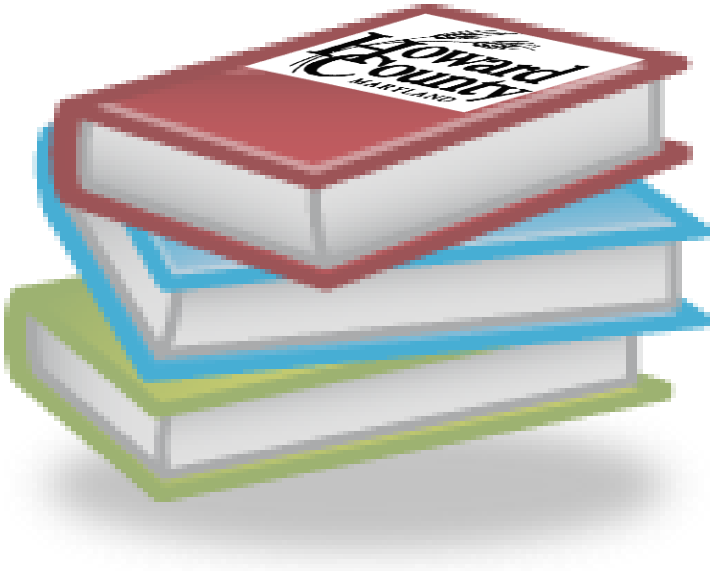
Howard County Police and Fire Employees' Retirement Plan

Police Department Retirement Information Seminar
February 20, 2018

DISCLAIMER

This presentation is intended as an overview of the current retirement benefits provided for you by Howard County, and every effort has been made to ensure its accuracy. The County reserves the right to make future plan amendments. These materials are not a substitute for the official legal terms of the Retirement Plan specified in the Howard County Code. In the event of a discrepancy between this information and the County Code, the County Code will govern.

Plan History



- The Howard County Police and Fire Employees' Retirement Plan was established in 1990. At that time, employees could opt to stay in the MD State plan or join the new plan.
- The plan now covers approximately:
  - 900 active County Employees (Police & Fire combined), plus
  - 400 Retirees/Beneficiaries receiving a monthly check
- Plan assets held in Trust to pay benefits: approx. $500 million

Plan Funding

Employee Contributions + Employer Contributions

- 11.6% of base pay
- None after 30 years

- Actuarially determined
- 32.5% of base pay (FY18)

Key Definitions

Creditable Service* *(HOW MUCH?)*

- Determines dollar amount of the benefit

Final Average Pay

- Highest 36 consecutive months
- Excludes bonuses & overtime

Eligibility Service* *(HOW SOON?)*

- Determines Vesting
- Eligibility for normal or early retirement
- Qualification for retiree health insurance

* *Service is measured in years and complete calendar months*

Eligibility for Retirement Benefits

You qualify for **Normal Retirement Benefits** on the first day of the month after:

- ✓ You complete 20 Years of Eligibility Service, with at least 10 years as a Covered Employee

OR

- ✓ You are age 62 with at least 5 years of service, if earlier.

Benefit Formula - Police

Final Average Pay → × → % based on Creditable Service

Creditable Service	Benefit %
20	50%
21	53%
22	57%
23	62%
24	68%
25	75%
26	76%
27	77%
28	78%
29	79%
30 or more	80%

Service Credit for Unused Sick Leave

- ***At retirement*, one month of additional Creditable Service is granted for each 22 days of unused sick leave.**
- **After calculating months, if there are 12 or more days remaining, an additional month is granted.**
- **Additional benefit of 2.5% of Final Average Pay, for each year (12 months) of unused sick leave.**

Sick Leave Conversion

- Police Personnel office converts hours to days.
- For sick leave earned before 12/31/2001,
  12 hours sick leave converts to 1 day.
- For sick leave earned after 1/1/2002,
  8 hours sick leave converts to 1 day.

Benefit Formula Example

Final Average Pay = $96,000 (annual)

Creditable Service at Retirement = 25 years

- **Assuming no sick leave –**

  Retirement Benefit (single life annuity) =

  $96,000 x 75% = $72,000 (annual)

  = $6,000 (monthly)

Note: These are gross amounts, before tax withholding.

Benefit Formula Example
(continued)

Final Average Pay = $96,000 (annual)

Creditable Service at Retirement = 25 years

- **Assuming 6 months sick leave –**

  Retirement Benefit (single life annuity) =

$$
\begin{aligned}
\$96{,}000 \times 75\% &= \$72{,}000 \\
+\ \$96{,}000 \times 1.25\% &= \underline{\$1{,}200} \\
&\ \ \$73{,}200 \text{ (annual)} \\
&= \ \ \$6{,}100 \text{ (monthly)}
\end{aligned}
$$

Note: These are gross amounts, before tax withholding.

Military Service

- Must have 20 years of Eligibility Service before applying for the Military Service Credit.
- The Plan recognizes up to 4 additional years of Eligibility Service and Creditable Service for active military duty in the U. S. Armed Forces, if the service preceded Howard County employment.
- If the Military Service interrupts Howard County employment, it will be credited immediately upon repayment of missed contributions.
- Cannot be counted toward another pension.

Lateral Service

- **Eligibility Service can be transferred**
  - Up to 5 years as a full-time career firefighter or sworn police officer for a government employer other than Howard County
  - Up to 2 years as a police Cadet with Howard County or other government employer within MD.
- **Creditable Service is NEVER transferred. It can be purchased at full actuarial cost by using:**
  - Lump sum/rollover payment
  - Periodic payments (payroll deduction)
  - Combination

At Retirement

Benefit Payment Options

You will elect your form of payment from the choices below:

1. **Life Only Annuity (Basic Option)**
2. **50% Joint and Survivor**
3. **100% Joint and Survivor**
4. **50% Pop Up**
5. **100% Pop Up**

At Retirement

Examples of Optional Forms

Life Only Annuity- $6,000

payable for your lifetime and stops upon your death

50% Joint and Survivor- $5,560

payable for your lifetime with 50% ($2,780) payable to beneficiary after your death

100% Joint and Survivor- $5,185

payable for your lifetime with 100% ($5,185) payable to beneficiary after your death

Amounts are illustrative only and assume that retiree and beneficiary are the same age; actual amounts are actuarially determined at retirement based on the exact age of you and your beneficiary.

At Retirement

Examples of Optional Forms

(continued)

50% Pop Up - $5,490

payable for your lifetime with 50% ($2,745) payable to beneficiary after your death. Your benefit pops up to $6,000 if beneficiary dies.

100% Pop Up - $5,060

payable for your lifetime with 100% ($5,060) payable to beneficiary after your death. Your benefit pops up to $6,000 if beneficiary dies.

Amounts are illustrative only and assume that retiree and beneficiary are the same age; actual amounts are actuarially determined at retirement based on the exact age of you and your beneficiary.

The Retirement Process

- Notify your supervisor at least 2 weeks in advance.
- Make an appointment with the retirement team 4 to 6 weeks before the date of retirement to complete required paperwork:
  - ✓ Option Election form*
  - ✓ Direct deposit
  - ✓ Tax withholding
  - ✓ Health insurance election
  - ✓ DROP election (if exiting DROP)

** Option cannot be changed once payments commence.*

Payments

- Pension checks are paid on the first business day of the month.

- Annual leave and comp time are paid out on the final regular paycheck.

- Personal time is not paid out.

Cost of Living Adjustment (COLA)

The Plan adds a COLA to retirees' benefits each July 1. The maximum is 2%.

The COLA is based upon changes in the Consumer Price Index (CPI-U) for the Baltimore-Washington area.

To be eligible to receive the annual COLA, you must have been receiving retirement payments for at least one full year.

Other Plan Benefits

Disability Retirement Benefits:

► Eligible upon total and permanent disability preventing usual duties of position

► Ordinary (Non-Line-of-Duty)= greater of 20% of final avg pay or accrued benefit

► Line-of-Duty Disability =
Catastrophic: 66 2/3% of pay
Non-Catastrophic: 50% of pay

Other Plan Benefits (continued)

- **In-Service Death Benefits**
  - Employee contribution account.
  - If 1 year of Eligibility Service, additional 1x Base Pay.
  - If eligible for retirement, or if death occurred in the Line-of-duty, spouse may elect lifetime annuity.

- **Vested Termination Benefit (5 or more years of service)**
  - Vested pension payable at age 62 based on average compensation and Creditable Service at termination, OR
  - Refund of employee contribution account.

- **Non-vested Termination Benefit (less than 5 years)**

  Refund of employee contribution account.

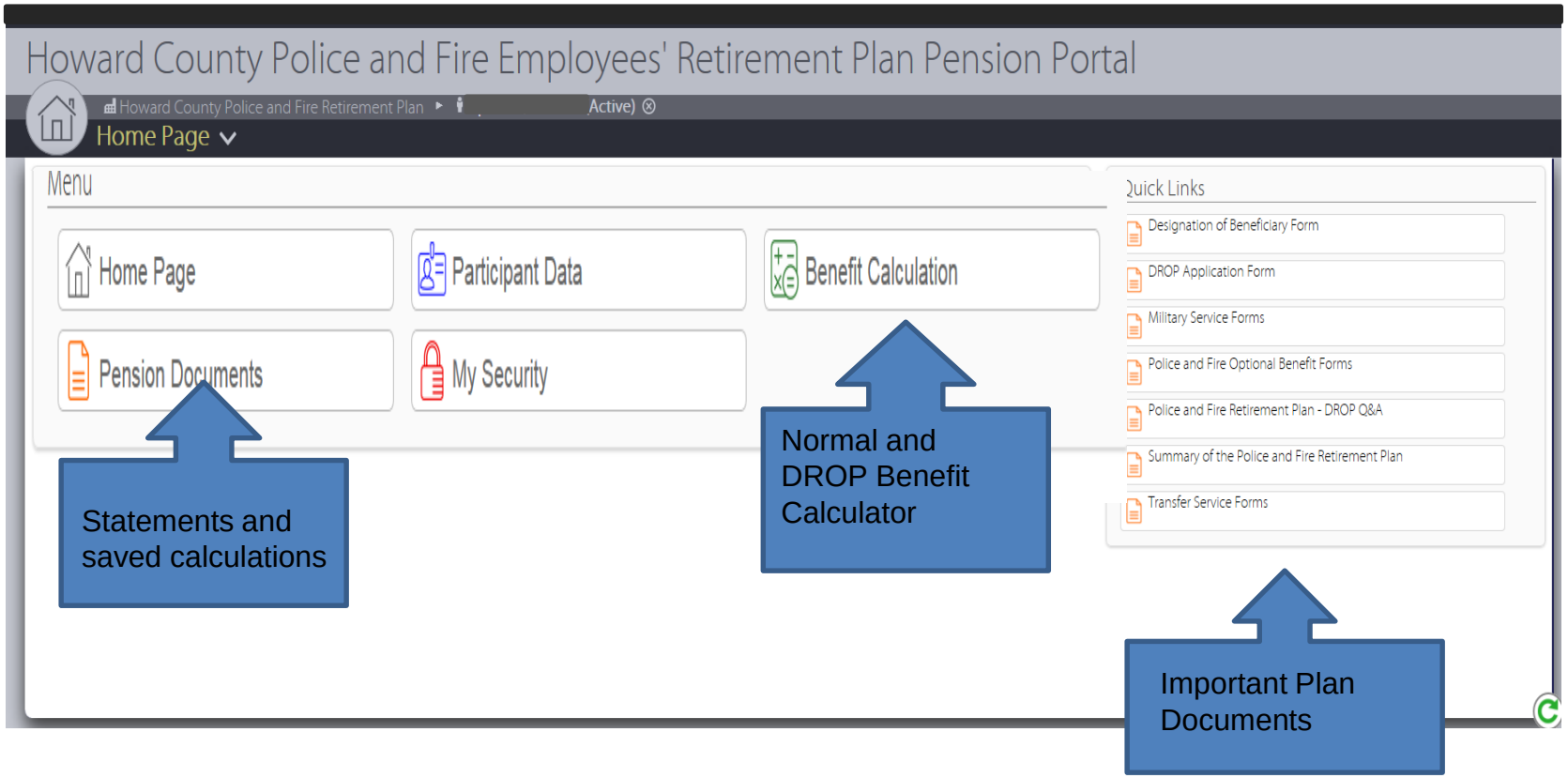
Online Portal

Welcome to simplified pension administration

The online portal can be accessed from any computer, tablet, or smart phone by going to:

https://www.mypensionbenefit.com/Default.aspx?co=howard

Online Portal Home Page



Online Statement

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
Police Employees

Statement of Your Estimated Retirement Benefits as of July 1, XXXX

Participant Name:	Jane Doe
Social Security #:	XXX-XX-XXXX
Date of Birth:	XX/XX/XX
Enrollment Date:	XX/XX/XX
Rate of Pay on July 1:	$XX,XXX.00

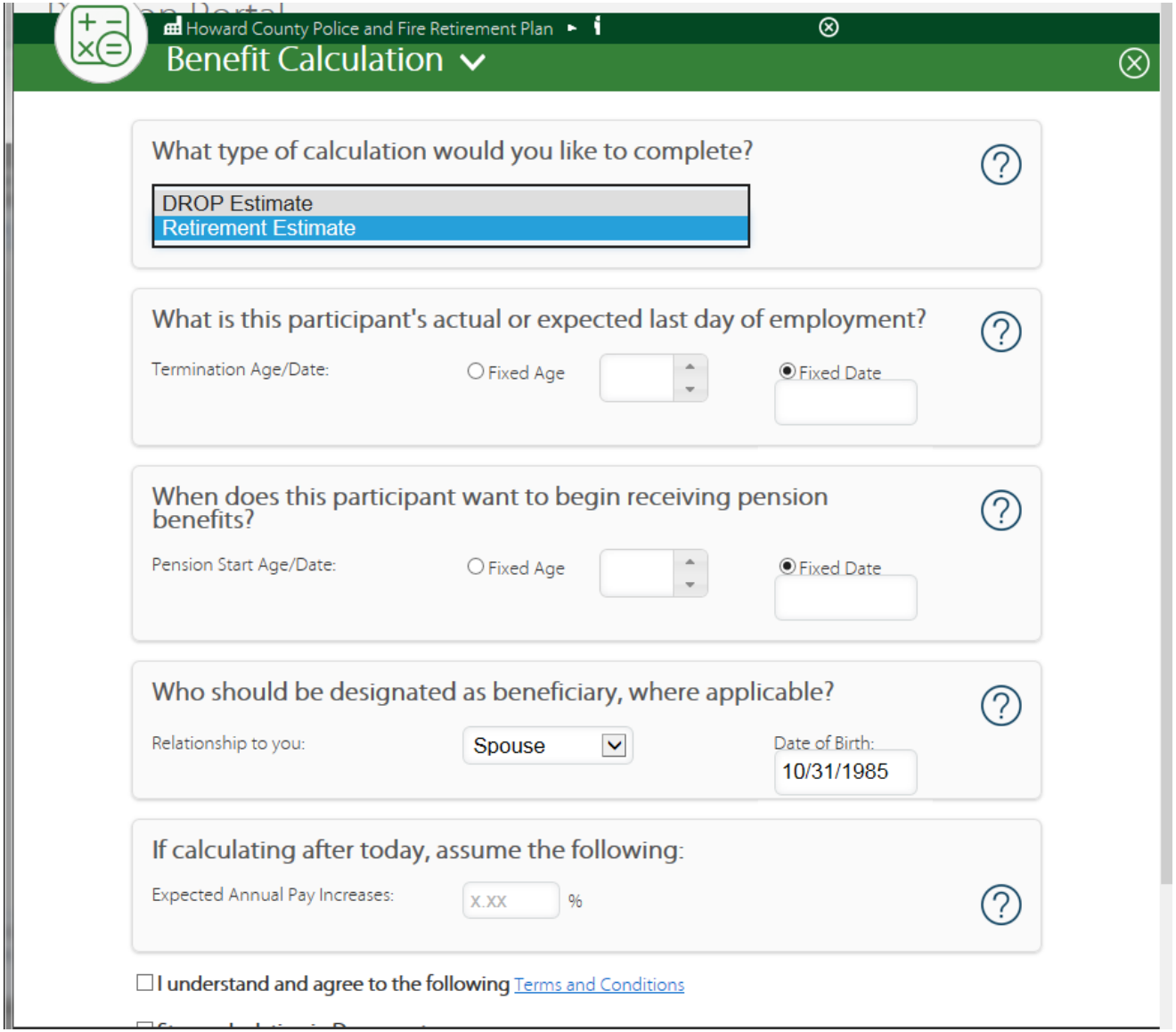
Service as of July 1	**Creditable**	**Eligibility**
•Membership	xxYrs/xxMos	xxYrs/xxMos
•Military	xxYrs/xxMos	xxYrs/xxMos
•Purchased/Transferred	xxYrs/xxMos	xxYrs/xxMos
Total	xxYrs/xxMos	xxYrs/xxMos

Projected Benefits as of July 1, XXXX	
•Normal Retirement Date	xx/xx/xxxx
•Estimated Monthly Benefit	$xxxxx.xx

Your Contributions

During the past year		Cumulative	
Contribution	$xx.xx	Pre-tax contributions	$xx.xx
Transfers	xx.xx	After-tax contributions	xx.xx
Interest	xx.xx	Transfers	xx.xx
		Interest	xx.xx
Total	**$XXX.XX**	**Total**	**$XXX.XX**

Online Calculator



- Five Easy Questions
- DROP or Normal Retirement Option
- Projecting Salary Increase
- Estimates can be Stored

Online Results

ESTIMATE ONLY – NOT A GUARANTEE OF FUTURE BENEFITS
Howard County Police and Fire Employees' Retirement Plan
Estimated Retirement Benefit for _____

The benefits shown below are based on the following information:

Your Date of Birth:	xx/xx/xx	Assumed Retirement Date:	06/01/2018
Your Beneficiary's Date of Birth:	xx/xx/xx	Assumed Termination Date:	06/01/2018
Projected Creditable Service:	300 months	Date of Calculation:	02/19/2018
Estimated Final Average Salary:	$109,267	Assumed Pay Increases:	2.00%

The amount payable under each option is as follows:

Lifetime Only: **$6,829** Payable monthly for your lifetime.

50% Joint and Survivor: **$6,231** Payable monthly for your lifetime with $3,116 payable monthly after your death to your beneficiary for his/her remaining lifetime.

100% Joint & Survivor: **$5,729** Payable monthly for your lifetime with $5,729 payable monthly after your death to your beneficiary for his/her remaining lifetime.

50% Pop-Up: **$6,121** Payable monthly for your lifetime with $3,061 payable monthly after your death to your beneficiary for his/her remaining lifetime. If you become divorced or if your beneficiary predeceases you, you will receive $6,829 payable monthly for your remaining lifetime.

100% Pop-Up: **$5,546** Payable monthly for your lifetime with $5,546 payable monthly after your death to your beneficiary for his/her remaining lifetime. If you become divorced or if your beneficiary predeceases you, you will receive $6,829 payable monthly for your remaining lifetime.

DROP

Deferred Retirement Option Program

- **Voluntary for all members who have at least 25 years of Creditable Service.**
- **May elect to participate in DROP for a minimum of 2 years and a maximum of 5 years.**
- **Can enter on the 1st of any month; must file application with Retirement Coordinator 30 – 90 days prior to entry.**
- **At the present time, 36 police officers are in the DROP program.**

Entering DROP

Regular Retirement Benefit is calculated

Based on final average pay and Creditable Service at start of DROP period.

Sick leave credits added at the end of DROP.

plus

DROP Account starts to accumulate

Monthly "Deposits" include:

- **Regular single life annuity benefit.**
- **Employee contributions to the retirement plan while in DROP**
- **Compounded monthly interest** (Currently 3.5% annually)

DROP EXAMPLE

<u>Employee enters DROP on January 1 …</u>

- **has exactly 25 years Creditable Service**
- **has final average pay of $96,000**

Retirement Benefit at DROP entry =

$96,000/12 x .75 = $6,000/month

DROP Account 12 Month Accumulation

Month	Retirement Benefit	Employee Contribution (11.6% of pay)	Total with monthly interest
January	6,000	928.00	6,928
February	6,000	928.00	13,875.89
March	6,000	928.00	20,843.73
April	6,000	928.00	27,831.57
May	6,000	928.00	34,839.47
June	6,000	928.00	41,867.49
July	6,000	928.00	48,915.69
August	6,000	928.00	55,984.12
September	6,000	928.00	63,072.84
October	6,000	928.00	70,181.92
November	6,000	928.00	77,311.40
December	6,000	928.00	84,461.36

“Deposits” occur at the end of each month.

DROP EXAMPLE

(continued)

Retirement Benefit at DROP entry = $96,000/12 x .75 = $6,000/month

Years in DROP	DROP Account Balance
2*	$172,218
3	$263,396
4	$358,125
5	$456,541

Assume 6 months unused sick leave at DROP exit.
Retirement Benefit at DROP exit = $6,100/month single life annuity
(may elect optional form of payment)

** If a participant leaves DROP before the 2 year minimum, the retirement benefit will be calculated as if they never entered DROP and no DROP account will be paid.*

Exiting DROP

- Upon retirement, DROP account can be paid as:
  - a lump sum (subject to tax withholding)
  - a direct rollover to an IRA/ qualified plan
  - an additional annuity in the same form as regular retirement benefit.
- 18 months' advance written notification to the Retirement Coordinator and the Department is required to exit DROP before reaching the maximum exit date.
- Failure to provide proper notification will result in an interest penalty of up to one year.
- Once notification is received, it becomes irrevocable after 60 days.

While in DROP…

- An employee remains on payroll and receives regular bi-weekly paycheck.
- All other benefits remain the same as for active employees including:
  - Pay increases, promotions
  - Group Insurance (medical, dental, life, LTD)
  - Annual, Sick and Personal leave accrual
- Participants will receive annual statement of the DROP account balance.
- After retiring at DROP exit, employee qualifies for retiree health insurance same as any other retiree.

Retiree Health Insurance

- Must be enrolled in County's health insurance as an active employee at time of retirement
- County pays % of premium based on years of service

Years at Retirement	County Pays
15-19	50%
20-24	75%
25+	90%

- Deductions taken from retirement check
- One-time "Opt-Out" allowed
- Dental Insurance, spousal insurance available
- Retirees over age 65 must be enrolled in Medicare Part A and Part B. At age 65, County insurance becomes Medicare Advantage plan.

Retiree Health Insurance

Sample Monthly Rates for 2018

Retiree / spouse under age 65		YEARS AT RETIREMENT	
	Full Premium	20-25 75%	25+ 90%
Aetna Select Open Access:			
Retiree only	$608.75	$152.19	$60.87
Retiree + spouse	$1,400.13	$764.51	$673.19
Retiree + child(ren)	$1,138.37	$681.81	$590.49
Family	$1,801.92	$1,166.30	$1,074.98

	Retiree only	Retiree + spouse	Family
Delta Dental	$29.85	$70.17	$87.92
Dominion Dental	$10.24	$19.17	$26.60

Howard County Deferred Compensation Plan 457(b) Plan

- Administered by Nationwide.
- Allows tax-deferred savings through payroll deduction, up to statutory limits.
- Visit their website at www.howard457.com for:
  - Plan contacts
  - Calculation tools
  - Investment Information
  - Forms
  - Account access

As You Approach Retirement

- Contact the Howard County Retirement Department to request current estimate of Retirement Plan benefit.

- Make an appointment with the Nationwide Retirement Specialist to discuss options for deferred compensation money.

- Depending on your age, contact the local Social Security Office (or go to www.ssa.gov) for information on Social Security and Medicare benefits.

Contact Information

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QUESTIONS?