

Anne Arundel County Government
Detention Officers' and Deputy Sheriffs'
Retirement Plan
Summary Plan Description
Effective July 1, 2009

Updated as of January 1, 2016

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INTRODUCTION

This booklet summarizes the most important features of the pension plan, as amended and restated incorporating all plan changes made through January 1, 2016. Complete details are contained in the County Code (Article 5, Title 6), which governs the operation of the plan. If there is any conflict between this booklet and the County Code, the County Code will govern. This booklet does not give you any rights to benefits, which are not expressly provided under the terms of the County Code.

The provisions of this booklet do not necessarily apply to those that terminated employment prior to July 1, 2009.

The plan is an important part of the retirement resources provided by the County. Please read this booklet carefully for a better understanding of the benefits available to you at retirement.

PARTICIPATING IN THE PLAN

The pension plan can be a key source of your retirement income. Along with Social Security and your own financial resources, it can help you enjoy a comfortable and secure retirement.

This plan allows you to:

- receive a pension based on your length of service;
- provide survivor benefits to your spouse and/or children, even if you die before retirement;
- receive a disability retirement benefit if you become totally disabled and cannot work; and
- choose among several payout options.

Please review the plan features carefully.

Eligibility

You are eligible if you are a permanent employee who works at least 50% of the amount of time specified for the following **Category I** participants:

- Detention Officer
- Detention Corporal
- Detention Sergeant
- Detention Lieutenant

- Detention Captain
- Deputy Sheriff I, II, III or IV

You are eligible if you are a permanent employee who works at least 50% of the amount of time specified for the following **Category II** participants

- Correctional Program Specialist I or II
- Criminal Justice Program Supervisor
- Correctional Facility Administrator
- Assistant Correctional Facility Administrator
- Superintendent of Detention Facilities (by election)

Cost of the Plan

The County pays most of the cost of this plan. However, you are required to contribute 6.75% of your basic rate of earnings. Contributions are not required after your Actual Plan Service and Transferred Service equal 30 years. Your basic rate of earnings is your rate of annual basic compensation (including longevity) with the County on the day specified, excluding overtime payments and other forms of additional compensation.

Your contributions are withheld each pay period. Effective October 1, 1989, Anne Arundel County implemented a pension “pick-up” program approved by the Internal Revenue Service which allows each participant to make regular contributions before federal income tax. Contributions prior to October 1, 1989, were made on an after-tax basis.

How to Enroll

Your enrollment is automatic once you are employed in one of the eligible job classifications. The only exception is the Superintendent of Detention Facilities who must elect to join the plan.

Your Beneficiary

You will need to file a beneficiary form with the Personnel Office to designate your beneficiary for this plan. It is **your responsibility** to make sure your beneficiary designation form is up to date and properly completed. Should you die while actively employed, your legal spouse or if no spouse, your unmarried minor children, will take precedence over any person(s) or entity you designate as pension beneficiary.

Types of Credited Service

Credited Service is used to determine the amount of your retirement benefit and in some cases your eligibility for retirement. There are five different types of Credited Service:

1. Actual Plan Service includes:

- a. Continuous employment with the County (or other participating employer) while you are a member of this plan. Service is credited to the nearest month.
 - b. Credited “In-Plan Military Service”. This refers to time spent in military service during a break in your County employment. There is no limit to the amount of service granted. However you generally must return to County employment within 90 days of completion of your military service. In addition, the missed contributions must be repaid. If you think you are entitled to this credit you should contact the County Human Resources Office shortly after you return to work.
 - c. Transferred service from one of the County’s other retirement plans. Members shall transfer on a one to one basis all actual plan service from the County plans for Police, Fire, or General Employees. Employee contributions are also transferred with no adjustment for differences in contribution rates between plans. This section does not apply to transfers from State of Maryland eligible plans.
2. Pre-Employment Active Duty Military Service honorably completed up to a maximum of three years. To be eligible for this service credit, you must:
- Category I and II participants hired on or before June 30, 2015 must complete Actual Plan Service plus transferred service totaling 5 (five) years, and submit satisfactory documentation. Service is credited in one-month increments.
 - Category II participants hired on or after July 1, 2015 must complete Actual Plan Service plus transferred service totaling 10 (ten) years, and submit satisfactory documentation. Service is credited in one-month increments.

PLEASE NOTE: this credit will not help you meet the vesting requirements of your plan nor may it be used to reach normal retirement eligibility for your Plan. If you reach Normal Retirement eligibility prior to meeting your vesting requirements, this service will be used to determine your monthly pension allowance.

3. Unused Disability Leave that is credited as retirement service. The formula to calculate this service is:
 Scheduled hours per day (often 8 hours) = 1 day and 22 days = 1 month of service.
 Please refer to the chart on **Page 15** to convert your Disability Leave to Credited Service.
4. Service Purchased Based on Prior Service with the County or the State or any political Subdivision of the State. See the County Personnel Office for more information and limitations.
5. Service Transferred from another Retirement System of the State or a political subdivision of the State. Such credit is governed by State law and procedures established by the County. Benefit offsets may exist for prior transfers to reflect differences in your contribution levels. Alternatively, you may be required to pay missed pension contributions if the prior employer contributions are less than what would have been contributed under our plan provisions.

Transfer of Credited Service

You may be eligible to transfer service from another retirement system of the State or a political subdivision of the State. Such credit is governed by State law and procedures established by the County. Generally you must make an application within 1 year of entering the County's pension system, there may not be a break in employment, in excess of 30 days, from your prior municipal employer to the County, if you were in a contributory system you must transfer your contributions and interest into the County's plan, and you must relinquish your rights to any benefits under your prior employer's plan. Benefit offsets may exist for prior transfers to reflect differences in your contribution levels. You should contact the Pension Team to assist you in determining if you are eligible to transfer credited service.

Offsets

In some situations involving transfers, your benefit may be reduced by an "Offset". Offsets represent that value of employee contributions not made during a service of credited service transferred from another plan.

WHEN YOU CAN RETIRE

Normal Retirement

For Category I participants, your Normal Retirement Date is the first day of the month after your 50th birthday and completion of 5 years of Actual Plan Service plus Transferred Service or the completion of 20 years of Actual Plan Service plus transferred service and disability leave service. **Please note that if you retire under the 20 year rule, you must have completed 20 years of actual plan service to receive credit for your pre-employment military service in your monthly benefit.**

For Category II participants hired on or before June 30, 2015, your Normal Retirement Date is the first day of the month after your 50th birthday and completion of 5 (five) years of Actual Plan Service plus Transferred Service.

For Category II participants hired on or after July 1, 2015, your Normal Retirement Date is the first day of the month after your 50th birthday and completion of 10 (ten) years of Actual Plan Service plus Transferred Service.

Early Retirement

For Category I participants there is no Early Retirement date. For Category II participants, you can retire early after you complete 20 years of Credited Service.

Vesting

Category I participants hired before August 9, 2004 and Category II participants hired on or before June 30, 2015 vest upon completion of Actual Plan Service plus Transferred Service totaling 5 (five) years.

Category I participants hired on or after August 9, 2004 vest upon completion of 20 years of Actual Plan Service.

Category II participants hired on or after July 1, 2015 vest upon completion of Actual Plan Service plus Transferred Service totaling 10 (ten) years.

If you are vested upon termination from County employment, but not yet eligible to retire, you may be entitled to receive a retirement annuity benefit commencing the first of the month following your 50th birthday or elect to receive a payment of your contributions including accrued interest. If you are not vested, you will receive a refund of your contributions plus interest. You may elect to receive your distribution as a lump sum payment or directly rollover the eligible portion of your distribution to another plan or IRA that will accept your payment. If you are a terminated vested participant and you die prior to payment commencement, your beneficiary shall receive a lump sum payment of your contributions plus interest. No other payments shall be made.

Retirement after Normal Retirement Date

If you continue to work after you reach your Normal Retirement Date, you will continue to contribute to the pension plan (unless you have 30 years of qualifying service), and benefits will continue to be credited to you.

Disability Retirement

The plan provides special benefits if your retirement is due to a service-connected or non-service-connected disability. There is no credited service requirement for a disability retirement. For more details on disability retirement, see pages 10 and 11.

DETERMINING YOUR SERVICE RETIREMENT BENEFIT

The formula for calculating the pension you'll receive at retirement depends on your pay with the County (your final average basic pay) and how much credited service you have earned.

This formula is 2.5% of your final average basic pay multiplied by your years of credited service up to 20 years plus 2% of your final average basic pay multiplied by your years of credited service in excess of 20 years. However, Pre- Plan Military Service is always credited at the 2% rate and is limited to 3 years. Service is measured to the nearest month. The maximum pension is 70% (attained after 30 years) of your final average basic pay plus an extra 2% of final average earnings for each year of Disability Leave Service and Pre-Plan Military Service. This formula produces your "accrued benefit".

Final Average Basic Pay

Your Final Average Basic Pay is your highest three years annual basic pays (salary) consisting of the participant's annual basic pay of the participant's date of separation from employment and any prior annual basic pay of the anniversary date of the date of separation. Earnings are based on your base rate of pay (excludes overtime, bonuses, etc.). You should note that your rate of pay, not your annual earnings, is used in the formula. See example in illustration below.

NOTE: If a participant's rate of pay was reduced based on an involuntary transfer, performance or disciplinary grounds, the Final Average Basic Pay will be the average of the three highest annual basic pays as of the date of separation and the last four anniversary dates as of the date of separation.

For example: If you elect to retire on May 1, 2015 and your employment terminated on April 30, 2015, your final average basic pay is determined by reviewing your pay history and selecting the five highest career salaries as of your date of separation as follows

:

As of	Pay Rate	Highest 3
4/30/2015	\$50,000	\$50,000
04/30/2014	\$48,000	
04/30/2013*	\$46,000	
04/30/2009	\$60,000	\$60,000
04/30/2008	\$58,000	\$58,000
* Voluntary Demotion	Total	\$168,000
	Divide by 3	÷3
	Your Final Average Basic Pay is	\$56,000

Early Retirement

Category II members with 20 years of credited service can retire before age 50 with a reduced benefit. Your benefit is reduced because you are beginning your pension early. As with a normal retirement benefit, your pension cannot exceed 70% of your final average basic pay (plus 2% per year for Disability Leave Service and Pre-Plan Military Service). The above limit on the accrued benefit is applied before the early retirement reduction.

The amount of the reduction is as follows:

Years Early	Amount of Reduction
1	2%
2	5%
3	9%
4	14%
5	20%
6	28%
7	36%
8	44%
9	52%
10	60%

FORM OF BENEFIT PAYOUTS

To choose a payment method, you should make your election at least 30 days before retirement. You may elect one of the following payment options:

Five Year Certain and Continuous Option

The Five Year Certain and Continuous payment method is the normal form of payment and provides you with a pension during your life. If you should die before receiving 60 monthly payments, benefits will be paid until a total of 60 monthly payments have been made to you, your beneficiary or to your estate if there is no living beneficiary. This is the automatic form of payment and benefits will be paid under this option if no election is made.

Joint and Survivor Option

The Joint and Survivor is an optional payment method and provides you with a reduced monthly pension during your lifetime with your surviving beneficiary receiving 100%, 80%, 66-2/3%, or 50% of your monthly benefit (as you elect) after you die. The benefit paid while you're alive will be reduced based on the election you choose and the age of you and your beneficiary at the time of retirement. The higher the survivor benefit you elect, the lower your monthly benefit payments will be during your lifetime.

Joint and Survivor Option with Pop-up

The Joint and Survivor with Pop-up is an optional payment method and provides you with a reduced monthly pension during your lifetime with your surviving beneficiary receiving 100%, 80%, 66-2/3%, or 50% of your monthly benefit (as you elect) after you die. The benefit paid while you're alive will be reduced based on the election you choose and the age of you and your beneficiary at the time of retirement. The higher the survivor benefit you elect, the lower your monthly benefit payments will be during your lifetime. **However, under the Pop-Up option should your designated beneficiary predecease you, your monthly pension will increase to the maximum monthly allowance payable at retirement.**

Contingent Annuitant Option

If the retiree is unmarried and has no minor children at the time of retirement he or she may designate one person as a Contingent Annuitant. Under this option, the retiree could name one person to receive 66 2/3%, or 50% of their benefit upon their death for the remainder of the Contingent Annuitant's lifetime. The retiree will take a lifetime actuarial reduction in their benefit to provide this death benefit. The Contingent Annuitant Option is only available for those persons **hired on or before** February 25, 2002. **PLEASE NOTE:** For the 100% option, the beneficiary age may not exceed 10 years from the age of the retiree.

COST OF LIVING ADJUSTMENT (COLA)

If the plan has not terminated, benefits are adjusted after retirement. Benefit adjustments occur on July 1 every year. There are two different COLAs — one is applied to benefits earned (accrued) prior to February 1, 1997, and the other is applied to benefits earned after January 31, 1997. These amounts are determined prior to the payment of the first COLA and are fixed for as long as COLA payments are made.

COLA on Pre-February 1, 1997 Benefit

The COLA adjustment generally equals the change in the Consumer Price Index (CPI). The COLA increase is limited to 4%. The percentage adjustment is compounded based on your pre-February 1, 1997, accrued benefit. The COLA is proportionately adjusted in the initial year of retirement.

COLA on Post-January 31, 1997 Benefit

The COLA adjustment equals 60% of the increase in the CPI. There is a maximum increase of 2.5%. The percentage adjustment is applied to the current benefit (compound increase) based on your post-January 31, 1997, accrued benefit.

DISABILITY BENEFITS

If you have a total and permanent disability, you may be retired by the County Personnel Officer on a disability retirement. You must submit a Disability Retirement Application to the Office of Personnel prior to your termination date. Benefits are payable the first of the month following the disability retirement. A disability resulting from or consisting of one of the following will be excluded:

- The participant currently engaging in the illegal use of drugs or narcotics;
- A willful effort on the participant's part to bring about injury or illness to the participant or another person, while sane or insane;
- The participant engaging in any illegal or criminal enterprise or activity;
- Injuries incurred on the job while under the influence of alcohol; or

There are three types of disability retirement:

Service-Connected , Non-Service-Connected and Military Service Disability

In order to be eligible for a disability retirement the following conditions must be met:

- The Personnel Officer determines on the basis of a medical examination by one or more physicians selected by the Personnel Officer that:
 - You are unable to engage in any occupation or employment for remuneration or profit; or,
 - You are wholly and permanently prevented as a result of your disability from continuing as an employee in your regular assignment or in some other assignment within your department.
- You were making participant's contributions immediately prior to your date of disability.

You are eligible for a disability retirement on the day that the Personnel Officer determines that all of the conditions have been met.

Service-Connected Disability Retirement

If your disability is the result of bodily injury or disease arising out of and occurring in the course of your employment, it will be considered Service-Connected.

The Service-Connected disability benefit equals the greater of your accrued benefit or 66 2/3% of your Final Average Basic Pay. If you qualify for a Service-Connected Disability, you can elect an optional form of payment to provide for a survivor benefit to your beneficiary.

Non-Service-Connected Disability Retirement

If you meet the disability requirement prior to your Normal Retirement Date but the disability is not duty-related you will qualify for a Non-Service-Connected Disability.

The Non-Service-Connected Disability benefit equals the greater of your accrued benefit or 20% of your Final Average Basic Pay. If you qualify for a Non-Service-Connected Disability after you have reached your early retirement age, you can elect an optional form of payment to provide for a survivor benefit to your beneficiary.

You cannot qualify for a Non-Service-Connected Disability after you have reached your normal retirement age.

Military Service Disability Retirement

A participant who has total a permanent disability as a direct result of performing military service may be eligible for a county disability retirement provided that:

- The military service qualified as credited In-Plan military service;
- The claimant has been discharged from the military and awarded a monthly military disability pension;
- Is prevented from continuing in the participant's regular assignment within the Department as a result of this disability.

Other Disability Provisions

You cease to qualify for a disability pension if:

- The Personnel Officer determines on the basis of a medical examination by one or more physicians selected by the Personnel Officer that you no longer have a total and permanent disability, or you have sufficiently recovered but refuse to resume your regular occupation as an employee or to be re-employed by the County in some other position for which you are suited by, or which is appropriate to, your training and experience; or,
- You refuse to undergo a medical examination requested by the Personnel Officer, provided you may not be required to undergo a medical examination more than once a year.

Medical examinations only apply during the first five years after your disability pension has been in effect.

PRE-RETIREMENT DEATH BENEFITS

There are two different types of death benefits for active participants: Line of Duty and Non-Line of Duty.

Active Participant Line of Duty Death Benefit

This benefit applies if your death occurs as the direct result of the active performance of your duties.

The annual Line of Duty Annuity benefit equals the greater of:

- Your accrued benefit at your date of death, or
- 66 2/3% of your Final Average Basic Pay

This annuity benefit is payable to your surviving spouse or unmarried minor children as a group. The total payment made shall not be less than your contributions plus interest. Payments cease upon your spouse's death or when your unmarried minor children reach age 18 or marry, whichever occurs first (subject to a minimum of 60 monthly payments). If there is no surviving spouse or unmarried minor children there shall still be a lump sum benefit paid to your beneficiary, or the estate if there is no beneficiary equal to:

- Your contributions plus interest, and
- 50% of your Final Average Basic Pay.

Active Participant Non-Line of Duty Death Benefit

The following applies to an active participant whose death does not occur as a direct result of performance of duties, including a participant whose death occurs as a result of performing military service that qualifies as credited in-plan military service.

If you die before you terminate employment with the County (or before normal retirement date if you are disabled), your spouse and/or children may be eligible for the benefits described below. If no benefits are payable to your spouse or children, then the lump sum benefit is payable. You must be making contributions at the time of your death to be eligible for these benefits.

If you are vested at the time of your death, your spouse or unmarried minor children have the option of receiving a lump sum equal to your employee contributions plus 50% of your Final Average Basic Pay or a life annuity equivalent to what you would have been entitled to had you terminated employment on the date of your death and elected a 100% Joint & Survivor. If you were eligible for retirement on the date of your death then the annuity payment will begin immediately.

If you are not vested, your spouse or unmarried minor children shall receive a lump sum payment equal to your accumulated contributions and interest and 50% of your Final Average Basic Pay.

If you are not married and do not have minor children, a lump-sum payment will be made to your beneficiary or estate. The amount of the lump sum will be:

- Your contributions plus interest, plus
- 50% of your Final Average Basic Pay.

BREAKS IN SERVICE

If you terminate employment prior to being vested and become reemployed with the County, you are treated as a new employee and your previous service is disregarded. However, you have the option to repurchase/restore the forfeited service at an actuarially determined cost.

Temporary Absence

A temporary absence due to sickness, accident or authorized leave of absence will not be considered termination of service, as long as this absence does not exceed one year. An adjustment in credited service may be required.

If your service is terminated during a period of temporary absence, the provisions governing termination of service will apply.

Absence from employment because of active duty with the armed forces of the United States is counted as service if you return to active service with the County within 90 days after becoming eligible for release from active duty.

INTERNAL REVENUE CODE LIMITATIONS AND PLAN AMENDMENTS

This plan is considered a “qualified plan”. This means that it meets the qualification requirement of the Internal Revenue Code. For example, Section 415 limits the annuity benefit at age 62 to \$180,000 per year in 2007. These restrictions may not impact your benefit but the plan may be amended from time to time to conform to changes in the Anne Arundel County Code or State law. This plan is not subject to the Employees Retirement Income Security Act (ERISA).

The County reserves the right to amend the plan at any time.

QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

A QDRO is an Order, signed by a Court appointed authority, that requires the Plan to pay benefits to an Alternate Payee. Model Orders for each Plan can be obtained upon request. Should you have any questions concerning a QDRO, please contact the Personnel Office.

ADMINISTRATIVE INFORMATION

Please contact the Office of Personnel, Pension Unit, 2660 Riva Road, Annapolis, Maryland 21401; 410-222-7400, if you have any questions regarding this plan.

TABLE 2			
HOURS PER PAYPERIOD			
40/80 Hours			MONTHS
# Of Hours		Decimal Equivalent	
0	87	0.0000	0
88	263	0.0833	1
264	439	0.1667	2
440	615	0.2500	3
616	791	0.3333	4
792	967	0.4167	5
968	1143	0.5000	6
1144	1319	0.5833	7
1320	1495	0.6667	8
1496	1671	0.7500	9
1672	1847	0.8333	10
1848	2023	0.9167	11
2024	2199	1.0000	12
2200	2375	1.0833	13
2376	2551	1.1667	14
2552	2727	1.2500	15
2728	2903	1.3333	16
2904	3079	1.4167	17
3080	3255	1.5000	18
3256	3431	1.5833	19
3432	3607	1.6667	20
3608	3783	1.7500	21
3784	3959	1.8333	22
3960	4135	1.9167	23
4136	4311	2.0000	24

APPENDIX

A

Anne Arundel County Government Deferred Retirement Option Program

For Members of

The Detention Officers and Deputy Sheriffs Plan
(Effective July 1, 2015)

This booklet has been prepared to assist you in understanding the provisions of DROP and determining whether this program will be beneficial for you. While this booklet attempts to summarize the provisions of DROP and answer questions you may have as to how it will work, it is by no means exhaustive or exclusive. **NO GUARANTEE OR CONTRACT IS CREATED BY THIS BOOKLET.** In the event that the information in this booklet conflicts with Anne Arundel County Code or federal law, the language of Anne Arundel County Code and the federal law will be the final authority.

What is DROP?

DROP stands for Deferred Retirement Option Program. DROP is a voluntary program that provides an alternative way for you to earn and receive a portion of your retirement benefits. A key feature of DROP is the individual account that will be created when you enter the program. Your DROP account will be credited with:

- The monthly retirement benefits that you would have collected if you had retired instead of entering DROP (adjusted for any retiree COLA)
- Interest on your DROP account- If your entry into the DROP program is on or after July 1, 2010, 4.25% annual interest, compounded monthly (calendar basis) based on the amount in the account at the beginning of each calendar month. This is equivalent to an approximate monthly interest rate of 0.34745%, which provides an effective annual yield of 4.25%. Interest is not applied to the DROP account during the sixth year of DROP participation.

What is my employment status while I am in DROP?

Except for the fact that a monthly benefit is paid into a DROP account, you are considered an active employee, e.g., you remain eligible for promotions, pay increase and benefits, such as annual and sick leave. However, DROP participation is not a guarantee of continued employment. You are subject to all County laws and Department regulations regarding employment.

NOTE: You will not continue to accrue additional pension credit nor will any salary increases effective after your DROP entry date be used in the calculation of your retirement benefit.

County Code Provisions can supercede this booklet

Like other retirement plan provisions, the rules are contained in the County Code. Care has been taken to make sure this booklet follows the County Code. However, County law will control the administration

of the DROP program. Who is eligible for DROP?

A Category I participant in the Detention Officers' and Deputy Sheriffs' Retirement Plan, a Correctional Facility Administrator, an Assistant Correctional Facility Administrator and a Superintendent of Detention Facilities with Twenty (20) years of actual plan service are eligible to join the DROP.

You may apply to participate as long as you are an active employee and have not previously participated in the DROP. The application must be submitted to the Personnel Officer not less than 30 days and not more than 90 days prior to the requested date you wish to join DROP (your DROP participation date). All DROP participation dates will begin the first day of a calendar month.

You may apply before you have 20 years of actual county service so long as you are eligible to participate by the DROP effective date you have requested.

Is there a limit on the number of employees that can join DROP?

No more than four additional participants of the plan may begin participating in the DROP on the first day of a month.

If more participants request to join than are allowed, those with the most seniority shall be allowed to join first. Participation will be determined based on the seniority of the employees who submitted applications by the 30 days prior to the "first of the month" DROP effective date. The pool of eligible applicants is limited to those requesting the effective date and not those who have applied for future dates (e.g. those making a request on July 1 for an effective date of September 1 will not be counted when considering eligibility for the August 1st DROP effective date).

How long can I participate in DROP?

The initial DROP period is for three years. The DROP participation period may be extended by no more than three additional

one year terms. **Annual renewals are subject to the approval of the Appointing Authority.** You must retire at the end of your DROP participation period.

Generally you must be in DROP for at least three years to get the DROP benefit. Exceptions (described below) are made if you terminate employment during the first three years due to disability or death.

You must retire and leave County service at the end of your three year DROP period if you do not (1) complete a form for an additional year of DROP participation or (2) elect out of DROP during the first three years (as described below) or (3) Appointing Authority does not approve the extension of the DROP participation period.

How does DROP work?

You may apply to participate in DROP in any month once you are eligible (see “Who is eligible for DROP?”), but before you actually retire. If you elect DROP participation, you:

- Stop earning additional retirement benefits under the Plan (except for COLAs and disability leave adjustments discussed later).
- Discontinue making retirement plan contributions effective the beginning of the next pay period after entering DROP.
- Agree to end your Anne Arundel County employment when your DROP participation ends.

When you begin DROP participation, the County calculates your monthly retirement benefit as of the date you enter DROP and begins to credit this benefit to your DROP account.

Assuming you are in DROP for at least three years, at the end of your DROP participation period, you will begin to receive the monthly retirement benefit you had earned up to your DROP entry date, adjusted for accrued/used disability leave and cost-of-living-

adjustments (COLAs). You will also receive the accumulated value of your DROP account distributed in the manner you elect when you exit DROP.

What is the DROP lump sum account benefit?

During your participation in DROP, your account is credited with:

- An amount equal to your monthly retirement benefit under the retirement plan, calculated as of the time you enter DROP and with any COLA adjustments that would have occurred had you retired at the beginning of your DROP participation period.
- 4.25% annual interest, compounded monthly (calendar basis) based on the amount in the account at the beginning of each calendar month. This is equivalent to an approximate monthly interest rate of 0.34745%, which provides an effective annual yield of 4.25%. Interest is not applied to the DROP account during the sixth year of DROP participation.

You may elect to receive your accumulated DROP account in one of the following ways:

- As a lump sum.
- As a direct rollover to an individual retirement account (IRA) or another eligible tax-qualified plan (*any amounts in your DROP account that are non-taxable may not be rolled over*).
- As an annuity purchased through a third party.
- Any combination of these options

You decide what to do with your DROP account when you exit DROP.

Before you decide whether to take your DROP as a lump sum, direct rollover or annuity, be sure to carefully consider the potential tax consequences. For example, using the direct rollover option may provide you the means to defer payment of income tax on the taxable portion of your lump-sum benefit by transferring it to an IRA or other eligible tax-qualified plan. However, tax laws are complicated and can change. **Therefore, we recommend and encourage you to seek the advice of a tax**

professional to determine what is best for you and how you will be impacted.

***How is my DROP account invested?
How much will it earn?***

- Money is not actually set aside in a separate account with your name on it. A bookkeeping entry is made each month and your monthly retirement amount is recorded. Your account will be credited with 4.25% annual interest, compounded monthly (calendar basis) based on the amount in the account at the beginning of each calendar month. This is equivalent to an approximate monthly interest rate of 0.34745%, which provides an effective annual yield of 4.25%. Interest is not applied to the DROP account during the sixth year of DROP participation.

Can I change my mind after I join DROP and continue to work?

During your initial three year DROP period you may change your mind. If you elect to terminate your participation, you will be treated as if you never joined DROP for all benefit and employment purposes. Your service and salary during the DROP period will count toward your final pension benefit. However, you should be aware of the following:

- ❖ Your employee contributions will start again;
- ❖ Your pension benefit will be offset by the value of the employee contributions you would normally have paid during the DROP period;
- ❖ You may not join the DROP again;
- ❖ You no longer need to retire at the end of the DROP period.

Once you reach the end of the initial three-year period you can no longer elect out of DROP. This means Participants can work at most three more years, subject to the approval of the Appointing Authority.

What happens if I leave employment before the end of the initial three-year DROP period?

If you leave for reasons other than death or disability (as defined in the plan), this is considered an early exit from DROP. The above provisions for electing out of DROP while employed will apply. You will get no DROP lump sum but your salary and service credit will be adjusted to reflect the time you were a DROP participant. An offset for the value of missed employee contributions shall apply.

What happens if I leave employment after the end of the initial three-year DROP period but before I complete my fourth or fifth or sixth year in DROP?

A participant who terminates employment with the County after completing their first three year term of the DROP participation period and before the completion of any additional one-year term is entitled to a DROP benefit only for each completed year of DROP participation. In addition, interest **WILL NOT** accrue on an account balance for any period of DROP participation that is less than a full year.

What do I get when I leave DROP after three years?

You receive both of the following:

- The monthly retirement benefit calculated at the time of your entry into DROP adjusted for (1) any changes in your disability leave balance and (2) COLA adjustments as if you had retired when you entered DROP.
- Your DROP account (1) in a lump sum, (2) as a direct rollover to an IRA or another eligible tax-qualified plan (*any amounts in your DROP account that are non-taxable may not be rolled over*), or (3) an annuity.

Your DROP lump sum stops earning interest on the date you terminate employment.

Distribution of the lump sum is normally made as soon a practical but you may delay it until as late as age 70½.

Is my DROP benefit taxable?

In general, if you have ever made after-tax contributions to the plan, a portion of your retirement benefit will be non-taxable; the balance will be subject to tax. The portion of your after-tax contributions allocated to your DROP account (calculated when you exit DROP) will not be subject to tax (*these amounts are not eligible for direct rollover*). The remaining amounts in your DROP account are taxable as ordinary income in the year in which you receive them. To defer taxes, you may roll the taxable portion of your lump sum distribution into an IRA or another eligible tax-qualified retirement plan. Again, the County will not provide tax advice or assistance you are strongly encouraged to contact a tax or financial professional.

How does DROP affect retirement benefits?

Credited service (except for changes in your disability leave balance) and Final Average Basic Pay are frozen at DROP entry. Any salary increase while a participant in DROP (*e.g.*, due to a promotion) will not affect your monthly retirement benefits.

Your monthly retirement benefit credited to your DROP account will reflect COLAs as provided in Title 5. Your first monthly retirement benefit that you receive when you actually retire will be adjusted for COLAs applied to your pension throughout your DROP participation period.

How do changes in disability leave affect my DROP benefits?

You continue to accrue disability leave while in DROP. Your disability leave balance will likely change between the time you join DROP and the time you retire. Changes will have no impact on your DROP lump sum. However, your credited service and final pension annuity will be adjusted (up or down) to reflect changes in your disability leave balance. Your Final Average Basic Pay shall not be adjusted.

How does DROP affect the following other benefits, both during and after DROP?

- ***Group insurance (health, and life)***
- ***Social Security***
- ***Unemployment***

Your group insurance benefits continue during DROP as they would for any other active employee. You are subject to the same provisions and cost sharing arrangements as any other active employee in your job classification.

While you are in DROP, benefits such as Social Security and unemployment will be the same as they are for non-DROP participants.

When you exit DROP, and actually retire, you are eligible for the same group insurance benefits as if you were an active employee retiring on the same date.

How does DROP affect the 457 (deferred compensation) plan?

DROP has no effect on the 457 plan. Your actual retirement date (when you exit DROP) is your retirement date for 457 purposes. You cannot receive 457 benefits until you retire. You can continue to contribute to the 457 plan while in DROP. You may be eligible for the Special 457 catch-up provision during the three consecutive calendar years preceding the calendar year you exit DROP. To inquire further, please contact a member of the Pension Team.

Do I have to select a retirement option when I enter DROP?

Yes. When you enter DROP, you are establishing your retirement benefit. You must make a retirement election (Five year certain and continuous option or Joint and Survivor Option).

What happens if I get married (or divorced) after I select my retirement option?

Once you select a retirement option it is set and you cannot make a change. Marriage or divorce will not change the option you select at DROP entry (Retirement). If you select the five year certain and continuous benefit, you can change your pension beneficiary but you cannot change your retirement option.

What are some of the important considerations when deciding on DROP participation?

- Are you ready to make a choice to retire at the end of the *initial* DROP period? Remember, the one-year extensions are subject to the approval of the Appointing Authority. **You must be prepared for the possibility of leaving after three years.**
- Are you ready to make a choice to retire at the end of the maximum DROP period? There are some limits to when you can change your mind.
- Whether your total retirement benefits might be higher without DROP (*e.g.*, pay increases or additional service credits while in DROP).
- Should you just retire instead of entering DROP?
- Are you willing to commit to an additional 3 to potentially 6 years of service to the County?
- Whether you need expert advice, *e.g.*, attorney, tax professional or financial planner, before making a decision.

Can I revoke my DROP decision?

Yes, up to two-weeks prior to the effective date of your DROP participation period you may revoke your application. In this case you may still elect DROP at a later date. If you are going to revoke your election, you may want to do this as soon as possible because a delay may harm other participants. If you revoke the election during the thirty-day period prior to the effective date, you will still be counted toward the limit on the number of participants allowed to

participate in DROP for that month (if your seniority is high enough).

What if I die during DROP, including being killed in the line of duty?

For service-connected deaths, your beneficiary will receive in addition to any other employment related benefits:

- (1) the service-connected death benefit will be offset by the value of the employee contributions you would normally have paid during the DROP period ,plus
- (2) the balance in your DROP account (plus interest) accrued during the DROP period.

For non-service-connected deaths, your beneficiary will receive your DROP lump sum.

In addition, current non-DROP annuity benefits paid to your spouse or other beneficiaries will still apply but will be based on your DROP benefit adjusted for COLAs.

What if I become disabled during DROP?

You would receive the benefit as if you had retired on disability without electing DROP but with an offset for missed employee contributions. Your benefit will be offset by the value of the employee contribution you would normally have paid during the DROP period and you will forfeit the DROP Account.

In the case of a service-connected disability, it is important that you consider the tax implications of your decision.

How can I estimate my DROP benefit?

A worksheet is enclosed for you to estimate your DROP benefit under a number of different scenarios.

What happens if the plan is improved after I elect DROP?

Changes that are made after your DROP participation begins will not increase your benefit unless specifically provided for in the law.

May I pursue employment with the County upon exiting DROP?

You may accept employment with the County. However, under current law, your retirement benefit will be reduced by \$1.00 for every \$2.00 earned by you upon rehire. This is true regardless of the type of employment you accept with the County (ex. contractual, permanent). You may be eligible to join the pension system and earn additional pension credit.

5	0.4167
6	0.5000
7	0.5833
8	0.6667
9	0.7500
10	0.8333
11	0.9167
12	1.0000

Where can I get more information?

The Pension Unit is here to answer all of your questions. We may be reached at 410-222-7400 or you may send us correspondence to Mail Stop 9101 or PO Box 6675, Annapolis, MD 21401.

TABLE 1	
# Of Months	Decimal Equivalent
0	0.0000
1	0.0833
2	0.1667
3	0.2500
4	0.3333