The Employees' Retirement Plan of Washington County

Brittany Price
Retirement Coordinator
240-313-2358
bprice@washco-md.net

Transfer of Service

Maryland Employer Retirement Plan

- Any member of a Maryland Employer Retirement Plan who, without a break in employment, becomes a Covered Employee, may be entitled to elect to receive credit for Years of Service for service recognized under another Maryland Employer Retirement Plan. The previous plan has to meet certain requirements to be eligible. An example of a requirement is that the plan had to be a contributory plan, meaning the employee made contributions to the pension plan.
- To receive service credit from another Maryland Employer Retirement Plan, you will need to complete forms with your previous employer as well as have the County forms completed.
- After the forms are completed and submitted, your contributions plus interest will be sent to the County’s pension plan. After the money is received and deposited, your years of service will be credited.

Transfer of Service

Military Service

Any Covered Employee who provides evidence of military service shall receive service credit for such military service as follows:

- If a Participant’s military service precedes his or her service with the County, he or she will receive credit for Years of Service to the extent of his or her active military service in the Armed Forces of the United States (to a maximum of three years) provided that the Participant earns at least five Years of Service (actual County credit service other than military or transferred service).

A Participant may not receive service credit for military service if:

- The military service has been previously recognized by another Maryland State system.
- The Participant is entitled to receive a benefit from another retirement system on account of such military service.
- The military service was connected with inactive or reserve military status.

To receive credit for military service, we will need a copy of your DD214. Our actuarial service provider will determine if you are eligible to receive service credit based on the documentation provided.

Normal Retirement Eligibility

In order to be eligible for Normal Retirement, a Participant must meet either the Years of Service requirement or the Age requirement associated with the eligibility described in the Plan at the time of their date of hire.

Normal Retirement (Non-Uniformed Employees)		
Hired Prior to July 1, 2019	25 or 30 Years (see comment below)	Age 60
Hired On or After July 1, 2019	30 Years of Service	Age 62

- *In 2013, non-uniformed employees were provided with a one-time option as to whether or not they wanted to stay eligible at 30 years of service while contributing 5.5% of their per-pay compensation, or if they wanted to elect to be eligible at 25 Years of Service and increase their per-pay contribution to 6%.*
- *Anyone hired after this election (but before July 1, 2019) is eligible at 25 Years of Service.*

Normal Retirement (Uniformed Employees)		
Any Hire Date	25 Years of Service	Age 50

Employees must be vested in order to be Retirement Eligible (5 Years)

Early Retirement Eligibility

In order to be eligible for Early Retirement, a Participant must meet the Years of Service requirement as shown below.

Early Retirement	
Uniformed Employees	Non-Uniformed Employees
20 Years of Service	25 Years of Service (There is no early retirement option for those non-uniformed employees eligible for normal retirement at 25 years of service.

Under Early Retirement, the Participant's monthly benefit is reduced by one-half of one percent (0.5%) for each month by which the Participant's Annuity Starting Date precedes his or her Normal Retirement Date.

Leaving the County Employment Prior to Retirement Eligibility

If an employee leaves County employment prior to working for five (5) years, they must withdraw their employee contributions plus interest. The employee has two options to choose from:

- Direct rollover to another eligible retirement account
- Distribution paid directly to the employee

If an employee leaves County employment after working for five (5) years but are not eligible to retire, they have a few options to choose from:

- Leave the money in the retirement plan and draw a monthly annuity at your retirement age
  - Same formula for Monthly Benefit: (2% X Average Compensation X Years of Service)/12
- Direct rollover to another eligible retirement account
- Distribution paid directly to the employee

It is important for the employee to understand the tax implications for each available options.

Formula for Normal Retirement

The Employees' Retirement Plan of Washington County is a Defined Benefit Plan. A Defined Benefit Plan is an employer sponsored retirement plan where the employees' monthly retirement benefits are computed using a formula that considers several factors, such as length of employment and salary history. The monthly retirement benefit is guaranteed for the participant's lifetime.

Monthly Pension Benefit= (2% X Average Compensation X Years of Service)/ 12 Months

Average Compensation: one-third of the sum of the Participant's Compensation for each of the three Plan Years for which his or her Compensation was the highest.

- The salary that is used is the salary the Participant is in on the last pay date of the applicable plan year. Therefore, if the Participant receives multiple salary increases in one plan year, only one salary is going to be considered for that plan year.

Years of Service: the participant's full-time service at the County in addition to eligible military time, transferred service, and applied sick leave.

Sick Leave

Sick leave can be applied (in whole month increments) as service time and count as additional years of service

- If your base salary is based on the following working hours:

  2080 hours per year: 173.33 hours of sick = 1 month

  2184 hours per year: 182 hours of sick = 1 month

  2496 hours per year: 208 hours of sick = 1 month

- If an employee enters the DROP, the maximum accumulation of sick leave that can remain on the books is two (2) months. Anything over two (2) months of sick leave would need to be applied as service credit for retirement calculation purposes. That amount would then be deducted from the employee's sick leave accruals at the beginning of the DROP participation. After the employee begins participating in the DROP, the employee will start to accrue sick leave again and from that point forward, the accumulation of sick leave is unlimited.

<u>Example</u>

An employee has 554.06 hours of sick leave at the time they wish to enter the DROP.

554.06/173.33= 3.19 months of sick leave

Maximum: The maximum the employee can apply as service time is 3 months.

Minimum: The minimum the employee can apply as service time is 2 months.

There is no cap to the amount of sick leave an employee can apply as long as their years of service does not exceed 50 years.

Retirement Calculation Example

Monthly Pension Benefit= (2% X Average Compensation X Years of Service)/ 12 Months

Retirement Date: July 1, 2024

Age: 63

Years of Service: 20 years & 3 months of service time, 8 months of sick leave= 20 years & 11 months (20.92 years)

Highest Salaries:

FY 2024: $61,027.20

FY 2023: $57,179.20

FY 2022: $50,460.80

Average Compensation: $56,222.40

Plug the Numbers into the Formula:

(0.02 X $56,222.40 X 20.92)/12= $1,960.29 per month

Retirement Annuity Options

When an individual receives their retirement calculations, they are offered various annuity options to choose form. The employee's selected annuity option is irreversible and not able to be changed in the future in any scenario including but not limited to the death of the joint annuitant, divorce, and marriage.

Normal Form Annuity

5 Year Certain & Continuous

10 Year Certain & Continuous

15 Year Certain & Continuous

Joint & Survivor 50%

Joint & Survivor 66 2/3%

Joint & Survivor 100%

Normal Form Annuity

Normal Form Annuity

- Under the Normal Form Annuity, the monthly benefit is paid for the entire lifetime of the retiree.
- Upon the retiree’s death, the designated beneficiary will receive a lump sum payment equal to the Guaranteed Return (employee’s contribution and accrued interest) minus all annuity payments made to the retiree during his or her lifetime.

Certain & Continuous Options

5 Year Certain & Continuous

- The monthly benefit is paid for the entire lifetime of the retiree with a guarantee of sixty (60) payments. If the retiree dies before receiving sixty (60) monthly payments, remaining payments will be made in monthly installments to the named beneficiary.
- If the retiree and the beneficiary die before receiving sixty (60) monthly payments, the commuted value of the remaining payments will be made to a contingent beneficiary or the estate of the last surviving payee in a lump sum.

10 Year Certain & Continuous

- The monthly benefit is paid for the entire lifetime of the retiree with a guarantee of one hundred twenty (120) payments. If the retiree dies before receiving one hundred twenty (120) monthly payments, remaining payments will be made in monthly installments to the named beneficiary.
- If the retiree and the beneficiary die before receiving one hundred twenty (120) monthly payments, the commuted value of the remaining payments will be made to a contingent beneficiary or the estate of the last surviving payee in a lump sum.

15 Year Certain & Continuous

- The monthly benefit is paid for the entire lifetime of the retiree with a guarantee of one hundred eighty (180) payments. If the retiree dies before receiving one hundred eighty (180) monthly payments, remaining payments will be made in monthly installments to the named beneficiary.
- If the retiree and the beneficiary die before receiving one hundred one hundred eighty (180) monthly payments, the commuted value of the remaining payments will be made to a contingent beneficiary or the estate of the last surviving payee in a lump sum.

Joint & Survivor Options

Joint & Survivor 50%

- The monthly benefit is paid for the lifetime of the retiree, with 50% of this amount continued to the joint annuitant for their lifetime after the retiree's death.
- If the retiree and joint annuitant both die before receiving an amount at least equal to the Guaranteed Return (employee's contributions and interest), the balance will be paid to the named beneficiary.

Joint & Survivor 66 2/3%

- The monthly benefit is paid for the lifetime of the retiree, with 66 2/3% of this amount continued to the joint annuitant for their lifetime after the retiree's death.
- If the retiree and joint annuitant both die before receiving an amount at least equal to the Guaranteed Return (employee's contributions and interest), the balance will be paid to the named beneficiary.

Joint & Survivor 100%

- The monthly benefit is paid for the lifetime of the retiree, with 100% of this amount continued to the joint annuitant for their lifetime after the retiree's death.
- If the retiree and joint annuitant both die before receiving an amount at least equal to the Guaranteed Return (employee's contributions and interest), the balance will be paid to the named beneficiary.

Deferred Retirement Option Plan (DROP)

The DROP is an arrangement under which an employee who would otherwise be entitled to retire and receive benefits under an employer's defined benefit retirement plan instead continues working for up to five (5) years. Rather than having the continued compensation and additional years of service considered for purposes of the defined benefit plan formula, the employee has his/her retirement calculated on the years of service and average of three highest years at the time he/she enters the DROP. The employee's retirement benefit is credited to a separate account during each year of continued employment and is accruing interest. At the time the employee leaves employment, this money is payable to the employee. The previously determined retirement benefit is then paid monthly to the retiree based on the annuity option selected.

DROP Continued…

- A participant is eligible to participate in the DROP if he or she is eligible for Early or Normal Retirement.
- A participant may elect to participate in the DROP for a period not less than one year nor more than 5 years.
- A DROP participant's participation always begins on the first day of the month.
- The amount of the monthly annuity remains the same throughout participation of the DROP and retirement. If the County Commissioners approve cost of living increases for retirees, you will be provided these increases while in the DROP.
- Interest is applied on the DROP account as defined below:
  - 6% per year, compounded annually, for anyone who became a DROP participant prior to January 1, 2020.
  - 4% per year, compounded annually, for anyone who became a DROP participant on or after January 1, 2020.

Sample DROP Account Spreadsheet

Monthly Retirement Benefit: $1,960.29

DROP Entry Date: 7/1/2024

Potential DROP Exit Date: 7/1/2029

Interest on DROP Account: 4% Compounded Annually

DROP Account Balance after 5 Years: $127,410.76

Sample Employee

Sample DROP Account 7/1/2024

DROP Account Spreadsheet					
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Months in DROP for FY	12	12	12	12	12
Monthly Benefit during FY	$1,960.29	$1,960.29	$1,960.29	$1,960.29	$1,960.29
Balance at Start of FY	$0.00	$23,523.48	$47,987.90	$73,430.90	$99,891.61
FY Additions	$23,523.48	$23,523.48	$23,523.48	$23,523.48	$23,523.48
Interest Applied	$0.00	$940.94	$1,919.52	$2,937.24	$3,995.66
Balance at End of FY	**$23,523.48**	**$47,987.90**	**$73,430.90**	**$99,891.61**	**$127,410.76**

Payment of the DROP Account

Options for payment of the DROP account at the time you leave employment:

Lump Sum Distribution

- Paid as a cash distribution (subject to state and federal taxes)
- Treated as an eligible rollover distribution
- Any combination of the above

An increase (or “bump up”) to the Participant’s remaining accrued benefit

- The value of the Participant’s monthly annuity retirement payments would be actuarially increased (“bumped up”) to reflect the value of the DROP Account.

Pros and Cons of the DROP

Pros	Cons
An employee can continue to work and collect a paycheck for up to 5 years (this is extra income the employee wouldn't have if they decided to retire).	No future salary increases or years of service count toward your retirement after you enter the DROP.
The employee stops paying retirement contributions since they are no longer in the plan which increases the employee's paycheck.	Entering the DROP results in a lower monthly retirement benefit than if you retire in 5 years
The employee will still receive salary increases to their normal paycheck when increases are given to employees.	The DROP account balance will be taxed. At what point it is taxed depends on the option you choose for the payment of the DROP account balance. If it is paid as a cash distribution to the employee, it is taxed when paid to you (20% Federal & 7.75% MD). Other states may tax differently.
The employee's monthly retirement benefit goes into an account each year they are in the DROP and collects interest at 4%, compounded annually.	
When the employee leaves the DROP, there is a large sum of money that has gone into this account collecting interest. This is a large sum of money the employee wouldn't have if they had not entered the DROP. Many people use this to become debt free as they retire.	

The Pension Portal

The County provides access to a pension portal for all full-time employees. This is where employees can access their most recent pension statements.

An employee can also run retirement and DROP estimates for a desired retirement or DROP entry date. The portal is where we recommend individuals begin as they start thinking about retirement. The portal allows you to estimate your monthly retirement benefit as many times as you would like for as many different months as you would like. This provides an alternative to those individuals that do not want to do the manual calculations using the formula that we learned earlier but still would like to explore their options on their own.

Then, when you have a better idea of when you would like to retire or enter the DROP, you would contact me to start the rest of the retirement process.

www.mypensionbenefit.com

The Retirement Process

- It is best to start the process with the Retirement Coordinator 2-3 months prior to the date you wish to retire or enter the DROP
- Employees will complete a form to request their calculations that specifies the following:
  - Plan Type you are interested in (Retirement or DROP)
  - Date to Enter the Plan (Has to be the 1st of a month)
  - Amount of Sick Time to Apply to the Calculations as service credit (if you are looking at entering the DROP, you can only keep a maximum of 2 months of sick leave on the books)
  - If you have a Qualified Domestic Relations Order (QDRO)
- The Retirement Coordinator assembles all relevant information for the calculations and submits a request to the actuarial company. The actuarial company responds with the calculations for all annuity options the employee can choose from.
- The employee will meet with the Retirement Coordinator to complete all paperwork to enter the DROP or Retire.
- Upon retirement, monthly benefit payments are made at the beginning of each month to the retiree in accordance with the annuity option selected. You will have the option to set up direct deposit or be mailed a check each month.

Retiree Health Benefits

A retiree is eligible to elect retiree health benefits if:

- The retiree is under Age 65 and not eligible for Medicare

A retiree's spouse is eligible to be on retiree health benefits if:

- The retiree is eligible as explained above and elects retiree health benefits
- The spouse is also under Age 65 and not eligible for Medicare

A dependent is eligible to be on retiree health benefits if:

- The retiree is eligible as explained above and elects retiree health benefits
- The dependent is under age 26 and still an eligible dependent

If at any point the retiree becomes ineligible for retiree health benefits, the covered spouse and dependents would also need to be removed in addition to the retiree.

If a spouse or dependent becomes ineligible while the retiree is still eligible, the spouse or dependent would need to be removed and the retiree and any remaining eligible dependents could remain on the plan.

The retiree benefits have the same coverage as the coverage you have as an employee but at an increased cost. This is an inactive plan so if you have other coverage such as with another employer or spouse's employer, this coverage would then be secondary.

Retiree Benefit Costs

Retiree benefit costs are based on years of service at the time of retirement:

- 35 or more years: Retiree pays 10% of total cost
- 25-34 years: Retiree pays 20% of total cost
- 15-24 years: Retiree pays 30% of total cost
- 10-14 years: Retiree pays 40% of total cost
- 5-9 years: Retiree pays 50% of total cost

Since retirement pension payments are paid monthly, your retiree healthcare costs are charged monthly as well. These costs are deducted from your monthly benefit along with any state and federal taxes that you elect to be withheld.

Retiree Monthly Benefit Costs

In-Network Medical (Low Option)	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$795.55	$79.56	$159.11	$238.67	$318.22	$397.78
Retiree & Spouse	$1,559.30	$155.93	$311.86	$467.79	$623.72	$779.65
Retiree & Child(ren)	$1,447.93	$144.79	$289.59	$434.38	$579.17	$723.97
Family	$2,243.50	$224.35	$448.70	$673.05	$897.40	$1,121.75
Open Network Medical (High Option)	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$848.63	$84.86	$169.73	$254.59	$339.45	$424.32
Retiree & Spouse	$1,663.33	$166.33	$332.67	$499.00	$665.33	$831.67
Retiree & Child(ren)	$1,544.53	$154.45	$308.91	$463.36	$617.81	$772.27
Family	$2,393.17	$239.32	$478.63	$717.95	$957.27	$1,196.59
Low Option Dental	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$19.17	$1.92	$3.83	$5.75	$7.67	$9.59
Retiree & Spouse	$36.61	$3.66	$7.32	$10.98	$14.64	$18.31
Retiree & Child(ren)	$34.01	$3.40	$6.80	$10.20	$13.60	$17.01
Family	$52.67	$5.27	$10.53	$15.80	$21.07	$26.34
High Option Dental	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$23.99	$2.40	$4.80	$7.20	$9.60	$12.00
Retiree & Spouse	$47.93	$4.79	$9.59	$14.38	$19.17	$23.97
Retiree & Child(ren)	$44.52	$4.45	$8.90	$13.36	$17.81	$22.26
Family	$68.95	$6.90	$13.79	$20.69	$27.58	$34.48
24 Month Vision	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$5.14	$0.51	$1.03	$1.54	$2.06	$2.57
Retiree & Spouse	$8.72	$0.87	$1.74	$2.62	$3.49	$4.36
Retiree & Child(ren)	$8.33	$0.83	$1.67	$2.50	$3.33	$4.17
Family	$11.28	$1.13	$2.26	$3.38	$4.51	$5.64
12 Month Vision	Total Cost	Retiree Cost (10%)- 35+ Years	Retiree Cost (20%)- 25 to 34 Years	Retiree Cost (30%)- 15 to 24 Years	Retiree Cost (40%)- 10 to 14 Years	Retiree Cost (50%)- 5 to 9 Years
Retiree Only	$6.57	$0.66	$1.31	$1.97	$2.63	$3.29
Retiree & Spouse	$10.92	$1.09	$2.18	$3.28	$4.37	$5.46
Retiree & Child(ren)	$10.43	$1.04	$2.09	$3.13	$4.17	$5.22
Family	$16.35	$1.64	$3.27	$4.91	$6.54	$8.18

Life Insurance Coverage

- If a retiree elects retiree benefits (medical, dental, or vision), the County provided life insurance will continue at no cost until the retiree becomes ineligible for retiree benefits or voluntarily removes coverage. The coverage amount is based on your annual salary at the time of retirement. At the time the retiree loses retiree benefits, they will have the option to convert the group life insurance policy into an individual policy and pay the premiums provided by the carrier.
- If an employee retires and is over age 65 or Medicare eligible, they will be provided the option at retirement to convert the group life insurance policy into an individual policy and pay the premiums.
- We provide the paperwork to employees and retirees but from there you would handle the conversations with the carrier directly.

My Contact Information

If you have any questions, now or in the future, please reach out to me. I welcome your questions and am always willing to help.

Brittany Price

Retirement Coordinator

bprice@washco-md.net

240-313-2358

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