



# 2025 Employees Retirement Plan Seminar

# Preparing for Retirement

How will your life be different?

- New interests and activities?
- Second career?
- Family responsibilities?

How much money will you need to support your new lifestyle?

# Preparing for Retirement

Make a Budget for your future:

Income

Expenses

Plan for Changes

# Sources of Income:

- Pension
- Social Security
  - When should you begin payments? When should your spouse?
  - [www.ssa.gov](http://www.ssa.gov)
- Savings, 457(b), 401(k), IRAs
  - When can you draw without penalty?
- Investments

# Expenses:

- Health Care and Insurance
- Home, Rent, Auto Insurance
- Living Expenses
- Taxes

# Retirement Plan Provisions

- Pension Plan is a Defined Benefit Plan
- Benefit amount is based on a formula
- Lifetime annuity for retiree
- Survivor benefits for spouse or child
- Disability Retirement benefits

# Retirement Eligibility

## Normal Retirement (unreduced benefits)

- 30 years of credited service (can use D/L), or
- Age 60 with five (5) years of actual plan service plus transferred service if hired before 07/01/2015
- Age 60 with ten (10) years of actual plan service plus transferred service if hired after 07/01/2015
- Age 60 with ten (10) years of actual plan service plus transferred service for elected County Council members elected on or after December 1, 2014.
- Age 60 with eight (8) years of actual plan service plus transferred service if County Exec or appointed on or after December 1, 2014.
- Note: D/L may not be used to meet vesting requirements

# Retirement Eligibility

## Early Retirement (Reduced):

- Age 50+ and with 20+ yrs of credited service (can use D/L to reach 20 yrs). Benefit will be reduced from the lesser of age to 60 or service to 30 years, whichever provides the smaller reduction.

Vested participants who are eligible for Early Retirement when their employment ends may wait until a later date (age 60 at the latest) to start collecting their pension, with a smaller reduction in benefits.

# Early Retirement Reduction

| Year(s) Retired Before Normal Retirement Date | Approximate Amount of Reduction |
|-----------------------------------------------|---------------------------------|
| 0                                             | 0%                              |
| 1                                             | 2%                              |
| 2                                             | 5%                              |
| 3                                             | 9%                              |
| 4                                             | 14%                             |
| 5                                             | 20%                             |
| 6                                             | 28%                             |
| 7                                             | 36%                             |
| 8                                             | 44%                             |
| 9                                             | 52%                             |
| 10                                            | 60%                             |

# Benefit Formulas

Your Final Average Basic Pay (FABP) multiplied by your years and months of credited service, multiplied by your Tier percentage.

## Tier 1 (Contributory):

FABP x service credit x .02 = annual pension

## Tier 2 (Non-Contributory):

FABP x service credit x .01 = annual pension

# Retirement Calculation

## Benefit examples:

Tier 1:

$$\$100,000 \times 30 \text{ yrs} \times 2\% = \underline{\$60,000} \text{ per year}$$

Tier 2:

$$\$100,000 \times 30 \text{ yrs} \times 1\% = \underline{\$30,000} \text{ per year}$$

# Final Average Basic Pay

FABP is an average of your highest **three (3)** years annual basic pay during your entire employment with AACO as of the anniversary date of your date of termination.

However, if you had an involuntary salary reduction, then your FABP will be based on your last **five (5)** years only.

# Service Credit

- ❖ Actual Plan Service
  - Years & months from hire date to retirement date
- ❖ Transferred Service and/or Purchased Service
  - May be used towards vesting
  - May be used towards retirement eligibility
- ❖ Pre-plan military service (up to 36 months)
  - May not be used towards vesting
  - May be used to reach retirement eligibility
- ❖ Disability leave accrual
  - May be used towards retirement eligibility

# Disability Hours Credit Conversion Table

| <u>40/80 Hours</u> |      |                               |    |               |
|--------------------|------|-------------------------------|----|---------------|
| <u># Of Hours</u>  |      | <u>Decimal<br/>Equivalent</u> |    | <u>Months</u> |
| 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 |               |

\*

# Maximum Pension Benefit

Benefit may not exceed 60% of your FABP except for additional credit for military service or accumulated disability leave. Military credit is always credited at the 2% rate.

# Pension Calculation Sample

## Anne Arundel County Employees Tier 1 Retirement Plan

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### Basic Information

Name  
Social Security Number  
Street Address  
City, State, Zip

Date of Birth  
Marital Status  
Spouse Name  
Spouse SSN  
Spouse Date of Birth

### Example Only

John M. Doe  
123-45-6789  
123 Main Street  
Annapolis, MD 21014

12/10/1968  
Married  
Jane Doe  
111-22-3344  
2/17/1970

# Pension Calculation Sample

## Service Data

|                                                                                        |                |
|----------------------------------------------------------------------------------------|----------------|
| Date of Hire or Pension Entry                                                          | 12/17/1995     |
| Date of Termination                                                                    | 12/31/2025     |
| (a) County Employee Service                                                            | 30.0000        |
| (b) Transferred Service                                                                | 0.0000         |
| Transferred Employee Contributions?                                                    | Not Applicable |
| Annual Benefit Offset If Contrib's Not Transferred                                     | \$0.00         |
| (c) Purchased Service                                                                  | 0.0000         |
| Months of Pre-County Military Service                                                  | 36             |
| (d) Credited Years of Pre-County Military Service                                      | 3.0000         |
| Unused Disability Hours                                                                | 2050.00        |
| (e) Unused Disability Leave                                                            | 1.0000         |
| (f) Total Credited Service                                                             | 34.0000        |
| (f) = (a)+(b)+(c)+(d)+(e)                                                              |                |
| note: benefit calculation will effectively limit to not more than [30 yrs + (d) + (e)] |                |

# Pension Calculation Sample

## Salary Data

|                                |              |
|--------------------------------|--------------|
| Annual Basic Pay on 12/31/2025 | \$105,000    |
| Annual Basic Pay on 12/31/2024 | \$100,000    |
| Annual Basic Pay on 12/31/2023 | \$95,000     |
| Annual Basic Pay on 12/31/2022 | \$90,000     |
| Annual Basic Pay on 12/31/2021 | \$86,000     |
| Maximum 3 Year Total           | \$300,000    |
| Final Average Earnings (FABP)  | \$100,000.00 |

## Employee Contribution Data

|                                                       |             |
|-------------------------------------------------------|-------------|
| Employee Contributions as of 12/1/2025 with interest: | \$85,837.18 |
| Total Post-Tax Contributions:                         | \$1,200.00  |

## Anne Arundel County Employees Tier 1 Retirement Plan

John M. Doe (123-45-6789)

### Retirement Benefits

- (1) Percentage Multiplier: (Calc caps at 30.0 yrs actual svc credit, then add 2% D/L + Military)

2.0% x Credited Service

= (2.0% x 34.0000)

= 68.000%

- (2) Maximum Multiplier:

60% + 2.0% x (Disability Leave Service + Pre-County Military Service)

= 60% + 2.0% x (4)

= 68.000%

- (3) Annual Benefit at Normal Retirement Date (1/1/2026):

Multiplier x Final Average Earnings

= 68.000% x \$100,000.00

= \$68,000

# Pension Options Sample

| <b>Benefit Options</b>                  | <b><u>Option</u></b> | <b><u>Annual Benefit</u></b> | <b><u>Monthly Benefit</u></b> | <b><u>Monthly Survivor Benefit</u></b> |
|-----------------------------------------|----------------------|------------------------------|-------------------------------|----------------------------------------|
| Modified Cash Refund Annuity            | 1.0000               | \$68,000.04                  | \$5,666.67                    | N/A                                    |
| 100% Joint & Survivor                   | 0.8906               | \$60,560.88                  | \$5,046.74                    | \$5,046.74                             |
| 80% Joint & Survivor                    | 0.9105               | \$61,914.00                  | \$5,159.50                    | \$4,127.60                             |
| 66 2/3 % Joint & Survivor               | 0.9243               | \$62,852.40                  | \$5,237.70                    | \$3,491.80                             |
| 50% Joint & Survivor                    | 0.9421               | \$64,062.84                  | \$5,338.57                    | \$2,669.29                             |
| 100% Joint & Survivor Pop Up            | 0.879                | \$59,772.00                  | \$4,981.00                    | \$4,981.00                             |
| 80% Joint & Survivor Pop Up             | 0.9008               | \$61,254.48                  | \$5,104.54                    | \$4,083.63                             |
| 66 2/3 % Joint & Survivor Pop Up        | 0.916                | \$62,288.04                  | \$5,190.67                    | \$3,460.45                             |
| 50% Joint & Survivor Pop Up             | 0.9356               | \$63,620.88                  | \$5,301.74                    | \$2,650.87                             |
| Social Security Adjustment Until Age 62 | N/A                  | \$77,114.64                  | \$6,426.22                    | \$0.00                                 |
| Social Security Adjustment At Age 62    | N/A                  | \$62,234.64                  | \$5,186.22                    | \$0.00                                 |

# Retirement Payment Options

## Modified Cash Refund

This is the normal form of payment. It provides you with a monthly benefit during your lifetime.

If you die before you receive an amount equal to your employee contributions including interest, the remainder will be paid to the last designated beneficiaries on file with the Office of Personnel.

# Retirement Payment Options

## Joint and Survivor Option

Under this option you may designate one joint annuitant, either a spouse or a child.

Upon your death, this person would receive 100%, 80%, 66 2/3% or 50% of your monthly pension for their lifetime.

Your monthly pension amount would be reduced based on the election you choose at retirement.

# Retirement Payment Options

## Joint and Survivor Pop-Up Options

If your joint annuitant predeceases you, your benefit “pops-up” (increases) to the amount of the Modified Cash Refund.

Under this option you may designate one joint annuitant, either a spouse or a child.

Upon your death, this person would receive 100%, 80%, 66 2/3% or 50% of your monthly pension for their lifetime.

Your monthly pension would be reduced based on the election you choose at retirement.

This option is not available for Tier 2 participants

# Retirement Payment Options

## Social Security Adjustment Option

The retiree is provided with a larger monthly pension benefit before age 62 and a smaller benefit thereafter. The sum of the pension plan benefit and the social security benefit is intended to remain level before and after age 62.

You may not combine this option with another option. This benefit ends at death of participant. There is no refund remaining contributions and interest.

# Cost of Living Adjustments

Pension Benefit adjustments due to COLA's occur on July 1 of each year. There are two different portions of the COLA: one is applied to benefits earned (accrued) prior to February 1, 1997; the other is applied to benefits earned after January 31, 1997.

**Pre 2-1-97 Benefit:** 3% cap, simple

- Must be retired on or before June 1<sup>st</sup>
- First COLA will be prorated based on when you retire

**Post 2-1-97 Benefit:** 60% of CPI up to 2.5% cap,  
compounded

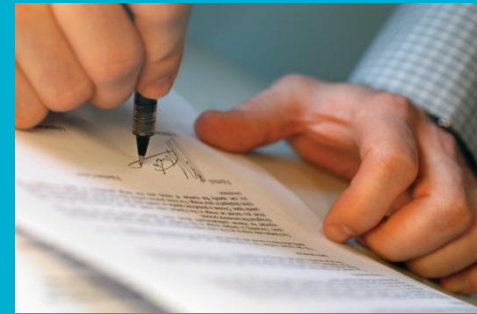
- To be eligible for first COLA, you must be retired on or before January 1<sup>st</sup>

# **FINAL STAGE COMPLETING THE RETIREMENT PROCESS**

# What do I do?

- Schedule a counseling session with your Pension Analyst 4-8 weeks prior to your retirement date
- Review the final figures and complete the paperwork sent to you by the analyst
- Notify your employer at least 2 weeks prior to retirement
- Locate copies of your marriage certificate (if applicable) as well as proof of birth dates for both you and your spouse. Birth certificates are required for all dependents covered on your retiree insurance.

# What should I bring?



- Bring tax withholding forms.  
Federal and Maryland state taxes will be withheld from your pension as elected by you.
- Bring direct deposit form.  
Even if your paycheck has been directly deposited, you will need to setup direct deposit for your retirement check. Bring a voided check or copy of savings deposit slip or bank direct deposit form.
- Bring proof of birth dates for both you and joint annuitant as well as a copy of your marriage certificate (if applicable). Birth certificates are required for all dependents covered on retiree insurance.

# Reemployment After Retirement

Reemployment with an Anne Arundel County Pension System participating employer:

If you are reemployed with the County after you retire your retirement benefit will be reduced by

**\$1.00 for every \$2.00**

you earn as a rehired retired employee.

# Exceptions to Reemployment Offset for Those who Retire from a Classified Position:

- Rehired with the County in a contractual agreement to work 1500 hours or less per Calendar Year;
- Rehired with the County in a grant funded position regardless of hours;
- Rehired with the County in the Office of the State's Attorney or the Office of the Sheriff in a position that requires the employee to be certified as a Police Officer by the Police Training Commission.
- Rehired in a classified position in a different job classification after 90 days of retirement.
- Employees rehired under these exceptions DO NOT accrue a new pension benefit during the period of reemployment.

**NOTE:** Certain employees who retired from exempt positions may still incur an offset.

# Reemployment After Retirement

County policy requires that a retiree be removed from the County payroll for at least 30 days before being reemployed.

No offer of re-employment should be discussed by you and your employer prior to retirement.

# Reemployment After Retirement

Distributions from your 457(b) T. Rowe Price account are not permitted during your period of reemployment unless you are older than 59 1/2.

You are permitted to resume salary deferral contributions into the 457(b) Plan during your period of reemployment.

# Reemployment After Retirement

If you elected a Normal or Early retirement and accept employment with the private sector or with a non-participating employer:

**NO REDUCTION IN YOUR PENSION  
AND NO RESTRICTIONS**

# Employee Retirement Savings Plan (ERSP)

**(option for employees hired after July 1, 2018)**

- Assets are immediately available to the participant when County employment ends.
- No action is required at retirement.
- Contact T. Rowe Price for account distributions.
- Early withdrawal tax penalties apply before age 55 or 59 ½ depending on employment separation date.
- Distributions are mandatory starting at age 72.

# Employee Retirement Savings Plan (ERSP)

## Vesting Requirement

The County contributions will be vested **20% per year with a 5 year graded** schedule as follows:

| <u>Vested percentage</u> | <u>Years of service</u> |
|--------------------------|-------------------------|
| <b>20%</b>               | <b>1 year</b>           |
| <b>40%</b>               | <b>2 years</b>          |
| <b>60%</b>               | <b>3 years</b>          |
| <b>80%</b>               | <b>4 years</b>          |
| <b>100%</b>              | <b>5 years</b>          |

You are always **100% vested** the employee contributions portion of your account.



- The 457(b) Plan is administered by T. Rowe Price
- Allows for additional savings pre-tax or post-tax Roth
- Offers various investment Retirement Funds
- Deferrals may be changed at any time
- Deferrals may be stopped at any time
- Enroll at any time



## ROTH 457(b) option:

This is NOT a ROTH IRA.

This will allow you to contribute to your 457 account on an after tax basis and pay no taxes on qualifying distributions when the money is withdrawn.

There is a minimum of 5 years from first deposit and age 59 1/2 to get the tax savings.

Starting 1/1/2026, contributions are required to be Roth (after-tax) for those with a salary of \$145,000+ and are age 50+ and have made pre-tax contributions of \$24,500 in the calendar year. This requirement does not apply to Special Catch-up participants.



## CONTRIBUTIONS:

- Lesser of 100% of eligible compensation or IRS Limitation
- Contribution Limit 2025: \$23,500
- Contribution Limit 2026: \$24,500
- Over 50 Catch-up 2025: \$7,500 (\$31,000 total)
- Over 50 Catch-up 2026: **\$8,000 Roth after-tax only** (\$32,500 total)
- Ages 60–63 Catch-up 2025: \$11,250(\$34,750 total)
- Ages 60-63 Catch-up 2026:**\$11,500 Roth after-tax only**(\$36,000 total)
- 457 Special Catch-up:
  - 2 x allowable limit (\$47,000 in 2025, \$49,000 in 2026) in the 3 consecutive calendar years prior to year of normal retirement age.
  - not required to retire after participating.
- Final balances for Annual Leave, Disability Leave, Comp hours (except executive CT) are all eligible to be deferred into your Plan account



## Before-Retirement Distributions Limited to:

- 1) Loan
- 2) Unforeseeable Emergency (Financial Hardship), or
- 4) You are 59 ½ or older
- 5) Qualified Birth or Adoptions

## After-Retirement Distributions:

- Assets are immediately available to the participant upon retirement
- No decision or action required at retirement
- Distributions mandatory starting at age 72 (new)
- Taxed as ordinary income at distribution for non-Roth contributions



### Distribution Options:

- Do Nothing
- Lump Sum
- Partial Lump Sum
- Installment payments
- Fixed payment amount over period of X years
- Rollover to an eligible retirement plan.



The Anne Arundel County  
Deferred Compensation Plan

➔ IT'S A  
SNAP!

## Loans after Retirement:

If you have an existing loan balance at the time your employment ends you may:

- Contact TRP and arrange to continue making manual monthly loan payments on the existing loan balance, or
- Contact TRP and request the total payoff amount and pay in full, or
- Take a Plan Loan Offset rather than paying back the loan.  
If the participant does not continue loan payments, the loan will cease to exist and the loan amount will be considered a taxable distribution after the greater of 90 days or the end of the calendar quarter following a missed loan payment.

# Contact Information

## Pension Team

Email: [pension\\_team@aacounty.org](mailto:pension_team@aacounty.org)

Phone: 410-222-7595

Amy Lukas – Analyst for A-L

Cheryl Wyngarden – Analyst for M-Z

Wendy Graulich – Assistant for A-L

Lisa Sinnett – Assistant for M-Z