

# Howard County Police and Fire Employees' Retirement Plan



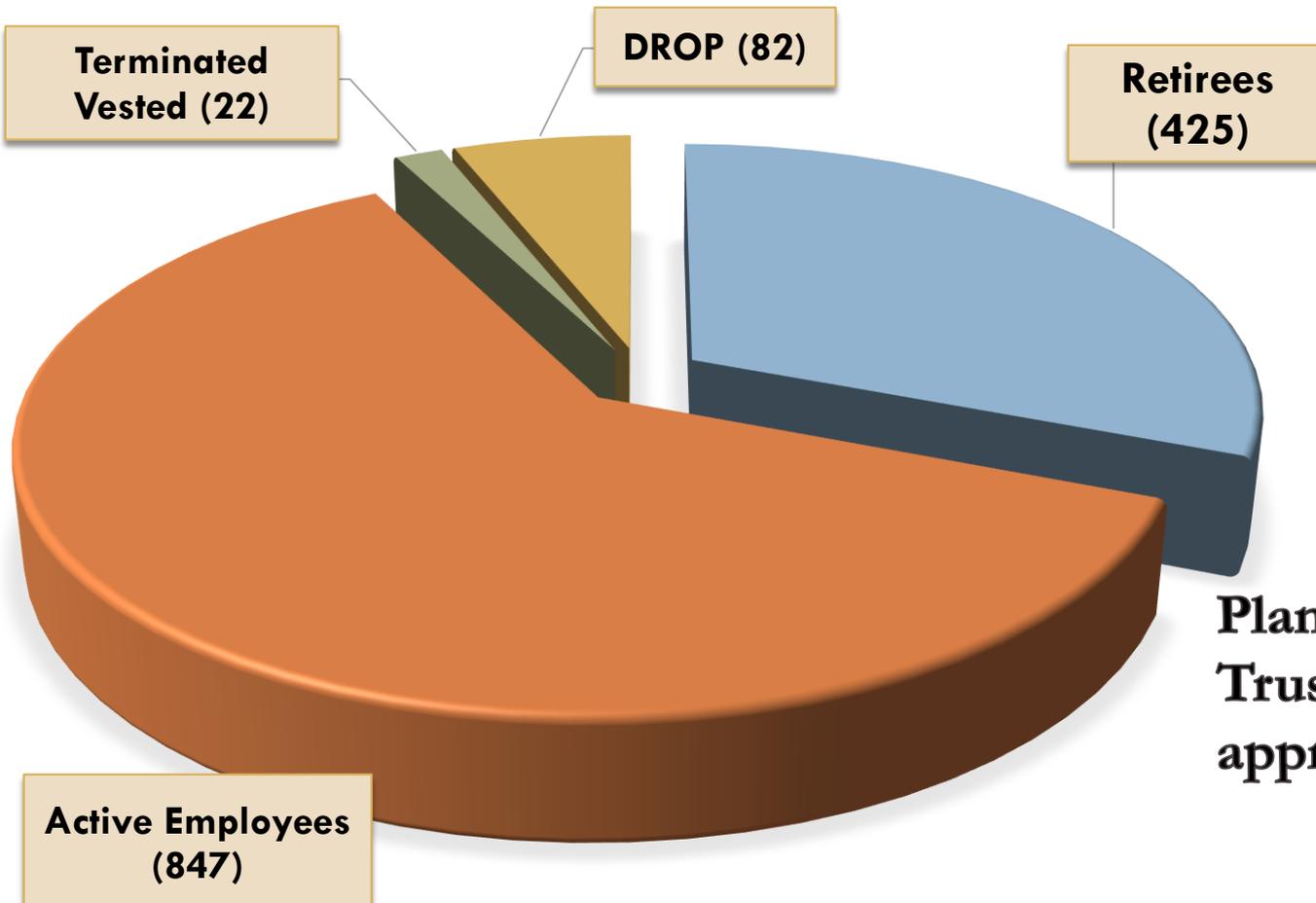
**Police Department Retirement Information Seminar  
February 6, 2020**

# 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 Statistics

## PLAN PARTICIPANTS AND BENEFICIARIES



Plan assets held in Trust to pay benefits: approx. \$650 million

# PLAN FUNDING

**Employee Contributions + Employer Contributions**



- **11.6% of base pay**
- **None after 30 years**



- **Actuarially determined**
- **35.4% of base pay (FY20)**

# 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

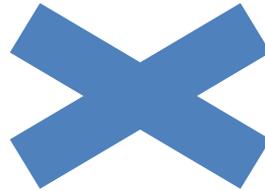


You qualify for **Normal Retirement Benefits** on the first day of the month after:

- ✓ You complete 20 Years of Eligibility Service
- OR
- ✓ You are age 62 with at least 5 years of service, if earlier.

# Benefit Formula - Police

Final Average  
Pay



% based on  
Creditable  
Service

<u>Creditable Service</u>	<u>Benefit %</u>
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.**

# 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 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

# Benefit Formula Example

**Final Average Pay = \$104,000 (annual)**

**Creditable Service at Retirement = 25 years**

□ **Assuming no sick leave –**

**Retirement Benefit (single life annuity) =**

$$\text{\$104,000} \times \underline{75\%} = \text{\$78,000 (annual)}$$

$$= \text{\$6,500 (monthly)}$$

*Note: These are gross amounts, before tax withholding.*



# Benefit Formula Example

(continued)

**Final Average Pay = \$104,000 (annual)**

**Creditable Service at Retirement = 25 years**

□ **Assuming 6 months sick leave –**

**Retirement Benefit (single life annuity) =**

$$\text{\$104,000} \times 75\% = \text{\$78,000}$$

$$+ \text{\$104,000} \times 1.25\% = \underline{\text{\$1,300}}$$

**\\$79,300 (annual)**

**= \\$6,608 (monthly)**

**Note: These are gross amounts, before tax withholding.**

# 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- \$6,500**

payable for your lifetime and stops upon your death

**50% Joint and Survivor- \$6,030** payable for your lifetime with 50% (\$3,015) payable to beneficiary after your death

**100% Joint and Survivor- \$5,620**

payable for your lifetime with 100% (\$5,620) 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 - \$5,950

payable for your lifetime with 50% (\$2,975) payable to beneficiary after your death. Your benefit pops up to \$6,500 if beneficiary dies.

### 100% Pop Up - \$5,480

payable for your lifetime with 100% (\$5,480) payable to beneficiary after your death. Your benefit pops up to \$6,500 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-Towson-Columbia 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

Howard County Retirement System



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

The screenshot shows the home page of the Howard County Police and Fire Employees' Retirement Plan Pension Portal. The page features a navigation menu, quick links, and several callout boxes with arrows pointing to specific menu items.

**Howard County Police and Fire Employees' Retirement Plan Pension Portal**

Howard County Police and Fire Retirement Plan | Active)

Home Page ▾

**Menu**

- Home Page
- Participant Data
- Benefit Calculation
- Pension Documents
- My Security

**Quick Links**

- Designation of Beneficiary Form
- DROP Application Form
- Military Service Forms
- Police and Fire Optional Benefit Forms
- Police and Fire Retirement Plan - DROP Q&A
- Summary of the Police and Fire Retirement Plan
- Transfer Service Forms

**Annotations:**

- Statements and saved calculations** (points to Pension Documents)
- Normal and DROP Benefit Calculator** (points to Benefit Calculation)
- Important Plan Documents** (points to Designation of Beneficiary Form, DROP Application Form, Military Service Forms, Police and Fire Optional Benefit Forms, Police and Fire Retirement Plan - DROP Q&A, Summary of the Police and Fire Retirement Plan, and Transfer Service Forms)



# 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	xx Yrs/xx Mos	xx Yrs/xx Mos
•Military	xx Yrs/xx Mos	xx Yrs/xx Mos
•Purchased/Transferred	<u>xx Yrs/xx Mos</u>	<u>xx Yrs/xx Mos</u>
<b>Total</b>	<u>xx Yrs/xx Mos</u>	<u>xx Yrs/xx Mos</u>

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

### Your Contributions

#### During the past year

Contribution	\$xx.xx
Transfers	xx.xx
Interest	xx.xx
<b>Total</b>	<b>\$XXX.XX</b>

#### Cumulative

Pre-tax contributions	\$xx.xx
After-tax contributions	xx.xx
Transfers	xx.xx
Interest	<u>xx.xx</u>
<b>Total</b>	<b>\$XXX.XX</b>

# Online Calculator

Howard County Police and Fire Retirement Plan

## Benefit Calculation

What type of calculation would you like to complete?

DROP Estimate  
 Retirement Estimate

What is this participant's actual or expected last day of employment?

Termination Age/Date:  Fixed Age   Fixed Date

When does this participant want to begin receiving pension benefits?

Pension Start Age/Date:  Fixed Age   Fixed Date

Who should be designated as beneficiary, where applicable?

Relationship to you:  Date of Birth:

If calculating after today, assume the following:

Expected Annual Pay Increases:  %

I understand and agree to the following [Terms and Conditions](#)

- 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

The benefits shown below are based on the following information:

Your Date of Birth:		Assumed Retirement Date:	05/01/2020
Your Beneficiary's Date of Birth*:		Assumed Termination Date:	05/01/2020
Projected Creditable Service:	306 months	Date of Calculation:	02/04/2020
Estimated Final Average Salary:	\$105,479	Assumed Pay Increases:	0.00%

The amount payable under each option is as follows:

<b>Lifetime Only:</b>	<b>\$6,636</b>	Payable monthly for your lifetime.
<b>50% Joint and Survivor:</b>	<b>\$6,488</b>	Payable monthly for your lifetime with \$3,244 payable monthly after your death to your beneficiary for his/her remaining lifetime.
<b>100% Joint &amp; Survivor:</b>	<b>\$6,347</b>	Payable monthly for your lifetime with \$6,347 payable monthly after your death to your beneficiary for his/her remaining lifetime.
<b>50% Pop-Up:</b>	<b>\$6,342</b>	Payable monthly for your lifetime with \$3,171 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 \$6,636 payable monthly for your remaining lifetime.
<b>100% Pop-Up:</b>	<b>\$6,073</b>	Payable monthly for your lifetime with \$6,073 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 \$6,636 payable monthly for your remaining lifetime.

Date of Estimate

Creditable Service  
and Final Average  
Salary

Optional Forms of  
Payment

# 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 1<sup>st</sup> of any month; must file application with Retirement Coordinator 30 – 90 days prior to entry.**
- **At the present time, 32 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**
- **Interest compounded monthly**  
Interest rate is 3.45% for FY20, changing to 3.40% for FY21

# DROP EXAMPLE

## Employee enters DROP on January 1 ...

- has exactly 25 years Creditable Service
- has final average pay of \$104,000

**Retirement Benefit at DROP entry =**

$$\mathbf{\$104,000/12 \times .75 = \$6,500/month}$$

# DROP Account 12 Month Accumulation



Month

- Month 1
- Month 2
- Month 3
- Month 4
- Month 5
- Month 6
- Month 7
- Month 8
- Month 9
- Month 10
- Month 11
- Month 12



Retirement Benefit

- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500
- 6,500



Employee Contribution (11.6% of pay)

- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00
- 1,005.00



Total with monthly interest

- 7,505
- 15,031.90
- 22,579.78
- 30,149.02
- 37,739.69
- 45,351.84
- 52,985.54
- 60,640.85
- 68,317.82
- 76,016.52
- 83,737.02
- 91,479.37

“Deposits” occur at the end of each month.

# DROP EXAMPLE

(continued)

**Retirement Benefit at DROP entry =  $\$104,000/12 \times .75 = \$6,500/\text{month}$**

<u>Years in DROP</u>	<u>DROP Account Balance</u>
2*	\$186,400
3	\$284,942
4	\$387,225
5	\$493,388

**Assume 6 months unused sick leave at DROP exit.**

**Retirement Benefit at DROP exit =  $\$6,608/\text{month}$  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.*

# 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.

# Exiting DROP ...

- **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 sufficient notice will result in an interest penalty of up to one year.**
- **Once notification is received, it becomes irrevocable after 60 days.**
- **At exit, 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.**





# RETIREE HEALTH INSURANCE

- Same medical, dental choices as active employees
- County pays % of premium based on years of service

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

- Deductions taken from retirement check
- 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 2020

Retiree / spouse under age 65	Full Premium	YEARS AT RETIREMENT	
		20-25 75%	25+ 90%
<u>Aetna Select Open Access:</u>			
Retiree only	\$634.05	\$158.51	\$63.40
Retiree + spouse	\$1,458.33	\$787.81	\$692.70
Retiree + child(ren)	\$1,185.69	\$710.15	\$615.04
Family	\$1,876.82	\$1,206.30	\$1,111.19

	Retiree only	Retiree + spouse	Family
Delta Dental	\$29.85	\$70.17	\$87.92
Dominion Dental	\$11.26	\$21.08	\$29.25

# 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](http://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.socialsecurity.gov](http://www.socialsecurity.gov)) for information on Social Security and Medicare benefits.**

# CONTACT INFORMATION

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QUESTIONS?