# Frequently Asked Questions About Retirement Benefits Maryland State Retirement System

As a benefits-eligible employee of Montgomery College, participation in the Maryland State Retirement System is required. You are a participant either in the Maryland State Retirement Plan, the Maryland State Pension Plan or the Optional Retirement Plan.

# Which retirement plan am I participating in?

#### **Maryland State Pension Plan**

Generally, you are a participant in the Maryland State Pension Plan if you were hired after January 1, 1980 and had not previously been a participant in the Maryland State Retirement Plan or if you had been a participant in the Maryland State Retirement Plan prior to 1980 and elected to transfer your service credit to the Maryland State Pension Plan.

# **Maryland State Retirement Plan**

Generally, you are a participant in the Maryland State Retirement Plan if you were hired before January 1, 1980, elected to participate in the Maryland State Retirement Plan and never elected to transfer your service credit to the Maryland State Pension Plan or to participate in the Maryland Optional Retirement Plan.

# **Maryland State Reformed Contributory Pension Plan**

Generally, you are a participant in the MD State Reformed Contributory Pension Plan if you were hired after July 1, 2011.

#### **Maryland Optional Retirement Plan**

If an employee possesses an earned baccalaureate degree, is employed in a position which requires a baccalaureate degree and if the position is defined to be a professional position, such employee may elect to participate in the Maryland State Pension Plan or the Maryland Optional Retirement Plan.

#### **Maryland State Pension Plan**

# Does participation require a contribution?

Yes, employees enrolled in the Maryland State Pension Plan contribute 7% of their base annual salary. Participants in the Teachers' System contribute on a 10-month basis (20 pay periods per academic year) and participants in the Employees' System contribute on a 12-month basis (over 26 pays).

# What benefits does the Maryland State Pension Plan provide?

Coverage while you are actively working

Survivor protection if you die before retirement

 Disability coverage in the event that you are unable to continue working due to a disabling injury or illness

#### Retirement benefits

- A basic monthly benefit allowance based on your age, years of service and salary
- Options for a continuing allowance to your survivor
- Annual cost-of-living adjustments

# How do I become eligible for a retirement benefit?

You qualify for normal service retirement if:

- You have 30 years of eligibility service.
- You are age 62 with 5 years of eligibility service
- You are age 63 with 4 years of eligibility service
- You are age 64 with 3 years of eligibility service
- You are age 65 with 2 years of eligibility service

# What happens if I terminate employment with the College before I become eligible for a retirement benefit?

If you have at least five years of eligibility service, you are guaranteed to receive a future benefit for the years and service earned before termination.

#### What benefit am I eligible to receive upon normal service retirement?

1) The greater of:

1.2% x Average Final Salary x years of service as of June 30, 1998,

or

.8% x Final Average Salary up to the SSIL x years of service as of June 30, 1998, plus

1.5% x Final Average Salary over the SSIL x years of service as of June 30, 1998

#### Plus

2) 1.8% x Final Average Salary x years of service after June 30, 1998.

Final Average Salary – The average of the three highest consecutive annual salaries during your career.

SSIL (Social Security Integration Level) – the average of all the Social Security Wage Bases over the 35 calendar years prior to your year of retirement. The Social Security Wage Base is the maximum amount of earnings subject to the Federal Insurance Contribution Act (FICA) tax. The SSIL changes annually on January 1.

### Am I eligible for a benefit before normal retirement age?

Yes, you are eligible for early retirement if you are age 55 with at least 15 years of eligibility service.

#### Is my benefit reduced if I elect Early Retirement?

Yes, your benefit is reduced by .5% x the number of months between your age and age 62.

### How do I earn eligibility service credit?

You earn a month of service credit for each month you work and for which contributions are paid. Part-time employees earn part-time credit. Participants in the Teachers' Pension Plan make contributions on a 10-month basis whether employed for 10 or 12 months. Participants in the Employees' Pension Plan make contributions on a 12-month basis.

#### Am I eligible for any other service credit?

# Military Service Credit:

You may claim up to five years of credit for active military duty preceding your membership, however, you must have at least ten years of creditable service in order to apply.

#### **Purchased Credit:**

Service may be purchased at full cost for the following types of public employment:

- Federal Government
- Out-of-State municipality
- Non-participating Maryland municipality
- Private, parochial, or out-of-state school (teaching position only)
- Prior service with the State or participating municipality not covered under your current account

#### Unused Sick Leave Credit:

If you retire immediately upon terminating employment, you will receive additional creditable service for your accumulated sick leave. For every 22 days of unused sick leave you will receive one month of additional creditable service.

#### **Maryland State Retirement Plan**

#### Does participation require a contribution?

Employees enrolled in the Maryland State Retirement Plan contribute either 5% or 7% of their base annual salary. Participants in the Teachers' System make contributions on a 10-

month basis (20 pay periods per academic year) and participants in the Employees' System make contributions on a 12-month basis (over 26 pays).

#### What benefits does the Maryland State Retirement Plan provide?

Coverage while you are actively working

- Survivor protection if you die before retirement
- Disability coverage in the event that you are unable to continue working due to a disabling injury or illness

#### Retirement benefits

- A basic monthly benefit allowance based on your age, years of service and salary
- Options for a continuing allowance to your survivor
- Annual cost-of-living adjustments

# How do I become eligible for a retirement benefit?

You qualify for normal service retirement if:

- You are age 60
- You have 30 years of eligibility service.

# What happens if I terminate employment with the College before I become eligible for a retirement benefit?

If you have at least 5 years of eligibility service, you are guaranteed to receive a future benefit for the years and service earned before termination.

#### What benefit I am eligible to receive upon normal service retirement?

1/55 x Average Final Salary x years of creditable service

If you are eligible for the Aetna supplement, you will receive an additional benefit equal to 10% of the Maryland State Retirement Plan benefit allowance.

Final Average Salary – the average of the three highest annual salaries during your career.

# Am I eligible for a benefit before normal retirement age?

Yes, you are eligible for early retirement if you have at least 25 years of eligibility service.

#### Is my benefit reduced if I elect Early Retirement?

Yes, your benefit is reduced by .5% x the number of months between your age and age 60 or the number of months between 25 and 30 years of eligibility service credit, whichever is less.

### How do I earn eligibility service credit?

You earn a month of service credit for each month you work and for which contributions are paid. Part-time employees earn part-time credit. Participants in the Teachers' Retirement Plan make contributions on a 10-month basis whether employed for 10 or 12 months. Participants in the Employees' Retirement Plan make contributions on a 12-month basis.

# Am I eligible for any other service credit?

#### Military Service Credit:

You may claim up to five years of credit for active military duty preceding your membership, however, you must have at least ten years of creditable service in order to apply.

#### **Purchased Credit:**

Service may be purchased at normal cost for the following types of service:

- Retroactive/missed service
- Approved Leave of Absence
- Redeposit or previously withdrawn service credit

Service may be purchased at full cost for the following types of public employment:

- Out-of-state public school teaching
- In-state private/parochial teaching
- Federal Government
- Out-of-state municipal employment
- In-state non-participating municipal employment

# Unused Sick Leave Credit:

If you retire immediately upon terminating employment, you will receive additional creditable service for your accumulated sick leave. For every 22 days of unused sick leave you will receive one month of additional creditable service. Sick leave credit cannot be used for meeting eligibility requirements for either service or early retirement.

#### **Maryland State Reformed Contributory Pension Plan**

#### Does participation require a contribution?

Yes, employees enrolled in the Maryland State Pension Plan contribute 7% of their base annual salary. Participants in the Teachers' System contribute on a 10-month basis (20 pay periods per academic year) and participants in the Employees' System contribute on a 12-month basis (over 26 pays).

#### What benefits does the Maryland State Reformed Contributory Pension Plan provide?

Coverage while you are actively working Survivor protection if you die before retirement Disability coverage in the event that you are unable to continue working due to a disabling

# injury or illness

Retirement benefits

A basic monthly benefit allowance based on your age, years of service and salary

Options for a continuing allowance to your survivor

Annual cost-of-living adjustments

# How do I become eligible for a retirement benefit?

You qualify for normal service retirement if:

The Rule of 90 is met. Members become eligible once the sum of their age and eligibility service is at least 90. For example, at age 57 with 33 years of service, at age 60 with 30 years of service or at age 63 with 27 years of service.

Members of the Reformed plan also may retire at age 65 with at least 10 years of eligibility service

# What happens if I terminate employment with the College before I become eligible for a retirement benefit?

If you have at least ten years of eligibility service, you are guaranteed to receive a future benefit for the years and service earned before termination.

# What benefit am I eligible to receive upon normal service retirement?

1.5% x Average Final Compensation (AFC) x years of credit

Average Final Compensation – The average of the five highest consecutive annual salaries during your career.

# Am I eligible for a benefit before normal retirement age?

Yes, you are eligible for early retirement if you are age 60 with at least 15 years of eligibility service.

#### Is my benefit reduced if I elect Early Retirement?

Yes, your benefit is reduced by .5% x the number of months between your age and age 65.

# How do I earn eligibility service credit?

You earn a month of service credit for each month you work and for which contributions are paid. Part-time employees earn part-time credit. Participants in the Teachers' Reformed Contributory Pension Plan make contributions on a 10-month basis whether employed for 10 or 12 months. Participants in the Employees' Reformed Contributory Pension Plan make contributions on a 12-month basis.

#### Am I eligible for any other service credit?

#### Military Service Credit:

You may claim up to five years of credit for active military duty preceding your membership, however, you must have at least ten years of creditable service in order to apply. Purchased Credit:

Service may be purchased *at full cost* for the following types of public employment: Federal Government

Out-of-State municipality

Non-participating Maryland municipality

Private, parochial, or out-of-state school (teaching position only)

Prior service with the State or participating municipality not covered under your current account

#### **Unused Sick Leave Credit:**

If you retire immediately upon terminating employment, you will receive additional creditable service for your accumulated sick leave. For every 22 days of unused sick leave you will receive one month of additional creditable service.

# **Maryland Optional Retirement Plan**

What is the Maryland Optional Retirement Plan?

The Maryland Optional Retirement Plan (ORP) is a defined contribution plan to which the State contributes a percentage of your base annual salary to an approved investment vendor. It is an alternate to the Maryland State Pension Plan.

#### What is the current State Contribution rate?

The State currently contributes 7.25% of your base annual salary.

#### What investment vendors are available?

You may elect to invest the contributions with Fidelity Investments or TIAA-CREF.

#### How often can I change vendors?

Each May ORP participants may elect to change vendors. Any change during the open enrollment election period will take effect with the first pay period of the next academic year.

#### How are the contributions invested?

You elect to invest contributions among the different investment options offered by the vendor you have selected. The investment vendors will offer a variety of approved investment options including both fixed and variable alternatives.

#### Is there a vesting requirement?

You are immediately fully vested in all contributions made on your behalf. Upon termination of employment you have full ownership of your account.

#### What retirement benefit will I receive?

You retirement benefit will be determined by the amount in your ORP account at retirement. Your ORP account is based on State contributions and any investment gains or losses in the investment options you selected. You can elect to receive your account balance in a lump-sum payment, periodic distribution or an annuity. Adverse tax consequences may apply depending on the method of distribution elected and your age upon such distribution.

### How do I become eligible for retirement?

A Montgomery College employee participating in the ORP must meet the same age and service requirements as those employees participating in the Maryland State Pension Plan (If hired prior 7/1/11):

- Age 62 with 5 years of eligibility service
- Age 63 with 4 years of eligibility service
- Age 64 with 3 years of eligibility service
- Age 65 with 2 years of eligibility service
- 30 years of eligibility service, or
- Age 55 with 15 years of eligibility service.

If hired on or after 7/1/11, an employee must meet the "Rule of 90" or be at least age 65 with at least 10 years of eligibility Service.

#### Does the ORP have a death benefit?

In the event that you die before retirement, your account balance, including all State contributions and investment earnings, is paid to your designated beneficiary.

#### Does the ORP have a disability benefit?

No, the ORP does not provide disability benefits. You would be eligible to receive the full value of your account balance.

# Does the ORP have cost-of-living adjustments?

No, the ORP benefits do not include annual increases to your accumulated account balances.