individual(s) with first claim to a member/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.
Service Retirement	Retirement at age 50 or at any age with at least 25 years of eligibility service.
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 hired on or after July 1, 2011, is vested after 10 years of service. A member hired before July 1, 2011, is vested after five years of service.
Vested Allowance	<p><u>Members hired on or after July 1, 2011</u> A benefit payable at age 50 to a member who terminates employment with 10 or more years of eligibility service but who is not eligible for service or disability retirement.</p> <p><u>Members hired before July 1, 2011</u> A benefit payable at age 50 to a member who terminates employment with five or more years of eligibility service but who is not eligible for service or disability retirement.</p>



APPENDIX—BENEFITS FOR LEOPS MEMBERS WHO TRANSFERRED FROM PLAN A OR PLAN B OF THE EMPLOYEES’ RETIREMENT SYSTEM BEFORE JANUARY 1, 2005 AND DID NOT ELECT TO PARTICIPATE IN THE CONTRIBUTORY LAW ENFORCEMENT OFFICERS’ MODIFIED PENSION BENEFIT

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The following sections describe special provisions for members who transferred into the Law Enforcement Officers’ Pension System (LEOPS) from Plan A or Plan B of the Employees’ Retirement System before January 1, 2005 and did not elect to participate in the contributory Law Enforcement Officers’ Modified Pension Benefit. This appendix includes only the provisions which differ from those described in the main portion of this handbook. If a section appears in the first portion of this handbook but not in this appendix, the same general provisions apply for all members.

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HOW YOU EARN OR ACCRUE SERVICE CREDIT

Eligibility Service

Prorated Eligibility Service

You earn eligibility service toward your retirement benefits each month your employer submits your employee contribution. You earn a month of credit for any month in which contributions are reported.

Career Changes

CAREER CHANGES WITHIN LEOPS

Members who separate from employment and then return to membership in LEOPS will:

- Be enrolled in a new LEOPS account subject to the system provisions described in the main portion of this book *AND*
- Maintain a separate, vested LEOPS account subject to the special provisions described in this Appendix.

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YOUR BENEFITS

Disability Benefits

BENEFIT AMOUNT

Ordinary Disability Benefit

The ordinary disability retirement allowance is equal to the service retirement allowance or 25% of the member's average final compensation (AFC), whichever is greater. See "Calculating Your Benefits" in this appendix for an example of how this benefit is calculated.

Vesting

PAYMENT

Members who elect to withdraw their accumulated contributions remain eligible to receive the employer-provided vested benefit. If a member does not withdraw his or her accumulated contributions and dies before reaching age 50, his or her accumulated contributions plus interest are paid to the designated beneficiary.

Service Retirement

RETIREMENT ALLOWANCE

The Service Retirement allowance is equal to 2.3% of a member's average final compensation (AFC) for the first 30 years of creditable service, plus 1% of the average final compensation for each additional year. See "Calculating Your Benefits" in this appendix for an example of how this benefit is calculated.

Note: Your average final compensation (AFC) is the average of your three highest consecutive years of earnings.

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FUNDING YOUR BENEFITS

Types of Contributions

EMPLOYEE CONTRIBUTIONS

Mandatory Contributions

You are required to make an employee contribution based on your previous selection (before your transfer to the Law Enforcement Officers' Pension System) of Plan A or Plan B under the Employees' Retirement System.

Plan A—Members who elected Plan A generally contribute at the rate of 7% of salary. However, those who were paying less than 5% as of July 1, 1984, received an increase to their contribution rate of 2% more than their 1984 rate.

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

Regular Interest

Regular interest at a rate of 4% per year, compounded annually, is payable on member contributions until retirement or withdrawal of accumulated contributions.

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CALCULATING YOUR BENEFITS

Key Elements of the Benefit Formula

The member's average final compensation (AFC) and years of creditable service are used in the formula.

1. *Average Final Compensation*: The average of a member's three highest consecutive years of earnings.

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*: Service credit used to determine the amount of a benefit. Full time members earn one month of creditable service for each month of employment.

Service Retirement

FORMULA—The calculation for a service retirement benefit is a one step formula.

Service Retirement Benefit

STEP 1: Calculate the Basic Allowance

$.023 \times \text{AFC} \times \text{years of creditable service up to 30}$

plus

$.01 \times \text{AFC} \times \text{years of creditable service beyond 30}$

Divide this sum by 12 to determine the monthly basic retirement allowance

Example 1: Service Retirement at Age 50

Let's now look at an example of how these components fit into the equation. Imagine you are age 50 with 27 years of creditable service. Your average final compensation is \$50,000. The Basic Allowance is calculated as follows:

$$.023 \times \$50,000 \text{ (AFC)} \times 27 \text{ years of service} = \$31,050$$

plus

$$.01 \times \$50,000 \times 0 \text{ (years of service beyond 30)} = 0$$

$$\$31,050 + 0 = \$31,050 \text{ **annual Basic Allowance**}$$

$$\$31,050 \div 12 = \$2,587.50 \text{ **monthly Basic Allowance**}$$

Example 2: Service Retirement at Age 57

As a second example, suppose you are age 57 with 32 years of creditable service. Your average final compensation is \$50,000. The Basic Allowance is calculated as follows:

$$.023 \times \$50,000 \text{ (AFC)} \times 30 \text{ years of service} = \$34,500$$

plus

$$.01 \times \$50,000 \times 2 \text{ (years of service beyond 30)} = \$1,000$$

$$\$34,500 + \$1,000 = \$35,500 \text{ **annual Basic Allowance**}$$

$$\$35,500 \div 12 = \$2,958.33 \text{ **monthly Basic Allowance**}$$

Ordinary Disability

FORMULA—An ordinary disability retirement allowance equals either the service retirement allowance or 25 percent of the member's average final compensation, whichever is greater.

Example 3: Ordinary Disability Retirement

Here's how the benefit would be calculated for an employee who is 44 years old with 24 years of creditable service and an average final compensation of \$50,000.

STEP 1: Calculate the Basic Allowance

$$.023 \times \$50,000 \text{ (AFC)} \times 24 \text{ years of service} = \$27,600$$

plus

$$.01 \times \$50,000 \times 0 \text{ (years of service beyond 30)} = 0$$

$$\$27,600 + 0 = \$27,600 \text{ **annual Basic Allowance**}$$

$$\$27,600 \div 12 = \$2,300.00 \text{ **monthly Basic Allowance**}$$

STEP 2: Calculate 25% of Average Final Compensation

$$.25 \times \$50,000 \text{ (AFC)} = \$12,500$$

$$\$12,500 \div 12 = \$1,041.67 \text{ **monthly allowance**}$$

The member receives the result from either Step 1 or Step 2, whichever is greater. In this example, the member would receive a monthly lifetime disability benefit of \$2,300.00.

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DURING RETIREMENT

Cost-of-Living Adjustments

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

You receive a compounded COLA, meaning the increase is calculated based on the current allowance, which includes any previous years' COLA increases. The annual COLA limits vary depending on the member's plan selection.

Plan A—unlimited COLA increase

Plan B—COLA increase limited to a maximum of 5% per year