



Summary of the Howard County Retirement Plan

January 2014

Table of Contents

Introduction	1
Membership	
Participation and Eligibility Requirements.....	2
Contributions	3
Service Credit	
Eligibility Service	4
Creditable Service	4
Prorated Service for Part-Time Employment	4
Break in Service Rules	5
Transfer of Service Credit	6
Purchasing Service Credit	7
Military Service Credit	8
Credit for Unused Sick Leave	8
Plan Benefits	
Normal Retirement	9
Early Retirement	11
Late Retirement	11
Disability Retirement	12
Deferred Vested or Termination Benefits	14
Death Benefits	15
General Administrative Provisions	
Designation of Beneficiaries	15
Optional Forms of Payment	16
Qualified Domestic Relations Orders	18
Cost of Living Adjustment	19
Preserving Your Retirement Benefits	19
Plan Administration	19
Glossary of Terms.....	20

HOWARD COUNTY RETIREMENT PLAN

Introduction

The Howard County Retirement Plan (the “Plan”) was created in 1995 to provide retirement benefits to employees working in Howard County Government. This booklet is provided to Plan Participants as a Summary Plan Description to describe how the Plan operates. Major topics are:

- Participation rules and contribution rates;
- Service credit, including transferring and purchasing service;
- Benefits paid in the event of retirement, death, disability and termination of employment; and.
- General administrative provisions.

Complete provisions of the Plan are found in Sections 1.401 through 1.478 and Section 1.482 of the Howard County Code (the “Code”). If differences exist between this Summary and the Code itself, the Code will control your rights and benefits.

This booklet is written in everyday language and examples are given whenever possible to describe the main features of the Plan as of January 1, 2014. Since the plan has been amended several times since it was created in 1995, the provisions in this summary may not apply to participants who terminated before January 1, 2014. If you have questions related to rules that may apply to you but are no longer in effect, please contact the County’s Office of Human Resources.

The Plan has been designed to satisfy Internal Revenue Service requirements for qualified retirement plans. The Plan will be amended as necessary to ensure continued IRS qualification. The Plan is also amended from time to time when Howard County finds it necessary or appropriate to do so. In either event, Plan Participants will be notified of any significant changes made to the Plan.

To apply for benefits from the Plan or to ask questions regarding its operation, please contact:

Retirement Coordinator
c/o Office of Human Resources
Howard County Government
3430 Court House Drive
Ellicott City MD 21043
Telephone (410) 313-2033

Participation and Eligibility Requirements

Participation in the Plan is limited to:

- Full-time and part-time benefitted employees of Howard County Government in classified service or executive exempt service, employees in grant-funded positions and employees in state-authorized exempt positions;
- Full-time and part-time benefitted employees of the Howard County Economic Development Authority and the Howard County Soil Conservation District;
- Howard County Council members;
- Howard County Executive;
- Part-time benefitted employees hired before July 1, 1995 in the Department of Recreation and Parks in positions as Recreation Service Assistants (previously classified as Recreation Aides) or part-time benefitted employees hired before July 1, 1995 in positions previously classified as School Crossing Guards. Participants in this category are “Partially Benefitted” and are not granted Creditable Service or Eligibility Service after July 1, 1995 for time worked in these or similar positions.

Mandatory participation

Employees hired after June 30, 1995 in the positions listed above who are not required to participate in the Howard County Police and Fire Employees’ Retirement Plan, are required to participate in this Plan as a condition of employment. Employees hired by Howard County in a covered classification before July 1, 1995 made a one-time only, irrevocable election to remain with the Maryland State Retirement and Pension Systems or transfer to this Plan. The decision to transfer or not to transfer was final.

An individual who becomes an elected official on or after July 1, 1995 may elect not to participate. Such an election is irrevocable and must be made ten days prior to performing an hour of service as an elected official.

The following groups of employees are not eligible to participate:

- Employees who are participants of the Howard County Police and Fire Employees’ Retirement Plan;
- Part-time benefitted Howard County employees hired after July 1, 1995 in the Howard County Department of Recreation and Parks as Recreation Service Assistants (previously Recreation Aides), or in Child Care positions;
- Masters in Chancery.
- Employees who are covered by the Maryland State Retirement and Pension systems who elected not to participate in this Plan prior to July 1, 1995; and
- Contingent employees.

Participation as a Corrections Employee

Covered Individuals working as Corrections Employees on or before December 31, 1997 made a one-time only, irrevocable election to become Participating Corrections Employees effective January 1, 1998 or remain covered by the Plan’s non-Corrections benefit. Corrections Employees hired after December 31, 1997 are required to participate as Participating Corrections Employees as a condition of employment.

Contributions

The Plan is a “defined benefit” type of retirement plan. While Plan Participants are required to make contributions, a majority of the funding of the plan is provided by contributions made by Howard County. The County’s contributions to the Plan are determined annually by professional actuaries to ensure that the Plan is adequately funded to provide benefits for all Plan Participants.

Employee Contributions are Mandatory

Effective January 1, 2014, all Plan Participants, except Participating Corrections Employees, are required to contribute 3.0% of their legislated base salary to the Plan. Participating Corrections Employees are required to contribute 8.5% of their legislated base salary to the Plan.

Contributions are automatically deducted from each paycheck and interest is credited each June 30. Contributions earn 2.5% interest in the fiscal year that the contribution is made and 5% interest compounded annually each year thereafter until the accumulated contributions are withdrawn or until retirement. Contributions of employees who separated from Howard County Government on or after July 1, 2006 with less than 5 years of Eligibility Service, earn 2% interest compounded annually until withdrawn or until retirement.

Mandatory Participant contributions are treated as pre-tax contributions for federal income tax purposes. Therefore, contributions are not subject to federal tax during your membership in the Plan. Mandatory Participant contributions are also treated as pre-tax contributions for State tax purposes in most states, including Maryland and Virginia.

Transferred Contributions from Other Plans Allowed

In some cases, contributions that Plan Participants made to other government employers’ plans, plus the interest earned on those contributions, may be transferred to the Plan. Transferred contributions earn interest at the rate of 0.42% per month in the year of transfer and 5% interest per year thereafter. See page 6 for more information concerning service transfers.

Service Credit

The Plan provides two types of service credit: Eligibility Service and Creditable Service. Service credit is generally based on employment with Howard County Maryland or the Howard County Economic Development Authority or the Howard County Soil Conservation District. Service credit prior to July 1, 1995 was based on credit earned in the Maryland State Retirement and Pension Systems. The rules for Eligibility and Creditable Service shown below apply to post-July 1, 1995 service only. In special situations, Participants can transfer service from other governmental employers' retirement plans. See page 6 for more information regarding transferring service credit. Under certain circumstances, Participants may purchase additional service credit at retirement. See page 7 for more information regarding purchasing service credit.

Eligibility Service determines when Participants are vested and when they qualify for retirement benefits. In the first and last fiscal years of employment, Participants receive one month of Eligibility Service for each calendar month during which they are employed for the entire month – whether full-time or part-time. In years other than the first and last fiscal years of employment, Participants are credited with a full year (12 months) of Eligibility Service if they complete at least 900 Hours of Service in the fiscal year.

Creditable Service determines the amount of most benefits that Participants receive. Participants are credited with one month of Creditable Service for each calendar month they are employed on a full-time basis for the entire month and make contributions to the Plan. Part-time employees are credited with prorated service based upon their Hours of Service.

An Hour of Service is generally an hour for which an employee is paid by Howard County. Hours of Service include your regular working hours, plus hours for which you are paid but do not work, such as holidays, compensatory hours, sick leave, annual leave and other paid leave. However, Hours of Service do not include overtime hours, or vacation hours paid out at termination of employment.

Prorated Creditable Service for Part-Time Employment

Creditable Service is prorated for part-time Participants. Your Hours of Service in all months of the fiscal year during which you were a part-time employee for all or part of the month are compared to a “standard” of 1,820 hours, and rounded up to the next whole month.

Example: You have 925 Hours of Service as a part-time employee during the 12 months of a fiscal year.

$$\frac{925 \text{ hours worked}}{1,820} \times 12 \text{ months} = 7 \text{ months of creditable Service}$$
(approximately 6.1 months rounded up)

Break-in-Service Rules

A Plan Participant who terminates employment and is subsequently re-employed will incur a Break-in-Service for the period of time not worked. A Break-In-Service, or several consecutive Breaks-in-Service, which exceed the amount of Eligibility Service will cause the loss of all Eligibility and Creditable Service – unless the Participant was vested at termination. Three examples are shown below:

Example of Lost Credit: A Plan Participant with three years of Eligibility Service at termination is rehired four years later. Because the Break-in-Service is longer than the period of Eligibility Service and the Participant was not vested at termination, the Participant will lose the Eligibility and Creditable Service for the initial period of employment.

Example of Bridged Service: A Participant with three years of Eligibility Service at termination is rehired two years later. Because the period of the Break-in-Service is shorter than the period of Eligibility Service, the Participant will retain the previous Eligibility and Creditable Service when the Participant returns to work. (See Note below regarding Cash-Outs.)

Example of Vested Termination: A Participant with five years of Eligibility Service at termination is rehired six years later. Because the Participant was vested prior to the period of the Break-in-Service, the Participant will retain the previous Eligibility and Creditable Service when the Participant returns to work. (See Note below regarding Cash-Outs.)

Notes: If you receive a Cash-Out of your Employee Contributions and interest when you terminate and you resume participation in the Plan, you will have ninety days to repay the full amount of your Cash-Out, plus interest at the rate of 5% compounded annually from the date of Cash-Out to the date of repayment, in order to regain your prior service credit. If you do not repay the Cash-Out within the ninety days, you will lose the Eligibility and Creditable Service for the initial period of employment. If you are receiving monthly benefit payments from the Plan when you resume participation in the Plan, the payments will stop until you again terminate employment.

If you lost Eligibility Service and Creditable Service as the result of a Break-In-Service, you can purchase that service credit at the time of your retirement. See page 7 for information on purchasing service credit.

Transfer of Service Credit

The Plan recognizes transferred service credit under the provisions of Title 37 of the State Personnel and Pensions Article of the Annotated Code of Maryland. Therefore, your Eligibility Service and Creditable Service record may include credit for service transferred from other retirement plans, if your prior service meets the State's requirements for transfers.

Transfers of Service Credit before June 30, 1995 from the Maryland State Retirement and Pension System. All service credit recognized by the Maryland State Retirement and Pension System was transferred to the Howard County Retirement Plan at no cost to Participants who elected to join the Howard County Retirement Plan in 1995.

Transfers of Service Credit after June 30, 1995. Participants hired by Howard County after June 30, 1995 who held jobs immediately preceding Howard County employment with the State of Maryland or certain political subdivisions within the State of Maryland may elect to transfer their service from their previous employers' retirement plans to the Howard County Retirement Plan. The following rules apply:

- You must make your election to transfer your service within one year of your date of hire with Howard County by completing a Request to Transfer Service form.
- If your previous employer's plan required you to make contributions, that plan must be written to allow you to transfer your contributions and interest to this Plan.
- Your contributions and interest must be transferred to this Plan within one year of your participation date.
- Your previous employer's plan must provide (and you must agree) that your benefits under your previous plan are forfeited.
- If you terminate within 5 years of your date of hire with Howard County, the benefit for your transferred service is restricted.

Amount of Eligibility Service and Creditable Service granted by the Plan. Regardless of whether you are transferring service from a contributory or non-contributory plan, you will receive the Eligibility Service and Creditable Service earned under the prior plan. However, if you are transferring service from a non-contributory plan, your benefit at retirement will be actuarially reduced to reflect the fact that you did not make employee contributions during your period of transferred service. Also If you are transferring service from a contributory plan, and your rollover contributions are less than the amount you would have been required to make in this Plan, you may make up the difference (within one year of hire) or have your benefit at retirement actuarially reduced.

Purchasing Service Credit

Purchased service refers to credit you buy by making a direct payment to the Plan for specific types of previous employment. Participants may purchase as little as one month and up to ten years of Eligibility Service and Creditable Service for previous employment with the following employers:

- The State of Maryland for service not previously transferred.
- A political subdivision within Maryland for service not previously transferred.
- The federal government.
- Another state, municipality or political subdivision within the United States.
- A private, parochial or out-of-state school (only for service as a teacher).

To purchase credit, you must pay the entire cost to fund the benefits the additional service provides. Your cost will be based on your age, your service and your Average Compensation at the time of your retirement. To apply, you should write to the Plan to request an estimate of your retirement allowance and the cost of purchasing service credit. You will be asked to provide verification of your previous employment.

At the time of your retirement you may also purchase Eligibility Service and Creditable Service (up to a maximum of 10 years) for service disregarded as a result of a Break in Service or for pre-employment military service not credited by the Plan under the rules detailed on page 8.

Note: In unusual cases, Internal Revenue Code rules may limit your ability to purchase service in the Plan. You will be notified if this is the case for your purchase.

Special Purchase Rules for Leaves of Absence Without Pay

Generally, you will not be credited with Eligibility Service or Creditable Service for an approved leave of absence which is unpaid. However, you may elect to purchase service for an Approved Leave of Absence Without Pay, up to a maximum of one year, by making a lump sum payment to the Plan within 90-days of returning from your leave. If you do, the Plan will credit you with Eligibility Service and Creditable Service as if you had been working during your period of absence.

If your Approved Leave of Absence Without Pay is less than four months, you will owe your employee contributions to the Plan. These contributions are 3% or 8.5% of pay depending upon your job classification (see page 3), based on your last paycheck prior to your Approved Leave of Absence and your regularly scheduled work hours.

Example:

An employee with a 3% contribution rate, earning \$40,000 annually, is on an Approved Leave of Absence Without Pay for twelve weeks. The amount owed to the Plan once the employee returns to work is: $(\$40,000 \times 3.0\% \div 26 \text{ pays}) \times 6 \text{ pays} = \276.90

If your Approved Leave of Absence Without Pay is greater than four months, you will owe your employee contributions plus Howard County's contributions to the Plan. County contributions are determined annually during the Plan's actuarial valuation. The amount you owe will be based on the contribution rate in effect when you return to work.

Military Service Credit

You may receive a total of up to four additional years of Eligibility Service and Creditable Service for your active military duty in the Armed Forces of the United States under two separate circumstances:

- If your military service preceded your Howard County employment.
- If your military service interrupted your Howard County employment.

If your active military service preceded your employment, you may receive credit for up to four years of that service once you have **ten years** of other Creditable Service.

If you are called to active military duty during your membership in the Plan, you should file for a Leave of Absence Without Pay before leaving employment. When you return to work for Howard County in a covered classification, you will be granted the Eligibility Credit and Creditable Service that is required by federal law.

You may not receive additional credit for military service if your service has been previously recognized by the Maryland State Retirement and Pension Systems or if you are entitled to receive a benefit from another retirement system based on your military service (except for disability benefits, Social Security benefits, benefits under the National Railroad Retirement Act or benefits with respect to National Guard or Military Reserve service).

To apply for military credit, either preceding or interrupting membership, complete a Claim of Retirement Credit for Active Duty Military Service. Attach a copy of your military discharge papers (Form DD-214) indicating your active duty entrance and discharge dates.

NOTE: If you transferred from the Maryland State Retirement and Pension System and began participating in this Plan on July 1, 1995, your limit is five years – not four years – of additional service under this Plan for your pre-employment military duty.

Credit for Unused Sick Leave

You will receive Creditable Service if you have unused sick leave when you die, retire, terminate employment as a vested participant, or if you become disabled. You will receive one month of Creditable Service for each 22 days of unused sick leave you have at termination. If after counting your sick leave in multiples of 22 days, 11 or more days remain, you will receive credit for an extra month of Creditable Service. Unused sick leave cannot be used to satisfy the eligibility rules for any benefits paid from the Plan, nor will it alter the early retirement reduction factor the Plan uses to determine early retirement benefits.

Example: When he retired, John had 60 days of unused sick leave. He will receive 2 months of Creditable Service for the first 44 days, plus an extra month of Creditable Service for the remaining 16 days. If John had only 50 Days of unused sick leave at retirement, he would receive credit for 2 months of Creditable Service only. The remaining number of days after the 44 days are counted is 6 days, which is less than 11 days.

Normal Retirement Benefits

General Employees: (excluding participating Corrections and AFSCME Local 3085 employees)

Participants may retire at their **Normal Retirement Date** and receive unreduced benefits. **Normal Retirement Date** occurs when a participant:

- Is credited with thirty years of Eligibility Service (regardless of age),
- Attains age 62 and has at least five years of Eligibility Service,
- Attains age 63 and has at least four years of Eligibility Service,
- Attains age 64 and has at least three years of Eligibility Service, or
- Attains age 65 or older and has at least two years of Eligibility Service.

A participant is 100% vested upon reaching **Normal Retirement Date** regardless of years of service. A Participant who retires at Normal Retirement after **January 1, 2014** will receive a monthly income calculated using the following formula.

$$\begin{aligned} & \text{Average Compensation} \times 1.55\% \times \text{Years of Creditable Service before 6/30/2012} \\ & \text{PLUS} \\ & \text{Average Compensation} \times 1.66\% \times \text{Years of Creditable Service after 7/1/2012} \end{aligned}$$

(For employees who terminated prior to January 1, 2014, the 1.55% multiplier was used for all years of service.)

Average Compensation is the average of your Base Pay for the highest thirty-six consecutive, full calendar months of paid employment for Howard County. If you are a part-time employee, your Average Compensation will be calculated using the full-time equivalent of your Base Pay.

<p><u>Example of Normal Retirement Benefit:</u> If your Average Compensation is \$50,000. With 30 years of Creditable Service: 25 years before 6/30/2012 and 5 years after 7/1/2012</p> $\begin{aligned} & \$50,000 \times 0.0155 \times 25 = \$19,375.00 \\ & \quad \quad \quad + \\ & \$50,000 \times 0.0166 \times 5 = \underline{\$ 4,150.00} \\ & \quad \quad \quad \underline{\$23,525.00 \text{ annually}} \\ & \quad \quad \quad \underline{\div 12} \\ & \quad \quad \quad \underline{\$1,960.42 \text{ per month}} \end{aligned}$
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Notes: Other Normal Retirement benefit provisions were in effect for Participants who terminated employment before January 1, 2014. If you have questions related to provisions which may apply to you but are no longer in effect, please contact the Office of Human Resources.

Full-time equivalent pay for a part-time employee is calculated by multiplying an employee's hourly rate of pay by the standard full-time Hours for their job.

Normal Retirement Benefits (continued)

AFSCME Local 3085:

Participating AFSCME Local 3085 Employees may retire at Normal Retirement Date (as described on page 9) and receive unreduced benefits. A Participant in AFSCME Local 3085 who retires at Normal Retirement Date on or after July 1, 2011 will receive a monthly income calculated using the following formula:

Average Compensation × 1.66% × All Years of Creditable Service

Example of Normal Retirement Benefit:

If your Average Compensation is **\$50,000**, and you retire with **30** years of Creditable Service:

$$\begin{aligned} \$50,000 \times 0.0166 \times 30 &= \mathbf{\$24,900.00 \text{ annually}} \\ &\quad \div \mathbf{12} \\ &= \mathbf{\$2,075.00 \text{ per month}} \end{aligned}$$

(For employees who terminated prior to July 1, 2011, a 1.55% multiplier was used for all years of service.)

Participating Corrections Employees:

Participating Corrections Employees may retire at Normal Retirement Date and receive unreduced benefits when either of the following occurs:

- A Participating Corrections Employee is credited with twenty years of eligibility service, or
- A Participating Corrections Employee meets one of the Normal Retirement Dates described on page 9.

At Normal Retirement, the monthly income will be calculated using the following formula:

Average Compensation × 2.5% × Creditable Service up to 20 years
PLUS
Average Compensation × 1.0% × Creditable Service between 20-30 years

Example of Normal Retirement Benefit:

If your Average Compensation is **\$50,000**, and you retire with **25** years of Creditable Service:

$$\begin{aligned} \$50,000 \times 0.025 \times 20 &= \$25,000.00 \\ &+ \\ \$50,000 \times 0.01 \times 5 &= \$ 2,500.00 \\ &\quad \mathbf{\$27,500.00 \text{ annually}} \\ &\quad \div \mathbf{12} \\ &= \mathbf{\$ 2,291.67} \end{aligned}$$

Notes on Participating Corrections Employees:

- Maximum Creditable Service is 30 years.
- Participants earn an additional benefit equal to 1% of Average Compensation for each year (12 months) of unused sick leave.
- Different rules are applied to employees who retired before July 1, 2005.

Early Retirement Benefit

Participants may retire prior to their Normal Retirement Date with reduced benefits once their Early Retirement Date is reached. You will reach your Early Retirement Date when:

- You are age 55 with at least fifteen years of Eligibility Service, or
- You have earned 25 years of Eligibility Service, regardless of age.

Early Retirement Benefits are calculated in a two-step process. The first step uses the Normal Retirement Benefit formula. The second step applies a reduction factor which is necessary because retiring at a younger age means that your payments are expected to be paid over a longer period of time. The reduction factor is 0.5% (one-half of one percent) for each month, or 6% for each year, that payment begins prior to your **Normal Retirement Date** (described on page 9). The maximum early retirement reduction is 42%.

Example of Early Retirement:

If your Average Compensation is **\$50,000**.
You retire at age **60** with **15** years of Creditable Service.
All Creditable Service earned after 1/1/2014.

Step One:

$$\$50,000 \times 0.0166 \times 15 = \mathbf{\$12,450.00 \text{ annually}}$$

60 is 2 years short of Normal Retirement Date (62)

$$2 \text{ years} \times 6\% \text{ per year} = \mathbf{12\% \text{ reduction.}}$$
$$100\% - 12\% = \mathbf{88\%}$$

Step Two:

$$12,450.00 \times .88 = \mathbf{\$10,956.00 \text{ annually}}$$
$$\frac{\quad}{\div 12}$$
$$\mathbf{\$ 913.00 \text{ per month}}$$

Late Retirement Benefit:

You may defer retirement and keep working past your Normal Retirement Date. If you choose to continue working, your benefit payments will not be paid until you actually retire. You will continue to accumulate Creditable Service after your Normal Retirement Date, and your Average Compensation at retirement will reflect your last 36 months of employment, as long as this produces the highest average. Late Retirement Benefits are calculated using your Creditable Service and Average Compensation at late retirement. However, participating Corrections Employees will not earn Creditable Service beyond 30 years.

Disability Benefits

You will be eligible to receive disability benefits if you become disabled while an active Participant or while you are on a leave of absence (other than for military service). There are two types of disability retirement:

- Ordinary Disability
- Line-of-Duty Disability

You may qualify for an **Ordinary Disability** benefit if you meet **all** of the following requirements:

- You had at least five years of Eligibility Service at the time of your disability.
- You have reached a termination date as a result of being totally and permanently disabled.
- Your disability was not in the line-of-duty.

You may qualify for a **Line-of-Duty Disability** benefit if you meet **all** of the following requirements:

- You have reached a termination date as a result of being totally and permanently disabled.
- Your disability was incurred as a result of an accident or injury sustained while you were actively employed with Howard County in a covered classification.
- Your disability has been ruled compensable under the Maryland Workers' Compensation Act.

You will be considered "totally and permanently disabled" for the first two years that you receive Plan disability benefits if:

- You have sustained a medically-determinable physical or mental impairment.
- The impairment can be expected to be permanent or result in death.
- The impairment prevents you from performing the usual duties of your job.

After receiving Plan disability benefits for two years, you will be considered "totally and permanently disabled" only if your impairment prevents you from securing **any gainful employment** with Howard County or any other employer. However, you can still receive disability benefits if you get another job, as long as your impairment continues to prevent you from performing the usual duties of your former position with Howard County. (In that case, your benefits will be reduced by your earned income, see page 13 for details.)

No disability benefits will be paid for any accident or injury that was intentionally self-inflicted or that resulted from chronic alcoholism, addiction to narcotics, engagement in a criminal act, or from willful negligence on your part.

Disability Benefits (continued)

Disability benefits are not paid to Participants hired after June 30, 1995 if the impairment causing the total and permanent disability is directly related to a condition which existed at the time of hire.

Your right to receive disability benefits under the Plan is subject to periodic review on the part of Howard County to determine your disability status. For example, you will be required to submit to a physical examination annually with a doctor selected or approved by the County, and you will be required to furnish a copy of your federal income tax return each year to the Retirement Coordinator. Refusal to submit to the required examination or to submit the required documentation will result in your payments ending.

These requirements will continue to apply until you reach age 65 (if your disability was incurred on or before age 60) or upon the five-year anniversary of the date you began receiving disability benefits (if your disability was incurred after age 60).

The amount of your monthly disability benefit will differ depending on whether your disability is an Ordinary Disability or a Line-of-Duty Disability.

If you incur an Ordinary Disability, you will receive a monthly benefit equal to 33 and 1/3 % of your Average Compensation. However, if you are also entitled to receive Social Security disability benefits, the total amount payable to you from the Plan and from Social Security may not exceed 50% of your Average Compensation.

If you incur a Line-of-Duty Disability, you will receive a monthly benefit equal to 66 and 2/3% of your Average Compensation. However, if you are also entitled to receive Social Security disability benefits, the total amount payable to you from the Plan and from Social Security may not exceed 75% of your Average Compensation.

Ordinary Disability and Line-of-Duty Disability benefits for part-time Participants will be calculated on the Participant's compensation and not a full-time equivalent compensation.

Your disability benefits (whether ordinary or line-of-duty) will be reduced, dollar for dollar, by:

- Any earned income you receive.
- Any amount received under the Maryland Workers' Compensation Act for the same accident or injury. Workers Compensation payments received as a lump sum will be converted to an actuarially equivalent monthly payment for purposes of this offset.

Disability Benefits (continued)

Your disability benefits will be recalculated if you remain disabled when you reach age 65 (or at the 5 year anniversary of your disability, if your disability was incurred after age 60). Your monthly benefit will be recalculated to be a Normal Retirement benefit (see pages 9 through 11 for details), but calculated by crediting you with Creditable Service for the period of your disability and by calculating Average Compensation by using the Base Pay of the same job you held when you became disabled. This monthly recalculated disability benefit will continue for the remainder of your lifetime.

If you were to recover from your disability, you would receive credit for your Creditable Service and Eligibility Service while you were receiving disability benefits. This will apply whether or not you return to Howard County employment. However, Eligibility Service while you were receiving disability benefits will not be counted for purposes of determining whether you have reached your Early Retirement Date or whether you have reached your Normal Retirement Date by virtue of being credited with 30 years of Eligibility Service.

Deferred Vested Benefits, or Termination Benefits

If you terminate employment before you have five years of Eligibility Service, you will receive a lump sum Cash-Out payment returning all the contributions you made to the Plan, plus interest. The payment will be made as soon as administratively possible following your termination of employment and your completion of the required distribution forms.

If you terminate employment after you have five years of Eligibility Service, you may elect to receive a lump sum Cash-Out payment returning all the contributions you made to the Plan, plus interest. If you elect to receive your contributions in a lump sum, you forfeit all other benefits from the Plan.

– OR –

If you terminate employment after you have five years of Eligibility Service, you may choose to receive a Deferred Retirement Benefit instead of the Lump Sum Cash-Out option. Your Deferred Retirement Benefit is calculated using the applicable Normal Retirement Benefit formula (see pages 9 through 11 for details), and your Average Compensation and Creditable Service at the time of your termination of employment. Deferred Retirement benefits begin at age 62. However, if you had at least 15 years of Eligibility Service at the time of your termination of employment, you could choose to begin receiving your Deferred Vested retirement benefit as early as age 55. If you elect to take your benefit early, the amount of your monthly retirement benefit will be subject to a reduction for early payment. (See page 11 for an explanation of the reduction factor.)

Death Benefits

If you die before your retirement, your designated beneficiary is eligible to receive, in a single lump sum payment, a return of all the contributions plus interest that you have made to the Plan.

The lump sum death benefit payable to your beneficiary may be increased by an amount equal to your annual Base Pay at the time of your death, provided:

- You die while actively employed or on an approved leave of absence (other than for military service), and
- You have either one year of Eligibility Service or you die in the Line-of-Duty.

If you die while actively employed or on an approved leave of absence (other than for military service), your spouse may choose a monthly benefit instead of the lump sum death benefit described above, provided:

- You are married on the date of your death, and
- Your spouse is designated as your sole, primary beneficiary, and
- Either you are age 62 or older at the time of your death or you had already reached your Early Retirement Date or your Normal Retirement Date.

If the above requirements are met, your spouse may elect to receive a monthly benefit which will continue over your spouse's lifetime. The benefit amount equals 100% of the amount which would have been paid to you had you retired on the day before your death and begun to receive your benefit as a 100% Joint and Survivor Annuity (see page 16 for details regarding 100% Survivor Payments). No early retirement reduction applies in calculating the spouse's monthly benefit.

Designation of Beneficiaries

When you begin participation in the Plan, you will be asked to designate the beneficiaries to receive any benefits which may be payable if you die prior to retirement. You may change your beneficiaries at any time by filing a new designation form with the Office of Human Resources.

If you fail to designate a beneficiary, or your designated beneficiary has died, death benefits will be paid in the following order:

- To your spouse.
- To your children or grandchildren.
- To your parents.
- To your estate.

Optional Forms of Payment

The Plan provides a number of payment options. When you retire, you should choose the payment option which best suits your needs and the needs of your family. The options range from a Life-Only Annuity which provides the highest monthly allowance for you alone, to options that reduce your monthly payment but provide varying degrees of protection to your spouse or beneficiary(ies) after your death. You may not change your payment option or your designation of beneficiary after you receive your first benefit payment. For this reason, it is extremely important that you fully understand the complete details of each option available to you before you retire.

Life-Only Annuity Benefit

The Life-Only Annuity is the Plan's normal form of benefit and provides you with the largest possible monthly benefit during your lifetime. This payment option stops at your death, so no income protection is provided to your spouse or beneficiary(ies) after your death. If your spouse or beneficiary(ies) need such protection, you should select one of the optional forms of payment described below.

The optional forms of benefits payment are:

Option #1 - 50% Joint and Survivor

This option provides continuing monthly payments to your spouse after your death, equal to 50% of your reduced benefit. The continuing payments end with your surviving spouse's death.

Option #2 - 100% Joint and Survivor

This option provides continuing monthly payments to your spouse after your death, equal to 100% of your reduced benefit. The continuing payments end with your surviving spouse's death.

Option #3- 50% "Pop up"

This option provides continuing monthly payments to your spouse after your death, equal to 50% of your reduced benefit. However, if your spouse dies first, or if you and your spouse divorce, your benefit will be increased to equal your benefit expressed as a Life-Only Annuity.

Option #4 - 100% "Pop up"

This option provides continuing monthly payments to your spouse after your death, equal to 100% of your reduced benefit. However, if your spouse dies first, or if you and your spouse divorce, your benefit will be increased to equal your benefit expressed as a Life-Only Annuity.

Optional Forms of Payment (continued)

Option #5 - Guaranteed return of accrued benefit

This option guarantees a return of your contributions, plus interest, plus Howard County's contributions made on your behalf. If you die before having received payments totaling the full guaranteed amount, the remainder is paid in a single lump sum payment to your beneficiary.

Options #6 - Guaranteed return of employee contributions

This option guarantees a return of your contributions, plus interest. If you die before having received payments totaling the full guaranteed amount, the remainder is paid in a single lump sum payment to your beneficiary.

Option #7 - Lump sum

This option is a return of your contribution with interest. Once this benefit is paid, no further benefits are paid from the Plan.

Option #8 - Special Option

You may request the Retirement Plan Committee to "personalize" your benefit payment to meet specific needs that may not be achieved by the optional forms of payment listed above. For example, you may wish to provide a continuing benefit after your death to a surviving beneficiary other than a spouse. Or you may wish to provide a fixed-dollar amount to your surviving spouse or other beneficiary. All such "personalized" options must be approved by the Retirement Plan Committee and must be actuarially equivalent to the Life-Only annuity.

Notes: Your selection of a payment option may also affect your spouse's eligibility for continued retiree health insurance coverage with the County after your death. If you select a Life-Only Annuity, your spouse will not be receiving monthly benefit payments from the Plan and will not be eligible to continue health insurance coverage through the County after your death. Options 2, 4 and 5 are not available if you are retiring on account of disability. All of the optional forms of payment (with the exception of Option 7) are actuarially equivalent to the Life-Only Annuity. This means that the monthly payments reflect an adjustment to take into account additional payments which are made upon your death.

Qualified Domestic Relations Orders

Your creditors may not garnish your benefits before you receive them. However, The Retirement Plan Committee may be required by law to recognize obligations you incur as a result of a “Qualified Domestic Relations Order” (QDRO) issued by a court. As a result of a QDRO, you may be mandated to pay child support, alimony, or allocate a portion of your benefits in the Plan to be paid to your spouse, former spouse, child or other dependent, referred to as the “Alternate Payee” in this document. If a Qualified Domestic Relations Order is received by the Retirement Plan Committee, all or a portion of your benefits may be used to satisfy the obligation.

If you are in the process of divorce and a QDRO is being discussed, ask the Office of Human Resources for a copy of the Plan’s QDRO procedures. The Retirement Coordinator will review a draft order if it has been signed by both the Participant and the Alternate Payee, or their counsel acknowledging that the order is agreed to in form.

The Plan will not accept a Qualified Domestic Relations Order if it:

- Requires the Plan to provide a type or form of benefit not otherwise provided.
- Requires the Plan to provide increased benefits.
- Requires the payment of benefits to one Alternate Payee which are required to be paid to another Alternate Payee.
- Provides for payment of benefits to an Alternate Payee which commence before the commencement of benefit payments to the Participant.
- Provides for payment of benefits to an Alternate Payee be paid over a period of time longer than the lifetime of the Participant.
- Allows an Alternate Payee to designate a beneficiary to receive payments following the death of the Alternate Payee.
- Fails to specifically provide that upon the death of the Alternate Payee, benefits revert to the Participant.
- Provides an Alternate Payee with “surviving spouse” benefits.
- Fails to specifically provide that no portion of any death benefit will be paid to an Alternate Payee upon the death of the Participant if a surviving spouse annuity benefit is payable to a then-surviving spouse of the Participant.
- Provides for payments to an Alternate Payee for all or a portion of the Participant’s disability benefits before the benefits are converted to normal retirement benefits.

Cost of Living Adjustment

Once you retire, your benefit will be adjusted annually to help your payments from the Plan keep pace with inflation. The Plan uses the Consumer Price Index (CPI-U) for the Washington/Baltimore area as published by the Bureau of Labor Statistics to calculate the change in retiree allowances each July. The CPI is considered to be the principal source of information about trends in consumer prices and inflation in the United States.

Your first Cost Of Living Adjustment (COLA) will be applied to the July 1 check coincident with or otherwise next following the one-year anniversary of your retirement date. Subsequent adjustments will occur each July 1. The COLA is added to the benefit you are currently receiving. The maximum increase you may receive for any year is 3%.

Preserving Your Retirement Benefits

In order to preserve your benefits under this Plan for your retirement, the Plan makes no provision for borrowing against your benefits or withdrawing money from the Plan before you are otherwise entitled to a distribution.

Plan Administration

The Plan is administered by a Retirement Plan Committee consisting of designated employees of Howard County. The Committee prepares rules, regulations and procedures necessary for proper and efficient administration of the Plan. Day-to-day operations of the Plan are performed by the County's Retirement Coordinator and supervised by the Howard County Human Resources Administrator. Questions regarding your participation in the Plan and your benefits under the Plan should be directed to the Retirement Coordinator in the Office of Human Resources.

A five member Pension Oversight Commission monitors the Plan. The members of the Commission are Howard County residents who are appointed by the County Executive and confirmed by the County Council. Members of the Commission may not:

- hold elective or appointed office with Howard County or the State of Maryland;
- be participants in any retirement plan offered by the County; or
- have any involvement with any company that does business with a County retirement plan.

Glossary of Terms

Alternate Payee – Your spouse, former spouse, child or other dependent mandated to receive a portion of your retirement benefits in accordance with a court ordered Qualified Domestic Relations Order.

Annuity – Income payable for the lifetime of the retired member in equal monthly payments.

Average Compensation – The average of your Base Pay for the highest 36 consecutive full months of paid employment for Howard County. If you are a part-time employee, your Average Compensation will be calculated using a full-time equivalent of your Base Pay, unless disability benefits are being calculated.

Base Pay – Your legislated base salary, including longevity payments, but excluding overtime, bonuses and other extra remuneration. For this purpose, base pay will not be reduced by County furloughs.

Beneficiary – The person or persons you designate to receive benefits from the Plan in the event of your death.

Break-in-Service – Any calendar month for which you were not credited with Creditable Service on account of having terminated employment.

Creditable Service – Creditable Service is used to determine the amount of most benefits that you may be eligible to receive under the Plan. You are credited with one month of Creditable Service for each month during which you are employed on a full-time basis for the entire month. For any month during which you are not working on a full-time basis, your Creditable Service will be prorated. The prorated amount will be calculated by comparing your actual Hours of Service, in all months of the fiscal year (July 1 to June 30) during which you were a part-time employee for part of the month, to 1,820 full-time hours.

Early Retirement Date – Any date after you have reached age 55 with at least 15 years of Eligibility Service, or have attained 25 years of Eligibility Service.

Eligibility Service – Eligibility Service is used to determine whether you are Vested in your benefit under the Plan and whether you are eligible for retirement. You are credited with a full year of Eligibility Service if you complete at least 900 Hours of Service in any fiscal year (June 1 to June 30) – other than the fiscal year in which your employment with Howard County begins or ends. In your first and last fiscal year, you will receive one month of Eligibility Service for each calendar month during which you are employed for the entire month – whether full-time or part-time.

Glossary of Terms (continued)

Hour of Service – Your regular working hours, plus hours for which you were paid but do not work, such as holidays, compensatory hours, disability leave, annual leave and other paid leave. Hours of Service do not include overtime hours.

Life-Only Annuity – A form of benefit which pays you a monthly benefit until you die, but pays no benefits after you die.

Normal Retirement Benefit – Your benefit calculated under the Plan, expressed as a Life-Only Annuity beginning on your Normal Retirement Date.

Retirement Plan Committee – A Committee of County employees that oversees the administration of the Plan.

Vested – The point at which you have a non-forfeitable right to benefits under the Plan. You will be 100% vested after you have been credited with five years of Eligibility Service – whether that service is Howard County service earned under the Plan, transferred from another governmental employer’s plan or purchased service. However, when you reach your Normal Retirement Date, you will be 100% vested, regardless of your years of Eligibility Service.