

Deferred Compensation Plan of
Anne Arundel County, Maryland

Summary of the Plan

Anne Arundel County Government



Office of Personnel
2660 Riva Road
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January 1, 2020 (updated with amendments)

Introduction

Anne Arundel County Government is committed to providing our employees with a comprehensive and competitive benefits package. An important component of this package is the Deferred Compensation Plan of Anne Arundel County, Maryland (the Plan), which is designed to assist in providing a foundation of income for your retirement years. The County is authorized to sponsor the Plan as dictated under **Article 6, Title 3** of the Anne Arundel County Code. The Plan is currently administered through T. Rowe Price.

Except as otherwise noted for certain provisions, this Summary of the Plan (“Summary”) explains the Plan in effect as of January 1, 2020, and highlights the main features of the Plan. It is not a complete description of all the technical provisions of the Plan but covers the basic features. The specific terms of this Plan are set forth in the official Plan document. Should there be an inconsistency between this Summary and the official Plan document, the official Plan document takes precedence.

The Plan is categorized as a governmental 457(b) plan and is administered as dictated under the 457(b) statute of the Internal Revenue Code. Although this program is a nonqualified plan, it has many characteristics of a tax-qualified defined contribution plan. The Plan is a voluntary savings plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant’s account and any income, expenses, gains or losses associated with the investment choice of the participant. The Plan maintains an ongoing account balance, and **there is no promised future benefit.**

If you have any questions after reading this Summary, or you would like additional information, please contact a member of the Pension Team within the Office of Personnel by calling (410) 222-7400.

ELIGIBILITY REQUIREMENTS AND PARTICIPATION

Any employee of the County is eligible to participate in the Plan. This includes all permanent, contractual, seasonal and temporary employees whether full-time or part-time and all elected or appointed officials. Your initial election to make deferrals into the Plan and become a participant will be effective as soon as administratively feasible on the next pay period which is no earlier than the beginning of the calendar month after you submit a completed Enrollment Agreement to Pension Team within the Office of Personnel. If you are a new employee, you may elect to contribute during your first month of employment only if you submit a completed Enrollment Agreement on or before your first day of employment.

ENROLLMENT AGREEMENT

You must complete and submit an Enrollment Agreement in order to participate in the Plan. The Agreement will permit you to designate the dollar amount or percentage, not to exceed the maximum limit per calendar year, to be contributed to the Plan. Effective beginning November 1, 2022, you may designate whether those dollar amounts are regular salary reduction contributions or Roth deferral contributions. You must also complete a Designation of Beneficiary Form to select a beneficiary(ies) to receive benefits of the Plan in case of your death. You may change your beneficiary(ies) at any time. You must contact T. Rowe Price to change or update your beneficiaries.

Participation in the Plan is entirely voluntary. If you do not elect to participate when you first become eligible, you may elect to participate at any time during your career with the County.

CONTRIBUTIONS

You may make contributions to the Plan in whole percentages of your compensation or in specified dollar amounts. Contributions to the Plan are deducted from your pay and contributed to the Plan. Regular salary reduction contributions are pre-federal income tax and pre-most State taxes, and Roth salary reduction contributions are deferrals that you can designate to be made from your compensation on an after-tax basis. If you elect to make a Roth deferral contribution, the contribution is subject to federal and most State income taxes in the year of contribution, but the contribution and, in most cases, the earnings on the contribution are not subject to federal and most State income taxes when distributed to you in a "qualified distribution." (If you are an employee that is subject to the Federal Medicare Tax, your regular salary reduction deferrals remain subject to that tax.)

Your contributions for each year (including Roth deferral contributions) are subject to a maximum limit established under the federal tax law. There is a "Basic Limit" that applies each year. The Basic Limit can then be increased when you are age 50 or older or when you are within three years of reaching your normal retirement age. All of the limits are described below.

The Basic Contribution Limit

The Basic Limit for each calendar year is the lesser of a specific dollar amount (\$23,000 for 2024) or 100% of your “Includible Compensation.” The IRS sets these limits each year and the specific dollar amount may be increased in future years as the IRS permits.

“Includible Compensation” is the compensation you receive from the County for services performed for the County including any certain deferrals, such as those you make to this Plan or the County’s Health and Welfare Plan.

Age 50 Plus Catch-Up

Participants who are age 50 or older are allowed to make additional contributions. Additional contributions may begin in the year in which you will become 50 years of age. The Age 50 Catch-up for 2024 is \$7,500 but is subject to being increased in future years as determined by the IRS.

<u>Basic Plan Year</u>	<u>Contribution Limit</u>	<u>Age 50 Catch Up</u>	<u>Maximum Contribution</u>
2024	\$23,000	\$7,500	\$30,500

Special Limited Catch-Up

You may be eligible to increase your maximum contribution amount in the three calendar years before the calendar year you reach “normal retirement age.” This is called the “special limited catch-up.”

Normal Retirement Age is age 65 or any alternate age you select for your Normal Retirement Age by written election delivered to the Pension Team. Your choice of a different Normal Retirement Age is subject to restrictions. If you think you would like to select an alternative Normal Retirement Age, you should contact the Pension Team as soon as possible. For example, an alternate Normal Retirement Age may not be earlier than the age at which a participant would be eligible for full, unreduced retirement benefits from the Anne Arundel County Pension System. This is generally the age at which you may retire without permission from or the consent of your employer and receive benefit payments that are not actuarially reduced because you are “retiring early.” Your selected Normal Retirement Age cannot be later than 70 ½.

Under a special rule, “qualified police and firefighters” can designate a normal retirement age earlier than other plan participants, but not earlier than age 40. These individuals can designate a normal retirement age without regard to the rules under their “basic plan” but not later than 70 ½.

The catch-up applies if you have been a participant in the Plan in prior years and have deferred less than the Basic Limit in any of those prior years. The difference between what you deferred for a prior year and the amount you could have deferred is called your “underutilized limit.”

The normal retirement age catch-up limit is equal to the total of (i) the Basic Limit for the year, and (ii) the amount of your underutilized limits from prior years. However, the amount that you can defer in any year under the normal retirement age catch-up limit cannot be more than twice as high as the Basic Limit that is in effect for the year. For example, in 2024, the Basic Limit is \$23,000. Therefore, the 2024 normal retirement age catch-up limit cannot exceed \$46,000.

For more information regarding this provision or to determine if you are eligible, please contact the Pension Team at the Office of Personnel.

Note that you can only increase your contribution limit under either the Age 50 Catch-up or the Special Limited Catch-up during any particular year. The catch-up limits cannot be combined.

CHANGING CONTRIBUTION AMOUNTS

The amount of contribution you elect per pay period will remain in effect up to the annual deferral limit unless you decide to change or stop your deferral. You are permitted to change your contribution amount at any time. You must contact T. Rowe Price at 1-888-457-5770 or change it online at the MyRetirementPlan website, rps.troweprice.com.

Any changes to your contribution amount are effective the next administratively feasible pay period which is no earlier than the beginning of the calendar month after you submit your deferral change election. However, if you wish to revoke your deferral election entirely, that election will be effective the next administratively feasible pay period after you submit your deferral revocation election.

VACATION/DISABILITY/PAID LEAVE DEFERRALS

Deferrals of leave payouts both during employment and at separation of employment are permitted by the County.

Compensation payout during employment may be deferred upon the election of the participant. Payoffs are subject to the Memorandum of Understanding for your respective Bargaining Unit. As this payment is time sensitive, you and your Department must notify the Pension unit of your intention to defer this payout at least three weeks prior to the payout date.

A participant may elect to defer vacation, disability and other types of paid leave upon separation from employment. This election must be made at least two weeks prior to the date of the final leave payment is to be made.

Please note that the deferral of these contributions must be within the maximum annual limits allowed by law.

TRANSFERS FROM EMPLOYER TO EMPLOYER

An eligible rollover distribution may be accepted from an eligible retirement plan (e.g., Internal Revenue Code Section 401(a), 403(b) or 457(b) and traditional IRA's (including a Roth IRA)). For example, to the extent a distribution of a Deferred Retirement Option Program (DROP) account under the Anne Arundel County DROP Program or any other distribution from an Anne Arundel County eligible retirement plan qualifies as an eligible rollover distribution, a rollover will be accepted in this Plan, subject to requirements imposed generally regarding the acceptance of rollovers under the Plan and applicable law. After-tax contributions will not be accepted. You must have a Plan account established before you can begin this process.

If you are no longer employed by the Anne Arundel County, rollovers from the Plan may be made to an eligible retirement plan maintained by your new employer or to a traditional IRA if allowed by the new plan or IRA.

ACCOUNTS

The Provider will establish separate accounts to keep track of regular pre-tax contributions and Roth deferral contributions, and earnings, losses, and expenses attributable to your contributions. You will be provided a statement updating your current account balance, valued at the end of each quarter.

NOTE: Funds deposited into your account as an eligible rollover from a non 457(b) qualified plan will be accounted for separately.

INDIVIDUALLY DIRECTED INVESTMENTS

You direct the investment of your account. You will receive information on the investment options that are made available to you.

Prior to entering the Plan, we encourage you to review the enrollment packets available in the Office of Personnel. You may select one or multiple fund options to invest your contributions. If you need investment counseling, T. Rowe Price has County-dedicated representatives available to assist you with questions. They will not provide investment advice. For advice and planning you may request an appointment with a T. Rowe Price financial advisor at either the Columbia or Baltimore locations. Please contact T. Rowe Price for more information. Alternatively, you may contact another financial planner.

You may change or redirect your investment allocation or transfer assets at any time either online or by contacting T. Rowe Price.

At any time in the future, the County may elect to change the various investment funds or provider under the Plan. You will be notified of any investment changes and will have an opportunity to adjust your investments.

DISTRIBUTIONS

Separation from Employment

Upon separation of employment, you may elect to receive distributions from your Account as soon as administratively possible following your separation date. You, however, are not required to receive immediate distributions. You may defer the beginning of distributions to a future date. However, the distribution commencement date cannot be later than the April 1st of the year following the year in which you reach the age of 72 (70 ½ if you reached age 70 ½ before January 1, 2020). **This plan does not have an early distribution penalty for distributions made prior to age 59 ½ (except with respect to the portion of any distribution that is from your rollover account and the rollover was received from an IRA (an individual retirement account or individual retirement annuity) or a tax-qualified plan or section 403(b) plan).**

You may elect to have your Account distributed based upon one or more of the following options:

- A lump sum cash payment;
- Partial lump sum cash payments;
- Monthly, quarterly, semi-annual or annual installment payments, to be made over a fixed period of years or in a fixed dollar amount; or
- Rollover all or a portion of account balance to a qualified Plan, IRA or annuity.

Elections should be made at least 30 days before the date distributions are to commence. There are some restrictions on the above distributions. The Office of Personnel can provide more information. For example, you may elect monthly installments only if the monthly payment amount would be at least \$100. Also, if you are rehired while receiving installment payments, your installment payments will be suspended until you become eligible for a distribution again.

If you elect to receive installment payments, you may elect to stop receiving payments or to change the amount or frequency of those payments once each calendar year subject to the approval of the Administrator. You may start or resume installment payments at any time, provided that the minimum amount is met and that you have met the minimum distribution rules described below.

Distribution After Age 59 ½

You may elect to receive a distribution of all or any portion of your vested Plan account

while you are employed if you have attained age 59 1/2. This distribution will be paid in a single payment and not in installments.

Distribution After Age 72

Beginning on the April 1st after the year in which a separated participant reaches age 72 (70 1/2 for participants who were age 70 1/2 before January 1, 2020) the participant is required to withdraw a minimum amount annually from their account. If the participant works past age 72 (or 70 1/2, if applicable), the participant is required to begin withdrawals by the April 1st of the year following the year in which he or she actually separates from employment.

For purposes of this Section, the Internal Revenue Code Regulations shall apply when determining the minimum distribution. For more information regarding this, please contact T. Rowe Price.

Qualified Birth or Adoption Distribution

Beginning September 1, 2022, you may receive a distribution up to \$5,000 during the 1-year period beginning on the date on which your child is born or on which the legal adoption by you of an "eligible adoptee" is finalized. An "eligible adoptee" is any individual (other than a child of your spouse) who has not attained age 18 or is physically or mentally incapable of self-support. The \$5,000 maximum is an aggregate amount of such distributions from all plans maintained by the County. You may have the opportunity to repay the amount of your distribution to the Plan at a later date.

Special Rules for Roth Elective Deferrals.

If you elect to make a Roth deferral contribution, the contribution is subject to federal and most State income taxes in the year of the contribution, but the contribution and, in most cases, the earnings on the contribution are not subject to federal and most State income taxes when distributed if the distribution qualifies as a "qualified distribution."

In order to be a qualified distribution, the distribution must occur after one of the following: (1) your attainment of age 59 1/2 or (2) your death. In addition, the distribution must occur after the expiration of a "five-year participation period." A five-year participation period is the five-year period beginning on the first day of the calendar year in which you first make a Roth deferral contribution to the Plan (or to another 401(k) Plan or 403(b) plan if the distributed amount was rolled over into this Plan) and ending on the last day of the calendar year that is five years later. (It is not necessary that you make a Roth deferral contribution in each of the five years.)

If a distribution from your Roth deferral account is not a qualified distribution, the earnings distributed with the Roth deferral contributions will be taxable to you at the time of distribution (unless you roll over the distribution to a retirement vehicle that will accept the rollover).

Special Provisions for In-Plan Roth Rollovers

Effective November 1, 2022, participants are permitted to roll over amounts from their pre-tax deferrals (and earnings) in the Plan to their designated Roth accounts in the Plan (an "in-plan Roth rollover"), without regard to whether those pre-tax amounts satisfy the general conditions for distribution, subject to such limitations as may be imposed on such rollovers by the County. If an amount is rolled over to a designated Roth account, then the amount rolled over and applicable earnings remain subject to the distribution restrictions that were applicable to the amount before the in-plan Roth rollover. For more information about this, please contact T. Rowe Price or a member of the Pension Team within the Office of Personnel.

DEATH OF A PARTICIPANT

Post-Retirement Death Benefits

If you die while receiving distributions, remaining distributions will be made to your beneficiary based upon your distribution option. Such payments will begin 60 to 90 days after your death. Within 60 days from your death, your beneficiary may elect another distribution option, but the distribution option so chosen must distribute the Account at least as rapidly as your original distribution option. If the beneficiary dies, then the remaining balance of the Account shall be paid in a lump sum to the beneficiaries of the beneficiary. In the event the beneficiary has no named beneficiary(ies) on file, payment will be made in a lump sum to the estate of the beneficiary.

If your beneficiary is your estate, a lump sum payment will be made to the estate.

In no event will the Employer or Provider be liable to the beneficiary for the amount of any payment made in the name of the participant before the Employer or Provider receives proof of death of the participant.

If you are the spouse of the participant, your distribution is generally eligible for rollover to another tax qualified retirement plan, a 403(b) tax-sheltered annuity plan, a governmental 457(b) plan, an IRA (including a Roth IRA) or to certain annuity contracts (if that plan or IRA will accept that rollovers). If you are not the spouse of the participant, you may be eligible to make a direct transfer of your benefits to an IRA. The IRA accepting the direct rollover must be set up solely to receive the death benefit, will be subject to the minimum required distribution rules applicable to beneficiaries, and cannot accept additional contributions or permit rollover of distributions from the IRA.

For more information regarding this, please contact T. Rowe Price.

Pre-Retirement Death Benefits

If you die before receiving distributions, your Account will be distributed to your beneficiary in the form selected by the beneficiary; however, the amount payable will be

paid to the beneficiary in accordance with the minimum required distribution rules of the Internal Revenue Code. For example, unless your Beneficiary is an "Eligible Designated Beneficiary" (defined below), your Account balance will be distributed to your designated beneficiary within ten years following the year of your death. (If you did not designate a beneficiary, your Account balance will be distributed to your estate within five years following the year of your death.)

If your beneficiary is an "Eligible Designated Beneficiary," the beneficiary may elect to receive your Account balance over his/her life expectancy, or to have the entire Account balance paid within 10 years following your death. If no election is made by the deadline required by the Plan, the Account balance will be paid over the beneficiary's life expectancy. Eligible Designated Beneficiaries are: your spouse, your child(ren) under the age of 18, a beneficiary who is disabled or chronically ill (as defined by the Internal Revenue Code), or a beneficiary that is not more than 10 years younger than you. Note that a beneficiary claiming to be disabled or chronically ill must certify that he or she is disabled or chronically ill.

Distributions, however, must begin by December 31 of the year following the year of your death, unless the beneficiary is your spouse. If the beneficiary is your spouse, then the distributions must begin by December 31 of the year that you would have reached the age of 72.

If you are the spouse of the participant, your distribution is generally eligible for rollover to another tax qualified retirement plan, a 403(b) tax-sheltered annuity plan, a governmental 457(b) plan, an IRA (including a Roth IRA) or to certain annuity contracts (if that plan or IRA will accept that rollovers). If you are not the spouse of the participant, you may be eligible to make a direct transfer of your benefits to an IRA. The IRA accepting the direct rollover must be set up solely to receive the death benefit, will be subject to the minimum required distribution rules applicable to beneficiaries and cannot accept additional contributions or permit rollover of distributions from the IRA.

For more information regarding this, please contact T. Rowe Price.

(Note that different rules applied to beneficiaries of participants who died prior to January 1, 2022. If you would like additional information about those rules, please contact T. Rowe Price.)

INACTIVE DE MINIMIS ACCOUNTS

If you have not made a contribution to your Account for a two (2) year period while you are still in service with the County, you may elect to have your Account balance distributed to you. Your Account balance must, however, be less than \$5,000 and you may only make this election one time during your participation in the Plan. Your Account balance will be distributed to you in a lump sum payment, and it will be a taxable event in the year of distribution.

LOANS TO PARTICIPANTS

You may take a loan from the Plan subject to the following limitations and restrictions and the requirements of the IRS Code.

- You are restricted to one outstanding loan at a time.
- You can borrow one-half of the value of your account up to \$50,000.
- Loan interest rate is prime plus 1 and may not be refinanced.
- Loans must be repaid through biweekly payroll deductions or, where repayment cannot be made by payroll deduction, repayment must be made by check directly to T. Rowe Price in an amount and frequency dictated by T. Rowe Price.
- Manual payments, in an amount and frequency dictated by T. Rowe Price, can be made in addition to the bi-weekly payroll deductions.
- Loans may be repaid over a one-to-five-year period. If the loan is made for the purchase of a principal residence, the loan can be repaid over a period of 15 years.
- Partial payments are not permitted, but a loan may be paid in full at any time without penalty.

UNFORESEEABLE EMERGENCIES

In the event an unforeseeable emergency occurs, you may request a distribution from your Account. The County will authorize an emergency distribution if the event is qualified under the IRS guidelines. Examples of unforeseeable emergencies include severe financial hardship caused by unexpected illness, and accident or disability of a participant or a dependent.

You must contact T. Rowe Price and request an application for unforeseeable emergency. The application should be returned to the County Office of Personnel along with all necessary financial documentation and a narrative explaining the extraordinary circumstance or event which led to your unforeseeable emergency and explain how this event was unforeseeable and could not be avoided or prudently budgeted.

MISCELLANEOUS

Non-Transferability of Benefits

The Plan provides that your interest in the Plan generally cannot be transferred or assigned by you or your beneficiary, nor may it be attached, levied upon or garnished, etc., before distribution to you or your beneficiary. One exception to this rule relates to a Domestic Relations Order (“DRO”). Under a DRO, the Plan may be required to pay some or all of your benefits to a spouse, former spouse, child, or other dependent as a result of divorce, child support order, or other domestic relations matter.

Domestic Relations Orders

Only court orders qualifying as a DRO may be honored by the Plan. It is recommended that proposed court orders be submitted to the Plan prior to filing with the Court so that the Plan can determine whether the order will qualify as a DRO.

Upon receipt of a DRO that has been filed with the Court, any portion of a participant's Account may be paid or set aside for payment to an alternate recipient (e.g., spouse, former spouse, child, or other dependent) of the participant. A separate Account will be established to carry out the terms of such an order.

The alternate recipient may designate the time and form of payment of the alternate recipient's separate account. The alternate recipient may elect to take distribution in a single lump sum, or monthly, quarterly, or annual payments of a specified amount or for a specified time-period. An alternate recipient who is a spouse or former spouse may choose to roll over his or her account to a traditional IRA or a Section 401(a), 403(b), or governmental 457(b) plan in which the spouse participates.

Any payment made to an alternate recipient shall be reduced by any required income tax withholding. An alternate payee who is a spouse or former spouse is subject to tax on the distribution (unless it is rolled over). Plan participants are subject to income tax on distributions that are made to alternate recipients who are not spouses or former spouses.

Amendment or Termination of Plan

The County has the sole and exclusive right to amend and terminate at any time the Plan for all participants. Should the Plan terminate, the investment of the accounts, pending distribution, shall continue to be subject to the provisions of this Plan regarding investments.

Governing Law

The terms of this Plan are designed to take advantage of certain tax benefits that are made available to employees of state and local governments under Section 457(b) of the federal Internal Revenue Code (the "IRC"). Thus, the County will administer the Plan and construe and apply its terms in a manner which will assure that the Plan complies with all of the requirements of IRC Section 457(b). However, the County does not guarantee any tax results associated with the Plan, and must report and withhold income taxes, as it is required to do so by law.

The Plan is not covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the primary federal law relating to retirement plans. Because participants and beneficiaries direct the investment of their accounts, the County is not responsible for any loss which results from the participant's or beneficiary's direction of investments.