Summary of the Howard County Police & Fire Employees' Retirement Plan

Table of Contents

HOWARD COUNTY POLICE & FIRE EMPLOYEES' RETIREMENT PLAN

Introduction

The Howard County Police and Fire Employees' Retirement Plan (the "Plan") was established in 1990 to provide retirement benefits to sworn police officers and career firefighters employed by Howard County. This booklet is provided to Plan Participants as a Summary Plan Description ("Summary") 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 1.401A through 1.478A 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 July 1, 2016. Since the plan has been amended several times since it was created in 1990, the provisions in this summary may not apply to participants who terminated before July 1, 2016. If you have questions related to rules that may apply to you but are no longer in effect, please contact the county's Office of Human Resources.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 Department
c/o Office of Human Resources
Howard County Government
3430 Court House Drive
Ellicott City MD 21043
(410) 313-2033

MEMBERSHIP

Participation and Eligibility Requirements

Mandatory participation

If you are a "Covered Employee", participation is mandatory as a condition of employment. A Covered Employee is a sworn member of the Howard County Police Department or a uniformed career employee of the Howard County Department of Fire and Rescue Services.

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

Police Participants are required to contribute 11.6% of their legislated base salary to the Plan. Fire Participants are required to contribute 7.7% of their legislated base salary to the Plan. No contributions are required once a Participant attains 30 years of Creditable Service.

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. For employees who separate from service on or after July 1, 2006 with less than 5 years of Eligibility Service, contributions earn 2% interest compounded annually following the year of separation until they are withdrawn.

Mandatory Participant contributions are treated as pre-tax contributions for federal income tax purposes. 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 this 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 4 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 the Howard County Police Department or Howard County Department of Fire and Rescue Services. Service credit prior to July 1, 1990 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, 1990 service only. In special situations, Participants can transfer service from other governmental employers' retirement plans. See page 4 for more information regarding transferring service credit. Under certain circumstances, Participants may purchase additional service credit at retirement. See page 6 for more information regarding purchasing service credit.

Creditable Service determines the amount of most Plan benefits. Participants receive one month of Creditable Service for each calendar month during which they are employed as a Covered Employee for the entire month and contribute to the Plan.

Eligibility Service determines when Participants are vested and when they qualify for retirement benefits. Participants receive one month of Eligibility Service for each calendar month during which they are employed for the entire month until the date they retire, terminate employment, die or become disabled.

Eligibility Service will be different from Creditable Service if service was transferred to the Plan, or purchased at retirement, or if credit is granted for unused sick leave.

Credit for Unused Sick Leave

You will receive Creditable Service if you have unused sick leave when you die, retire or terminate employment as a vested participant. 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, 12 or more days remain, you will receive credit for an extra month of Creditable Service. Unused sick leave cannot be applied to Eligibility Service.

> **Example 1:** 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.
>
> **Example 2**: At retirement, John had only 50 days of unused sick leave. He would still receive 2 months of Creditable Service for the first 44 days. However, no additional credit is granted for the remaining 6 days.

Transfer of Service Credit

You may transfer service credit from other governmental employers. If you served as a full-time, career firefighter or sworn police officer for a government employer other than Howard County, you may elect to transfer this service to the Plan. However, your transfer is limited to 5 years for Eligibility Service only, to determine whether you have reached your Normal Retirement Date. Transferred service is not used in the calculation of your retirement benefit or in determining your vested percentage.

Service as a Police Cadet may also be transferrable. Up to two years of Eligibility Service will be credited for periods of full-time employment in the position classification of Police Cadet with Howard County or with another government employer within the State of Maryland.

As of July 1, 1993, the following rules apply to transferred service:

- Creditable Service cannot be transferred.
- No Eligibility Service is transferrable for positions other than police officer, police cadet or career firefighter.
- Plan Participants must apply in writing on a Howard County Police and Fire Employees' Retirement Plan Transfer of Service Credit Request Form.
- Transferrable service need not be continuous with your Howard County employment.
- Except for cadet service, transferrable service is not limited to Maryland employment.
- Police Cadet service within the State of Maryland is transferrable provided the former position was comparable to a Howard County Police Cadet's position.
- Transferrable service is not limited to service in an actuarially based retirement plan.
- Plan Participants may transfer their employee contributions and associated earnings from their prior plan within one year of Plan Participation. If transferred, these funds will provide an actuarially determined additional monthly payment at retirement. The transfer of employee contributions is optional.

Example of Transferred Eligibility Service:

A Plan Participant transfers five years of service from another jurisdiction and is granted five years of Eligibility Service. The Participant then works fifteen years as a Covered Employee. Even though this Participant did not make Plan contributions for the five years that were transferred, the Participant can retire and begin receiving benefits after 15 years of Howard County service. The amount of the benefit will be based on 15 years of service.

Service on July 1, 2016	**(How Much?) Creditable Service**	**(When?) Eligibility Service**
-Membership Service	15 Yrs / 0 Mo	15 Yrs / 0 Mo
-Purchased/Transferred	0 Yrs / 0 Mo	5 Yrs / 0 Mo
Total	15 Yrs / 0 Mo	20 Yrs / 0 Mo

Military Service Credit

You may receive up to four additional years of Eligibility Service and Creditable Service for your active duty military service 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 **twenty years** of other Eligibility 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.

Example of Military Service Credit:
In this example, the Participant has 4 years of pre-employment active duty military service. Having achieved 20 years of Eligibility Service through Membership and Transferred Service, the Participant may immediately apply for the Military Service Credit.

Service on July 1, 2016	**(How Much?) Creditable Service**	**(When?) Eligibility Service**
-Membership Service	15 Yrs / 0 Mo	15 Yrs / 0 Mo
-Military	4 Yrs / 0 Mo	4 Yrs / 0 Mo
-Purchased/Transferred	0 Yrs / 0 Mo	5 Yrs / 0 Mo
Total	19 Yrs / 0 Mo	24 Yrs / 0 Mo

Period of Severance

A Plan Participant who terminates employment and is subsequently re-employed as a Covered Employee will incur a Period of Severance for the period of time not worked.

> **How Service is Bridged:** A Participant with three years of Eligibility and Creditable Service at termination is rehired two years later as a Covered Employee. The Participant will retain the previous Eligibility and Creditable Service when the Participant returns to work.

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.

Notes: Service with Howard County credited in other retirement plans is subject to separate Period of Severance and Transfer of Service Credit rules. Contact the Retirement Coordinator for additional information.

If you lost Eligibility Service and Creditable Service as the result of a Cash-Out, you can purchase your lost Creditable Service at any time.

If you are receiving benefit payments from the Plan when you are re-employed with Howard County Government, the payments will stop until you again terminate employment.

Purchasing Service Credit

Purchased service refers to credit you buy by making a direct payment to the Plan for specific types of previous employment. An active Participant may purchase Creditable Service for certain government employment with:

- A Maryland county or city employer which does not sponsor a plan from which you can transfer service to this Plan,
- Any other State, county or city government employer within the United States, or
- The United States Government

You must pay the entire cost of the benefit provided by the Creditable Service that you purchase. The cost is determined by the Plan's actuary, and will be based upon your salary, your expected retirement date and the amount of service being purchased. You may purchase service by making a lump sum payment, with a "rollover" of your benefits from another retirement plan, or by installment payments. You may make installment payments on a pre-tax basis if you sign a payroll deduction agreement with the County. However, if you enter into a pre-tax payroll deduction agreement, it cannot be changed for any reason.

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.

Leave Of Absence without Pay

Generally, you will not be credited with Eligibility Service or Creditable Service for an approved leave of absence that is unpaid. **However, you may elect to purchase service for an Approved Leave of Absence without Pay**, up to a maximum of two years, 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.

You will receive credit for Service for an approved leave of absence for:

- personal illness
- maternity or paternity
- specific study programs
- service in a professional or employee organization
- government-sponsored or subsidized employment
- adoption of a child

When you return from an Approved Leave of Absence without Pay, you will owe your employee contributions to the Plan. These contributions are 7.7% of base pay for Fire Participants and 11.6% of base pay for Police Participants.

> **Example**: A Police Participant on an Approved Leave of Absence without Pay for 20 weeks who earns $50,000 annually will owe the Plan $2,230.77 within 90-days of returning to work.
>
> **$50,000 x 11.6% ÷ 26 pays x 10 pays = $2,230.77**

Note: If you do not pay the contributions outlined above, you will not receive service credit during your leave of absence without pay. However, you will have an opportunity to purchase credit for your leave of absence without pay at any time prior to termination of employment with the County. If purchased after the 90-day period, however, you will be required to pay the full actuarial cost of the service, not just the missed contributions. Refer to page 6 for details regarding Periods of Severance and Purchases.

Vesting

Once you are vested, you will not lose or forfeit your benefits if you terminate employment with the County. You are 100% vested upon the completion of 5 years of Eligibility Service.

Even if you terminate employment with the County before you are 100% vested, you will always receive a benefit equal to your own contributions, including transferred contributions (if any), plus interest.

RETIRMENT BENEFITS

Calculation of Average Compensation

One of the keys to calculating your benefit payment from the Plan is your "Average Compensation." Your Average Compensation is the average monthly Base Salary you receive during the highest 36 consecutive calendar months of your employment with the County. An example of an Average Compensation calculation is shown below:

Salary History For a Retiring Participant					
Year 1	**Monthly Base Pay**	**Year 2**	**Monthly Base Pay**	**Year 3**	**Monthly Base Pay**
January	$5,400	January	$5,600	January	$5,900
February	$5,400	February	$5,600	February	$5,900
March	$5,400	March	$5,600	March	$5,900
April	$5,400	April	$5,600	April	$5,900
May	$5,400	May	$5,600	May	$5,900
June	$5,400	June	$5,600	June	$6,400
July	$5,600	July	$5,900	July	$6,400
August	$5,600	August	$5,900	August	$6,400
September	$5,600	September	$5,900	September	$6,400
October	$5,600	October	$5,900	October	$6,400
November	$5,600	November	$5,900	November	$6,400
December	$5,600	December	$5,900	December	$6,400

Average Monthly Compensation is Calculated Below:				
Number of Months:		Monthly Base Pay		Totals
6	X	$5,400	=	$32,400
12	X	$5,600	=	$67,200
12	X	$5,900	=	$70,800
6	X	$6,400	=	$38,400
				$ 208,800
$208,800	÷	36 months	=	**$5,800.00**

Normal Retirement

You may retire at your Normal Retirement Date and receive full benefits. Participants reach Normal Retirement on the first day of the month on or after completion of 20 years of Eligibility Service. Normal Retirement is also defined as age 62 with at least 5 years of Eligibility Service, if earlier.

The amount of your Normal Retirement Benefit is determined by multiplying your Average Compensation by a percentage. The percentage is based on the number of years of Creditable Service from the following table:

Police Participants	
Years of Creditable Service	**Benefit Percentage**
20	**50%**
21	**53%**
22	**57%**
23	**62%**
24	**68%**
25	**75%**
26	**76%**
27	**77%**
28	**78%**
29	**79%**
30	**80%**

Fire Participants	
Years of Creditable Service	**Benefit Percentage**
20	**50%**
21	**53%**
22	**56%**
23	**59%**
24	**62%**
25	**65%**
26	**66%**
27	**67%**
28	**68%**
29	**69%**
30	**70%**

Participants retiring with less than 20 years of Creditable Service will receive a benefit equal to 2.5% of Average Compensation, times years of Creditable Service.

Example of Normal Retirement Benefit calculation:
Your Average Compensation is $5,800.00 monthly and you have 20 years of Creditable Service. The Normal Retirement Benefit is determined as:

$5,800.00 × 50% = $2,900.00 monthly

Notes:
The benefit for fractional years of Creditable Service is determined by prorating the difference in benefit levels between the nearest lower whole year of service and the nearest higher whole year of service.

Additional Creditable Service is granted for Unused Sick Leave, see page 3 for more information. Police Participants receive 2.5% of Average Compensation for each year of Unused Sick Leave. Fire Participants receive additional Creditable Service in accordance with the schedule shown above. After 30 years of Service, Fire Participants receive 1% of Average Compensation for each year Unused Sick Leave. Fire Management Participants get 2.5% of Average Compensation for each year of Unused Sick Leave.

Late Retirement

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 until you reach 30 years of Creditable Service. Only 30 years of Creditable Service, plus unused sick leave, can be used to calculate your retirement benefit. Once you have earned 30 years of Creditable Service, your employee contributions will stop.

DROP (Deferred Retirement Option Program)

DROP is a voluntary program that provides an alternative way to earn and receive retirement benefits. It is available to all active Plan Participants who have at least 25 or more years of Creditable Service. Participants entering DROP must submit a completed application to the Retirement Coordinator at least 30 days, but not more than 90 days prior to the DROP entry date. Participation always begins on the first of the month.

When a participant enters the program, the monthly retirement benefit is determined and frozen at the date of DROP Entry, and an individual DROP account is created. The DROP account is credited monthly with:

- The monthly retirement benefit, calculated as of the DROP entry date in the form of a single life annuity, PLUS
- Employee contributions to the Plan.

Interest is added to the DROP account at the end of each month.

The minimum DROP participation period is 2 years. If you retire prior to completing 2 years in DROP your retirement benefit will be calculated as if you had never entered DROP and there will be no DROP account payment.

The maximum DROP participation period is 5 years. However, if you enter DROP after you have 30 years of Creditable Service, you must exit DROP by the date you attain 35 years of Creditable Service.

If you choose to exit DROP prior to your maximum participation period, you must provide the Retirement Coordinator with 18 months' advance written notification or you will forfeit up to 12 months of interest. After notice is given, you will have 60 days to change your mind before the notice becomes irrevocable.

At the completion of DROP, you will be paid your monthly retirement benefit calculated at the start of DROP, adjusted for Unused Sick Leave. You will also be paid your DROP account as one of the following:

- A lump sum distribution (with required taxes withheld), or
- A direct rollover, or
- Monthly payments in the same form you elect for your basic retirement benefit.

Disability Retirement

You will be eligible to receive disability benefits if you have a "total and permanent disability" while an active Participant. A "total and permanent disability" is a medically determinable, physical or mental injury or disease which is expected to be permanent or result in death, and which prevents you from performing the usual duties of your position. There are two types of disability retirement:

- Ordinary Disability, and
- Line-of-Duty Disability

To qualify for Ordinary Disability benefits, you must:

- have at least five years of Creditable Service at the time of your disability,
- have a total and permanent disability, and
- not have a line-of-duty disability.

To qualify for Line-Of-Duty Disability benefits, you must:

- have a total and permanent disability, incurred as a result of an accident or injury sustained as a Covered Employee, and
- have a ruling of compensability under the Maryland Workers' Compensation Act.

No disability benefits will be paid for any accident or injury that:

- was intentionally self-inflicted,
- was sustained while you were engaged in criminal behavior,
- resulted from chronic alcoholism or addiction to narcotics, or
- arises because of your willful misconduct.

If you submit a claim for disability, your claim will be reviewed by the Disability Review Board. The Disability Review Board may seek help from a Medical Advisory Board consisting of one or more physicians to determine if your condition qualifies as a total and permanent disability. Decisions of the Disability Review Board may be appealed to the Retirement Plan Committee.

Your right to receive disability benefits under the Plan is subject to periodic review on the part of Howard County to determine your continued disability status. You will be required to have a physical examination no more often than 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 a required examination or to submit the required documentation will result in your payments ending. Once you reach age 62, you are no longer required to have an annual physical examination or submit a copy of your federal income tax return.

Disability Retirement (continued)

Ordinary Disability Benefits

Ordinary Disability benefits are calculated in the same way as normal retirement benefits, using your Creditable Service and Average Compensation calculated at the date of disability. **The minimum disability benefit is 20% of Average Compensation**.

Ordinary Disability benefits will not be reduced by any benefits you receive through Workers' Compensation. However, Ordinary Disability benefits are subject to an earned income limitation. Each calendar year, your earned income will be combined with your disability benefits paid and compared to your annualized Average Compensation at termination plus $3,000, adjusted annually for the Cost of Living. If your combined earned income and disability benefits paid exceed the earned income limitation, effective the following July 1st, your disability benefit payable under the Plan shall be reduced dollar-for-dollar to the extent of the excess.

Line-of-Duty Disability Benefits

There are two categories of Line-Of-Duty disability:

- Catastrophic
- Non-catastrophic.

Catastrophic Line-Of-Duty disability is a disability caused by an on-the-job accident or injury which permanently prevents you from performing any substantial, gainful employment (a moderate amount of work with reasonable regularity, without regard to the job you had prior to the disability), or which severely limits your participation in one or more of the following major activities: caring for yourself, walking, seeing, hearing, speaking, breathing, or learning.

If you retire because of a Catastrophic Line-Of-Duty disability, you will receive a monthly benefit **equal to 66 2/3% multiplied by your monthly Base Salary.**

Non-catastrophic Line-of-Duty disability is a disability caused by an on-the-job accident or injury, which is not severe enough to be catastrophic.

If you retire because of a Non-catastrophic disability, you will receive a monthly benefit **equal to 50% multiplied by your monthly Base Salary.**

Limitations Regarding Disability Benefits

As a general rule, Maryland law prohibits your receiving an award of both Workers' Compensation and disability benefits. In most cases, you will receive disability benefits and not Workers' Compensation benefits. However, in some instances, your disability benefits will be reduced by the amount of your Worker's Compensation benefits.

Death Benefits

If you die before retirement, your designated beneficiary is eligible to receive a return of your Plan contributions, including transferred contributions (if any), plus interest. This death benefit will be increased by an amount equal to your annual Base Pay at the time of your death, provided:

- you die while actively employed, and
- you have either one year of Creditable Service or you die in the Line-of-Duty.

If you die while actively employed, 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 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 equals 100% of the amount that would have been paid to you had you retired on the day before your death and begun to receive your benefit as a 100% survivor annuity

Line of Duty Death Benefits

If you die from an injury or illness which you have sustained as a Covered Employee and which has been ruled "compensable" under the Workers' Compensation Law of Maryland, your death will be considered "in the Line-Of-Duty."

If your spouse is named as your only primary beneficiary, your spouse will be able to choose one of the following payment forms:

1. A lump sum payment equal to your annual Base Salary as of your death, plus, a return of your Plan contributions with interest, payable in one or more installment payment(s) in accordance with regulations prescribed by the IRS;

-OR-

2. A monthly benefit equal to 66 2/3% of your monthly Base Salary as of the date of your death to be paid starting the month next following your date of death and continuing until your spouse dies or remarries.

   If your spouse dies or remarries, your children, if any, who are named as contingent beneficiaries are eligible to receive monthly payments totaling 50% of your monthly Base Salary as of your date of death, payable until they reach age 18 (or 23 if full-time students). This means that if you have two children, each will receive 25% of your monthly Base Salary as of your date of death each month until each reaches age 18 (or 23 if full-time students).

If your primary beneficiary is someone other than your spouse or eligible children, the beneficiary will receive a lump sum payment equal to your annual Base Salary as of your date of death, plus your Plan contributions with accumulated interest.

Deferred Vested Benefit or Termination Benefit

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, including transferred contributions (if any), plus interest, in a single lump sum. 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, including transferred contributions (if any), plus interest, in a single lump sum. 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 Normal Retirement Benefit formula that is 2.5% of Average Compensation multiplied by Creditable Service (when Creditable Service is 20 years or less) at the time of your termination of employment. Deferred Retirement benefits begin on the first day of the month coincident with or following your 62nd birthday.

Note: If you return to Howard County employment in a covered classification, you may be able to regain your prior service by repaying your lump sum Cash-Out distribution, plus interest, to the Plan within 90 days of your rehire date. (See page 6 for more information on the Plan's Period of Severance rules.)

GENERAL ADMINISTRATIVE PROVISIONS

Designation of Beneficiaries

When you begin to participate in the Plan, you will be asked to designate a beneficiary to receive any benefits which may be payable after your death.

If you are married, your spouse will automatically be your beneficiary unless you designate another beneficiary. If you are not married or you fail to designate a beneficiary, death benefits will be paid in the following order:

- to your children or grandchildren
- to your parents, or
- 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 that 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 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 beneficiary after your death, equal to 50% of your reduced benefit. The continuing payments end with your beneficiary's death.

Option #2 - 100% Joint and Survivor

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

Option #3- 50% "Pop up"

This option provides continuing monthly payments to your beneficiary after your death, equal to 50% of your reduced benefit. However, if your beneficiary 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 beneficiary after your death, equal to 100% of your reduced benefit. However, if your beneficiary dies first, or if you and your spouse divorce, your benefit will be increased to equal your benefit expressed as a Life-Only Annuity.

Note: Your selection of a payment option will 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.

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 that 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.

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.

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 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 2%.

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 life 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.

Base Pay – Legislated base salary, including longevity payments, Day Shift premiums, ALS premiums and HVO premiums, but excluding overtime, bonuses and other extra remuneration.

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

Covered Employee - An Employee employed on a full-time basis as a sworn member of the Howard County Police Department or a uniformed career employee of the Howard County Department of Fire and Rescue Services. The following Job Classifications are included:

Police	**Fire and Rescue**
Police Officer (Probationary)	Firefighter Trainee
Police Officer	Firefighter Recruit
Police Officer First Class	Firefighter
Police Corporal	Firefighter/HVO
Technical Corporal	Master Firefighter
Police Sergeant	Master Firefighter/HVO
Police Lieutenant	Firefighter Lieutenant
Police Captain	Firefighter Captain
Police Major	Battalion Chief
Chief of Police	Assistant Chief
	Deputy Chief
	Chief, Fire and Rescue Services

Creditable Service – Service used to determine the amount of most benefits that you receive from the Plan. You are credited with one month of Creditable Service for each calendar month during which you are employed on a full-time basis for the entire month and contribute to the plan. Creditable Service may also include purchased service, Military Service Credit, and credit for Unused Sick Leave.

Glossary of Terms (continued)

Eligibility Service – Service used to determine whether you are vested in your benefit under the Plan and whether you are eligible for retirement. You are credited with one month of Eligibility Service for each calendar month during which you are employed on a full-time basis for the entire month and contribute to the plan. Eligibility Service may also include purchased service, transferred service and Military Service Credit.

Life-Only Annuity – A form of benefit that pays a monthly income for your lifetime only.

Normal Retirement Date – The first day of the month on or after the completion of 20 years of Eligibility Service with 10 years as a Covered Employee. Normal Retirement is also defined as age 62 with at least 5 years of Eligibility Service, if earlier.

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 with Howard County. However, when you reach your Normal Retirement Date, you will be 100% vested, regardless of your years of Eligibility Service.