

Howard County Police and Fire Employees' Retirement Plan

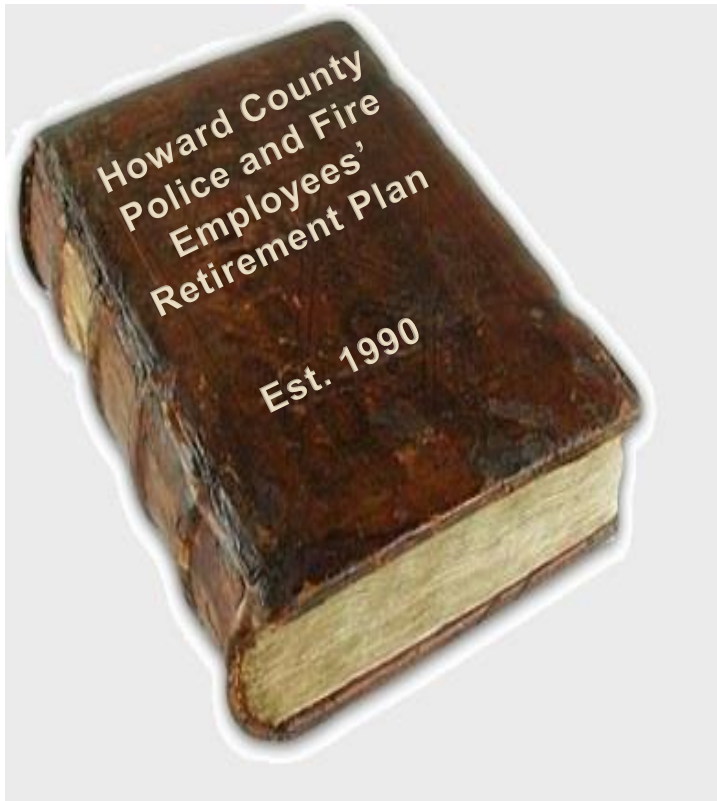


**Fire Department Retirement Information Seminar
October 2017**

DISCLAIMER

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

PLAN HISTORY



- The Howard County Police and Fire Employees' Retirement Plan was established in 1990. At that time, employees could opt to stay in the MD State plan or join the new plan.
- The plan now covers approximately:
 - ▣ 910 active County Employees (440 fire + 470 police), plus
 - ▣ 380 Retirees/Beneficiaries receiving a monthly check
- Plan assets held in Trust to pay benefits: approx. \$500 million

PLAN FUNDING

Employee Contributions + Employer Contributions



- **7.7% of base pay and premium pay**
- **None after 30 years**



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

KEY DEFINITIONS

Creditable Service* (HOW MUCH?)

- Determines dollar amount of the benefit



Final Average Pay

- Highest 36 months
- Base pay and premium pay included
- Excludes overtime

Eligibility Service* (HOW SOON?)

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



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

ELIGIBILITY FOR RETIREMENT BENEFITS



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

- ✓ You complete 20 Years of Eligibility Service, with at least 10 years as a Covered Employee
- OR
- ✓ You are age 62 with at least 5 years of service, if earlier.

Benefit Formula

Final Average Pay



% based on
Creditable Service

Creditable Service

Benefit %

20	—————>	50%
21	—————>	53%
22	—————>	56%
23	—————>	59%
24	—————>	62%
25	—————>	65%
26	—————>	66%
27	—————>	67%
28	—————>	68%
29	—————>	69%
30 or more	—————>	70%

Benefit Formula – Example

Final Average Salary = \$92,308 (annual)

Creditable Service at Retirement = 25 years

Retirement Benefit (annual) =

\$92,308 x 65% = \$60,000 (annual)

= \$5,000 (monthly)

Note: These are gross amounts, before tax withholding.

Additional Service Credit

- **Unused Sick Leave at Retirement**
 - ▣ **Counts for Creditable Service Only**
 - ▣ **22 Sick Days = 1 month of sick leave**
 - ▣ **Remainder >12= an additional month**

- **Pre-Employment Military Service**
 - ▣ **Counts for both Eligibility and Creditable Service**
 - ▣ **Must have 20 years of service**
 - ▣ **Plan recognizes up to 4 years of active duty service**
 - ▣ **Cannot be counted toward another pension**



Lateral Service

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



SAMPLE STATEMENT

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN

Fire Employees

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

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

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

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

Your Contributions

During the past year

•Contribution	\$xx.xx
•Transfers	xx.xx
•Interest	xx.xx
Total	\$XXX.XX

Cumulative

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

Online Portal

Howard County Retirement System

A login form overlay on a background image of four elderly people (three men and one woman) standing on a beach, looking out at the ocean. The form is titled 'Login' with a help icon. It contains fields for 'User ID' and 'Password', a 'Remember me?' checkbox, a blue 'Sign In' button, and links for 'Forgot user ID?' and 'Forgot password?'. At the bottom, there are two green checkmarks indicating system requirements: 'Adobe Reader is installed.' and 'Internet browser (Internet Explorer 11) is supported.'

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

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

Portal Home Page

Howard County Police and Fire Employees' Retirement Plan Pension Portal

Howard County Police and Fire Retirement Plan | Active) ☒

Home Page ▾

Menu

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

Quick Links

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

Statements and saved calculations

Normal and DROP Benefit Calculator

Important Plan Documents

The diagram illustrates the layout of the Howard County Police and Fire Employees' Retirement Plan Pension Portal. It features a header with the portal title and user status, a navigation menu with links to Home Page, Participant Data, Benefit Calculation, Pension Documents, and My Security, and a Quick Links section with various forms. Three blue callout boxes with arrows point to specific features: 'Statements and saved calculations' points to the Pension Documents link, 'Normal and DROP Benefit Calculator' points to the Benefit Calculation link, and 'Important Plan Documents' points to the Quick Links section.

Online Calculator

Howards County Police and Fire Retirement Plan

Benefit Calculation

What type of calculation would you like to complete?

☐ DROP Estimate

☒ Retirement Estimate

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

Termination Age/Date: ☐ Fixed Age ☒ Fixed Date

When does this participant want to begin receiving pension benefits?

Pension Start Age/Date: ☐ Fixed Age ☒ Fixed Date

Who should be designated as beneficiary, where applicable?

Relationship to you: Date of Birth:

If calculating after today, assume the following:

Expected Annual Pay Increases: %

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

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

Calculation Result



ESTIMATE ONLY – NOT A GUARANTEE OF FUTURE BENEFITS

Howard County Police and Fire Employees' Retirement Plan
Estimated Retirement Benefit for

The benefits shown below are based on the following information:

Your Date of Birth:	02/13/1968	Assumed Retirement Date:	07/01/2018
Your Beneficiary's Date of Birth*:	03/06/1969	Assumed Termination Date:	07/01/2018
Projected Creditable Service:	312 months	Date of Calculation:	10/24/2017
Estimated Final Average Salary:	\$111,890	Assumed Pay Increases:	3.00%

The amount payable under each option is as follows:

Lifetime Only:	\$6,154	Payable monthly for your lifetime.
50% Joint and Survivor:	\$5,766	Payable monthly for your lifetime with \$2,883 payable monthly after your death to your beneficiary for his/her remaining lifetime.
100% Joint & Survivor:	\$5,424	Payable monthly for your lifetime with \$5,424 payable monthly after your death to your beneficiary for his/her remaining lifetime.
50% Pop-Up:	\$5,717	Payable monthly for your lifetime with \$2,858 payable monthly after your death to your beneficiary for his/her remaining lifetime. If you become divorced or if your beneficiary predeceases you, you will receive \$6,154 payable monthly for your remaining lifetime.
100% Pop-Up:	\$5,338	Payable monthly for your lifetime with \$5,338 payable monthly after your death to your beneficiary for his/her remaining lifetime. If you become divorced or if your beneficiary predeceases you, you will receive \$6,154 payable monthly for your remaining lifetime.

Date of estimate

Creditable Service
and Final Average
Salary

Optional Forms of
Payment

AT RETIREMENT

Benefit Payment Options

You will elect your form of payment from the choices below. Benefits are paid monthly.

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

AT RETIREMENT

Examples of Optional Forms

Life Only Annuity- \$5,000

payable for your lifetime and stops upon your death

50% Joint and Survivor- \$4,600

payable for your lifetime with 50% (\$2,300) payable to beneficiary after your death

100% Joint and Survivor- \$4,285

payable for your lifetime with 100% (\$4,285) payable to beneficiary after your death

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

At Retirement

Examples of Optional Forms

(continued)

50% Pop Up - \$4,500

payable for your lifetime with 50% (\$2,250) payable to beneficiary after your death. Your benefit pops up to \$5,000 if beneficiary dies.

100% Pop Up - \$4,165

payable for your lifetime with 100% (\$4,165) payable to beneficiary after your death. Your benefit pops up to \$5,000 if beneficiary dies.

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

The Retirement Process

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

** Option cannot be changed once payments commence.*

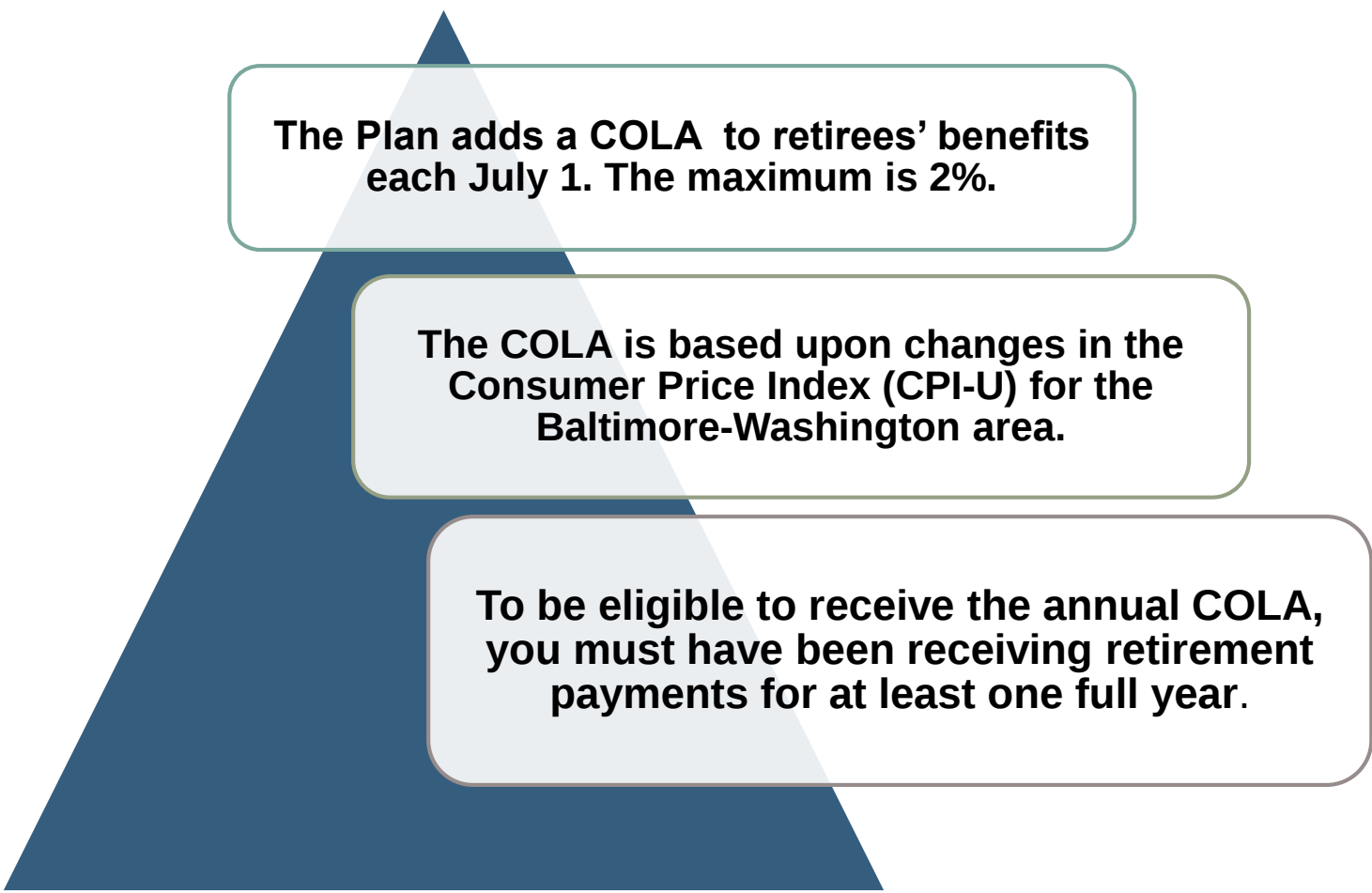


Payments

- Pension checks are paid on the first business day of the month.
- Annual leave and comp time are paid out on final paycheck. 50% annual leave payout goes to PEHP account.
- Personal time is not paid out.
- Final County paycheck is a paper check mailed to your home address.



COST OF LIVING ADJUSTMENT (COLA)



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

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

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

OTHER PLAN BENEFITS

Disability Retirement Benefits:

- ▶ **Ordinary (Non-Line-of-Duty)=**
greater of 20% of final avg pay or accrued benefit
- ▶ **Line-of-Duty Disability =**
Catastrophic: 66 2/3% of pay
Non-Catastrophic: 50% of pay

In-Service Death Benefits

Vested Termination Benefit, with 5 or more years of Eligibility Service

Refund of Employee Contributions, with less than 5 years of Eligibility Service





DROP

DROP

Deferred Retirement Option Program



- Voluntary for all members who have at least 25 years of Creditable Service.
- May elect to participate in DROP for a minimum of 2 years and a maximum of 5 years.
- Can enter on the 1st of any month; must file application with Retirement Coordinator 30 – 90 days prior to entry.
- Currently, 39 members of Fire & Rescue Services are in the DROP Program.

Entering DROP

Regular Retirement Benefit is calculated

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

**Creditable sick leave added at
the end of DROP.**

plus

DROP Account starts to accumulate

Monthly “Deposits” include:

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

**Payable as lump sum or
monthly benefit at DROP exit.**

DROP EXAMPLE (Entering DROP)

Employee enters DROP...

- has 25 years Creditable Service
- has final average salary of \$92,308

Regular Retirement Benefit at DROP entry :

$$\text{\$92,308/12} \times .65 = \text{\$5,000/month*}$$

**Monthly benefit is frozen until exit.*

DROP Account 12 Month Accumulation



Month

- January
- February
- March
- April
- May
- June
- July
- August
- September
- October
- November
- December



Retirement Benefit

- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000
- 5,000



Employee Contribution

- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31
- 592.31



Total with monthly interest

- 5,592.31
- 11,200.67
- 16,825.14
- 22,465.75
- 28,122.56
- 33,795.61
- 39,484.94
- 45,190.61
- 50,912.66
- 56,651.13
- 62,406.08
- 68,177.55

“Deposits” occur at the end of each month.

DROP Example (DROP Exit)

<u>Years in DROP</u>	<u>DROP Account Balance</u>
2*	\$139,000
3	\$213,000
4	\$289,000
5	\$368,000

Assume 6 months unused sick leave at DROP exit.

Regular retirement benefit at DROP exit :

$\$92,308/12 \times .655 = \$5,040/\text{month}$ (single life annuity)

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

Exiting DROP

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

While in DROP...

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



RETIREE HEALTH INSURANCE

RETIREE HEALTH INSURANCE

ELIGIBILITY REQUIREMENTS:

- **Must retire directly from active employment (no gap between last day of work and 1st day of retirement)**
- **Must be enrolled in County's health insurance as an active employee at time of retirement.**
- **Must have 15 years of full time benefitted service with Howard County.**



RETIREE HEALTH INSURANCE

(CONTINUED)

MEDICAL PLANS:(includes vision, prescription)

- For pre-Medicare retirees (same as for employees)
 - Aetna: PPO or Open Access Select
 - Kaiser Permanente HMO
- For Medicare-eligible retirees
 - Aetna Medicare Advantage (2 choices)
 - Kaiser Permanente Medicare Plus

MUST BE ENROLLED IN MEDICARE PART A AND PART B

DENTAL PLANS:

- Delta Dental
- Dominion Dental



RETIREE HEALTH INSURANCE

(CONTINUED)

- County pays % of premium based on years of service

Years at Retirement

County Pays

less than 20

50%

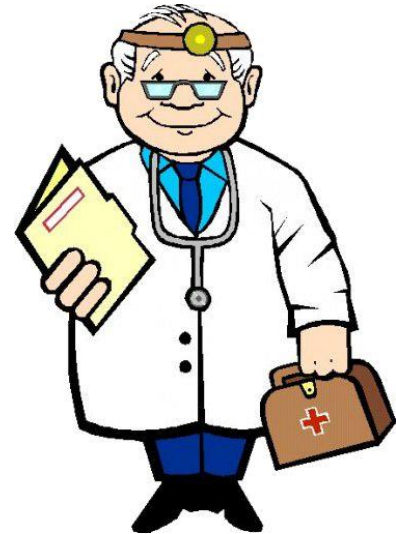
20-24

75%

25+

90%

- Deductions taken from retirement check
- One-time “Opt-Out” allowed
- Dental Insurance, spousal insurance available (extra cost)



RETIREE HEALTH INSURANCE

SAMPLE MONTHLY RATES FOR 2018

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

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

HOWARD COUNTY DEFERRED COMPENSATION PLAN

457(b) Plan

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



SOCIAL SECURITY BENEFITS

- Social Security benefits will be paid in addition to the County pension.
- Social Security benefits can be paid no earlier than age 62, unless fully disabled.
- Full Social Security age is age 66 for persons born 1943 to 1954, and grades to age 67 for persons born in 1960 or later.
- Access your personal statement at:
www.ssa.gov



Additional Information and Resources



HOWARD COUNTY
MARYLAND

Allan H. Kittleman, County Executive

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Departments

Retirement Plan Summaries

Howard County Office of Human
Resources

Mailing Address

3430 Court House Drive
Ellicott City, MD 21043

Physical Location

8930 Stanford Boulevard
Columbia, MD 21045

Phone: 410-313-2033

[General/Correctional Employees Plan](#)

[Police and Fire Plan](#)

[Deferred Retirement Option Plan \(DROP\)](#) for Police and Fire

[Retiree Health Insurance Summary](#)

[2017 Retiree Health Insurance Rates:](#)

- [Medical rates for retirees under 65](#)
- [Medical rates for retirees over 65](#) (Medicare-eligible)
- [Dental rates](#)



Found in the
Human
Resources
section on the
County Website.

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QUESTIONS?

