

# Benefits Handbook

## Law Enforcement Officers' Pension System



MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

# Benefits Handbook

## **Law Enforcement Officers' Pension System**

Prepared by  
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**Revised October 2020**

## Message from the Board of Trustees

This booklet provides detailed information on the features and benefits of your retirement plan. Even though, as a member of the Law Enforcement Officers' Pension System, you are probably somewhat familiar with your benefits, this book explains them in everyday language. Major topics addressed are:

- Who is eligible for membership
- When membership ends
- How your benefits are funded
- How you earn service credit
- What benefits are provided
- What the eligibility requirements for the different benefits are
- How to calculate benefit income
- How to file for benefits
- What you need to know after retiring
- Where to get help with your retirement questions

The benefits described in this book are valuable to you and your family — not only when you retire, but now, while you work. We encourage you to use this booklet throughout your career and to contact the Retirement Agency if you need assistance. Please note, however, that this booklet provides only a summary of the features and benefits of your pension plan. Pension provisions summarized in this document are set forth in the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. If there are any questions of interpretation, the provisions of the State Personnel and Pensions Article and regulations will control to resolve them.

Throughout your career it's wise to take an active interest in your retirement plan. That's why the Retirement Agency offers a number of resources to keep you informed of benefit matters affecting you now and in the future. You may access your account online by using the mySRPS secure access participant portal. Please see our website at [sra.maryland.gov](http://sra.maryland.gov) for more information. The Retirement Agency creates an annual Personal Statement of Benefits for you each fall, and publishes newsletters, *The Mentor* for members and the *Retiree News & Notes* for retirees. You may also reach a retirement benefits specialist at 410-625-5555 or toll-free at 1-800-492-5909 with any questions you have.

You should also be aware of other benefits, such as health insurance, which may continue 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.

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**October 2020** This booklet provides a summary of the features and benefits of your pension plan as of the publication date. Pension provisions outlined in this document are set forth in the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. If there are any questions of interpretation, the provisions of the State Personnel and Pensions Article and regulations will control to resolve them.

























































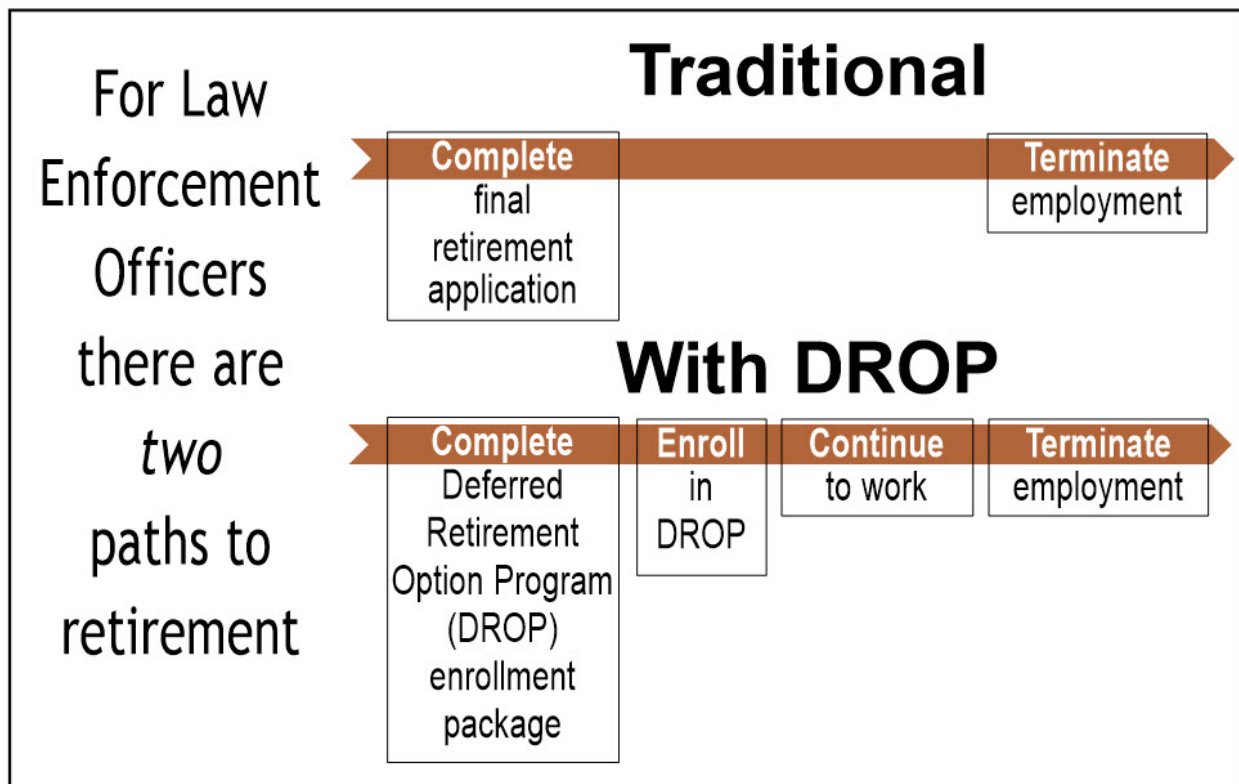


## 7. The Deferred Retirement Option Program (DROP)

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 Law Enforcement Officers' Pension System and earn compounded interest for as long as you remain in DROP.

An election to participate in DROP is irrevocable.

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



### Eligibility

You are eligible to participate in the DROP if you have at least 25 years and less than 30 years of creditable service.

### Enrollment in the DROP

To begin participation in DROP, eligible members must complete and file the *Deferred Retirement Option Program (DROP) Enrollment Package* with the Retirement Agency stating:

- Member’s intent to participate in DROP.
- Member’s understanding that the election to participate in DROP is irrevocable.
- Date when the member wants to retire/enroll in the DROP.
- Length of time the member wants to participate in DROP.

- Date member will terminate employment with his or her employer.

### **Unused Sick Leave**

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 recorded on your *Application for Service or Disability Retirement* or only a portion of your unused sick leave, with the remainder continuing to be available to your use during DROP participation. You will accrue additional sick leave during DROP subject to personnel regulations with your employer.

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 Retirement Agency has accepted all 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 Participation**

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 and the member's creditable service upon election; or
- A term selected by the member (not to exceed five years).

### **Participation in DROP**

While participating in DROP, the retiree is subject to the personnel law, regulations and policies applicable to an employee and continues to receive compensation, health insurance and other benefits as provided in the Annotated Code of Maryland.

Members in DROP are "retirees" of the Law Enforcement Officers' Pension System. While employed, a DROP participant:

- Makes no employee contributions to the Law Enforcement Officers' Pension System.
- Does not earn any service credit 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 for an accidental disability retirement allowance only if he or she is totally and permanently incapacitated for duty by an occurrence arising out of or in the course of the actual performance of duty that occurs while participating in the DROP, and without the member's willful negligence. (See "Disability Benefits" for eligibility requirements and application instructions for accidental disability retirement.)

### **DROP Benefits**

During each month of DROP participation the retiree's monthly retirement benefit is deposited in a DROP account which earns compounded interest. For DROP accounts established on or after July 1, 2011, interest accrues at the rate of 4% compounded annually; 2% interest is calculated on the beginning



balance of the DROP account and 2% is calculated on the ending balance of the DROP account each fiscal year-end.

### **Termination from DROP**

A retiree's participation in DROP ends when the participant:

- Separates from employment on the DROP termination date the participant selected in the *Deferred Retirement Option Program (DROP) Enrollment Package*, or
- Dies, or
- Is terminated from employment by his or her employer at any time before the date specified on the participant's election form, or
- Elects to shorten the DROP participation period by terminating employment with the participant's employer before the termination date originally selected, or
- Accepts an accidental disability retirement allowance.

Once participation ends, the Retirement Agency will begin paying the retiree the monthly retirement allowance chosen by the retiree at enrollment in DROP, plus any applicable cost of living adjustments. 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.

### **Payment of DROP Account Balance**

At the end of DROP participation, the Retirement Agency pays the balance in your account within 90 days of the receipt of the *Deferred Retirement Option Program (DROP) Termination Package*. This balance includes all of your monthly retirement allowance payments accrued during your DROP participation and, any applicable cost of living adjustments, as well as accumulated interest.

You can choose to receive a single payment of the entire amount paid directly to you, or you can elect to roll it over into an Eligible Employer Plan or an IRA. Or you can choose to have a portion of the money paid directly to you and rollover the remaining funds.

For any portion that you choose not to roll over, the Retirement Agency is required by law to withhold 20% for federal taxes and 7.75% for Maryland state taxes, if you are a Maryland resident. You should consult a tax advisor to determine if any additional penalties apply.

Meet with your employer 90 days before your DROP termination date to complete the *Deferred Retirement Option Program (DROP) Termination Package*. At that time, general information on the Safe Harbor rules and taxation will be provided.

If a DROP participant dies while in DROP, the balance in his or her DROP account is paid in a lump sum to the surviving spouse. If the participant has no surviving 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 children under age 18, the balance in the account is paid to the participant's designated beneficiary.

### **Payment of Monthly Retirement Allowance**

When a retiree concludes participation in DROP, the retiree 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 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.

## 8. After You Retire and During Retirement

There are a number of matters to be aware of immediately after you retire and during your retirement, including:

- Reemployment
- Earnings Limitations
- Cost of Living Adjustments
- Payment Method for your Monthly Benefit
- Address Changes
- Tax Reporting
- Garnishment of Pension Benefits
- Voluntary Deductions from Your Retirement Allowance

### **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.

For a minimum of 45 days after your retirement date, you may not be reemployed on a permanent, temporary, or contractual basis by the State. You also may not be reemployed within 45 days after your retirement by any governmental employer that formerly participated in (but withdrew from) the SRPS, and which employed you during its period of SRPS participation.

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

There can be significant consequences to you and the SRPS if you retire before the normal retirement age of your plan and/or before age 59½ 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 59½, retire and begin receiving your monthly retirement benefits, and are reemployed by the same employer from which 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 SRPS 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 which 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.

### **Earnings Limitation**

An earnings limitation is the maximum annual income you may earn through reemployment (employment after retirement) without being subject to a reduction of your monthly retirement allowance. Your earnings limitation will be listed on the *Notice of Retirement Allowance* sent to you by the Retirement Agency when you retire.

#### *Service Retirement or Vested Allowance*

If you retired with a service retirement or vested allowance, you are exempt from an earnings limitation.

#### *Ordinary Disability*

If you retired with an ordinary disability you are subject to an earnings limitation if:

- You are under normal retirement age (50), and
- You are 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.

If you retired with an ordinary disability retirement, prior to accepting work with the state or a participating employer, please contact the Retirement Agency to determine the effect, if any, your reemployment will have on your monthly retirement benefits.

For an ordinary disability retiree, the earnings limit is the difference between your Average Final Compensation at retirement plus \$5,000\* and your annualized Basic Allowance.

$$\text{Average Final Compensation} + \$5,000* - \text{annualized Basic Allowance} = \text{Annual Earnings Limitation}$$

\* This \$5,000 amount may be adjusted each year to reflect changes in the Consumer Price Index.

If an ordinary disability retiree is under normal retirement age, these restrictions apply:

- Retired less than ten years: Reduction of \$1 for every \$2 exceeding the earnings limit.
- Retired at least ten years: Reduction of \$1 for every \$5 exceeding the earnings limit.
- Once you reach age 50: No earnings restrictions apply.

Instead of the earnings limitation under an ordinary disability retirement, your benefit may also be subject to suspension (see “Suspension of Disability Retirement”).

#### *Accidental Disability*

If you retired with an accidental disability retirement, you are also exempt from an earnings limitation, but please see “Suspension of Disability Retirement” below.

### **Suspension of Disability Retirement**

Instead of the earnings limit restrictions that apply if you are retired under an ordinary disability retirement, your ordinary or accidental disability retirement benefit may be subject to suspension based upon your reemployment with the state *or any other employer* that participates in the SRPS.

Your ordinary or accidental disability allowance may be temporarily suspended if:

- You are under age 50;
- You are 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;
- You began receiving a disability retirement on or after July 1, 1998; and
- You are employed by a participating employer at an annual compensation that is at least equal to your Average Final Compensation at retirement.

If your disability benefit is suspended, it can only be reinstated on the first day of the month following the month in which you ceased employment with the participating employer (reminder: a participating employer is any employer that offers SRPS benefits). Your allowance at the time of reinstatement will be adjusted to reflect the accumulated cost-of-living adjustments during the period of suspension. There is no additional benefit accrued while reemployed by a participating employer.

### **Cost-of-Living Adjustments**

A cost-of-living adjustment (COLA) may be applied to your retirement allowance 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. You must be retired at least one year as of July 1 to be eligible to receive the 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 or more consecutive years, the total negative amount is carried over to be applied against the next positive year or years, until the total required rate deduction has been fully applied.

### *Adjustment Caps*

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

Members enrolled on or after July 1, 2011

Eligible retirees will receive a COLA capped at 2.5% when the SRPS's investment performance equals or exceeds its assumed actuarial rate of return or capped at 1% in years when the assumed actuarial rate is not met.

Members enrolled before July 1, 2011

Generally, a two-part adjustment applies as follows:

- For the portion of the benefit based upon service earned before July 1, 2011, the COLA rate for eligible retirees is capped at 3% and is not tied to investment performance.
- For the portion of the benefit based upon service earned on or after July 1, 2011, the COLA is capped at 2.5% when the SRPS's investment performance equals or earns or exceeds its assumed actuarial rate of return or capped at 1% in years when the assumed actuarial rate is not met.

Note: For certain members who transferred to LEOPS from the Employees' Retirement System, different COLA provisions may apply. Please contact the Retirement Agency for details.
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### **Method of Payment**

To ensure the timely delivery of benefit payments, the Retirement Agency has instituted a mandatory direct-deposit policy for the payment of monthly benefits.

Payments are issued on the last day of each month. Because the payments are sent electronically, funds post immediately to the retiree's bank account. With your first direct deposit, you will receive by mail an advice slip listing your payment amount and withholdings (taxes, health insurance, etc.). Thereafter, advice slips are issued in January, July and whenever your net benefit amount changes.

If you need to change your bank account information, please submit to the Retirement Agency a new *Direct Deposit – Electronic Funds Transfer Sign-Up Form* (Form 85).

### **Address Changes**

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

### **Tax Reporting**

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

When you file for retirement, you are asked to complete a *Federal and Maryland State 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. If you reside in another state after you retire, your pension may be subject to that state's taxes.

The 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.

### **Garnishment of Pension Benefits**

Generally, a retiree's pension benefits are not subject to assignment, garnishment, execution, lien or attachment. These situations may occur, however, in cases involving divorce, alimony, child support, and unpaid taxes. A portion of the benefit may be assigned or transferred to a former spouse by court order or agreement incorporated in a court order consistent with regulations adopted by the SRPS Board of Trustees.

### **Voluntary Deductions From Your Retirement Allowance**

When you retire, you may request various voluntary deductions from your allowance. Check with your personnel office and benefits coordinator for information on what deductions you may have taken from your allowance.

### **Retiree Health Benefits**

Continuing health coverage through your employer may be available to retirees who meet the eligibility requirements.

*Retired State of Maryland Employees*

Health benefits for retired State of Maryland employees are administered by the Department of Budget and Management, Employee Benefits Division.

For additional information on matters regarding retiree health benefits, [State of Maryland employees](#) should contact:

Maryland State Department of Budget and Management  
Employee Benefits Division  
301 West Preston Street, Room 510  
Baltimore, MD 21201  
410-767-4775 or 1-800-30-STATE (outside Baltimore-Washington area)  
[www.dbm.maryland.gov/benefits](http://www.dbm.maryland.gov/benefits)

*Employees Retired from Employment with Participating Employers*

Health benefits for retired employees of participating employers are administered by those participating employers.

For additional information on matters regarding retiree health benefits, non-state of Maryland employees should contact their human resources or personnel office.

## 8. SRPS Resources

The Retirement Agency offers a number of resources to help you stay informed of benefit matters throughout your career. Some of these resources provide you with information specific to your account, while others provide general information on your pension plan. The more you know about your pension plan, the better able you are to prepare for the future. We encourage you to take advantage of all available resources and to contact us whenever you need special assistance.

### mySRPS

The Retirement Agency offers a secure online participant portal, mySRPS. You can use mySRPS to view your account information, to make changes to your account, and to securely contact the Retirement Agency via email. If you are not already registered for mySRPS, please visit our website, [sra.maryland.gov](http://sra.maryland.gov), click on the “mySRPS Login” button in the upper right hand corner of the homepage, select the “Register” button, and then follow the on screen directions.

### Automated Phone System

Our automated phone system is available to you at any time. You can access the automated telephone system by calling 410-625-5555 or 1-800-492-5905.

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.

Retirement Benefits Specialists are available by phone, at the same numbers listed above, from 8:30 a.m. to 4:30 p.m. weekdays to answer basic benefit questions.

### Office Visits

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

Office Location:  
120 East Baltimore Street, 14th Floor  
Baltimore, Maryland 21202-6700  
Counseling Hours: 9:00 a.m. to 3:30 p.m.

To schedule an appointment:  
Visit our website at [sra.maryland.gov](http://sra.maryland.gov) and select the Contact option, or call  
410-625-5555 or 1-800-492-5909

### Inquiries by Letter or Email

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 and mailing address. You should also provide a daytime telephone number.

### Newsletters

The Retirement Agency publishes two newsletters: *The Mentor* and *Retiree News & Notes*.

*The Mentor* is targeted to members of the SRPS and is distributed electronically through your Retirement Coordinator. You may also view the current and prior editions of the newsletter on our website, [sra.maryland.gov](http://sra.maryland.gov).

*Retiree News & Notes* is targeted to retirees of the SRPS and is mailed to your address twice a year. You also may view the current and prior editions of the newsletter on our website, [sra.maryland.gov](http://sra.maryland.gov).

### **Personal Statement of Benefits**

While you are an active member, each fall the Retirement Agency will create an individualized statement of your retirement benefits. Your Personal Statement of Benefits highlights everything you need to know about your account – from the amount of service credit and beneficiaries on your record to estimates of future pension income. We encourage you to use this information to verify your account data for accuracy and to contact the Retirement Agency with any changes necessary to correct your account. You may view your current and previous Personal Statement of Benefits by logging into your mySRPS account (see mySRPS above).

### **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 two to three years of retirement. Contact your Retirement Coordinator for information on current seminars or view that information on our website, [sra.maryland.gov](http://sra.maryland.gov).

### **Your Retirement Coordinator**

For certain retirement matters, you'll need to contact your retirement coordinator, whose office will assist you with basic retirement matters such as your filing the necessary forms to keep your account records current and your benefits in force. Your coordinator will also distribute Retirement Agency newsletters and bulletins to keep you up-to-date on important benefit information.

However, keep in mind that your retirement coordinator is not an agent of the SRPS and is not authorized to advise you on specific matters concerning the details of your account. For this type of assistance, you must contact the Retirement Agency.

### **Internet**

The Retirement Agency maintains an internet website which features basic information about the SRPS, an archive of recent Retirement Agency newsletters and annual financial reports, useful forms and links to other sites of interest.

### **Confidentiality**

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

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

Note: Certain member information for elected and appointed officials is exempt from the confidentiality rule. Also, if asked, the Retirement Agency may state whether an individual is receiving a pension or not.



**Conflicts**

Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations control in resolving questions regarding the policies and benefits of the SRPS.

## Glossary of Terms

Accumulated Contributions	The balance of member contributions and regular interest earned on those member contributions.
Actuary	An expert who analyzes risks and computes rates according to probabilities which are based on known experience.
Average Final Compensation (AFC)	Average earnable compensation that is computed in accordance with state law. For members hired on or after July 1, 2011, the AFC is the average of their five highest consecutive earning years. The AFC for members hired before July 1, 2011, is the average of their three highest consecutive earning years.
Basic Allowance	Maximum benefit payable to a retiree based on member's total creditable service and average final compensation. Provides 50% survivor benefit to retiree's spouse or qualifying children.
Beneficiary	Individual(s) named by a member or retiree to receive benefits in the event of the member or retiree's death.
Contingent Beneficiary	Individual(s) named to receive benefits in the event that all primary beneficiaries die before the member/retiree or otherwise lose rights as beneficiaries.
Cost-of-Living Adjustment (COLA)	Annual adjustment of state pension benefit based on changes to the Consumer Price Index and capped as provided by state law.
Creditable Service	The service credit that is recognized for computing benefit amount.
Earnable Compensation	A member's annual salary rate payable for working the normal time in the member's position.
Eligibility Service	The service credit that is recognized for determining eligibility for a benefit.
Fiscal Year	The annual period beginning July 1 and ending June 30.
Medical Board	A panel of three doctors (and up to three alternates), appointed by the SRPS Board of Trustees, who review, investigate and make preliminary determinations on claims for disability retirement.
Normal Retirement Age	50 years of age.
Participating Employer	Public employer that employs individuals who are eligible for membership in a State Retirement or Pension System.

Primary Beneficiary	Your first choice for the individual(s) you designate to receive benefits in the event of your death.
Qualifying Leave of Absence	An employer-approved, SRPS-authorized absence from work without pay, granted for the following specific purposes: personal illness, birth or legal adoption of a child, temporary employment with another governmental employer, and study.
Retirement Coordinator	An employee, usually a personnel officer of a participating employer, who is trained to assist members with basic retirement matters such as the completion of SRPS forms.
SRA	State Retirement Agency. The state agency that administers the State Retirement and Pension System.
SRPS	Maryland State Retirement and Pension System

