



2023

Employees Retirement Plan Seminar

Sources of Income:

- Pension
- Social Security

When should you begin payments? When should your spouse?

www.ssa.gov

- Savings 457(b), 401(k), IRAs

When can you draw without penalty?

- Investments



Expenses:

- Health Care and Insurance
- Home, Rental, Auto Insurance
- Taxes
 - We do not withhold out-of-state income tax. Go to your state's comptroller/treasurer website to determine estimated tax on your pension.
- Living Expenses

Retirement Plan Provisions

- Plan is a Defined Benefit Plan
- Benefit amount is based on a formula
- Lifetime annuity for member
- Survivor benefits for spouse or minor children
- Disability Retirement benefits

Retirement Eligibility

Normal Retirement (unreduced benefits)

- 30 years of credited service (can use D/L), or
- Age 60 with five (5) years of actual plan service plus transferred service if hired before 07/01/2015
(cannot use D/L to reach 5 yrs)
- Age 60 with ten (10) years of actual plan service plus transferred service if hired after 07/01/2015
- Age 60 with ten (10) years of actual plan service plus transferred service for elected County Council members elected on or after December 1, 2014.
- Age 60 with eight (8) years of actual plan service plus transferred service if County Exec or appointed on or
*after December 1, 2014.

Early Retirement (Reduced)

- Age 50+ and with 20+ yrs of credited service (can use D/L to reach 20). Benefit will be reduced from the smaller of age to 60 or service to 30 years, whichever provides the lesser reduction.

Early Retirement Reduction

Year(s) Retired Before Normal Retirement Date	Approximate Amount of Reduction
0	0%
1	2%
2	5%
3	9%
4	14%
5	20%
6	28%
7	36%
8	44%
9	52%
10	60%
*	

Benefit Formulas

Tier 1 (Contributory Plan):

2% of your FABP multiplied by your years of credited service, to the nearest 1/12th of a year. The pension shall not exceed 60% of your FABP except for credited service for disability leave and credited pre-plan military.

$$\text{FABP} \times .02 \times \text{service credit} = \text{annual pension}$$

*

Benefit Formulas

Tier 2 (Non-Contributory)

1% of your FABP multiplied by your years of credited service, to the nearest 1/12th of a year. The pension shall not exceed 60% of your FABP except for credited service for disability leave and credited pre-plan military.

FABP x .01 x service credit = annual pension

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Final Average Basic Pay

FABP is an average of your highest **three (3)** years annual basic pay during your entire employment with AACO as of the anniversary date of your date of termination.

However, if you had an involuntary salary reduction, then your FABP will be based on your last **five (5)** years only.

Maximum Pension Credit

- Benefit may not exceed 60% of your FABP except for additional credit for military service or accumulated disability leave. Military credit is always credited at the 2% rate.

Retirement Calculation

benefit examples:

Tier 1:

2.0% x \$65,000 x 30 yrs = \$39,000 per year

Tier 2:

1.0% x \$65,000 x 30 yrs = \$19,500 per year

*

Service Credit

- Actual Plan Service
- Transferred service and/or Purchased Service
 - May be used towards vesting
 - May be used towards retirement eligibility
- Disability leave accrual
 - May be used towards retirement eligibility
- Pre-plan military service (up to 36 months)
 - May not be used towards vesting
 - May be used to reach retirement eligibility

Disability Hours Credit Conversion Table

40/80 Hours							
# Of Hours		Decimal Equivalent		Months			
0	87	0.0000		0			
88	263	0.0833		1			
264	439	0.1667		2			
440	615	0.2500		3			
616	791	0.3333		4			
792	967	0.4167		5			
968	1143	0.5000		6			
1144	1319	0.5833		7			
1320	1495	0.6667		8			
1496	1671	0.7500		9			
1672	1847	0.8333		10			
1848	2023	0.9167		11			
2024	2199	1.0000		12			
2200	2375	1.0833		13			
2376	2551	1.1667		14			
2552	2727	1.2500		15			
2728	2903	1.3333		16			
2904	3079	1.4167		17			
3080	3255	1.5000		18			
3256	3431	1.5833		19			
3432	3607	1.6667		20			
3608	3783	1.7500		21			
3784	3959	1.8333		22			
3960	4135	1.9167		23			
4136	4311	2.0000		24			

NOTE: Even though this chart stops at 24 months - THERE IS NO LIMIT to the amount of disability leave credit a retiree can be granted.

Anne Arundel County		
Employees Tier 1 Retirement Plan		FINAL
Basic Information		
Name		John Q Doe
Social Security Number		000-00-1234
Street Address		123 Main Street
City, State, Zip		Arnold, MD 21012
Date of Birth		10/6/1966
Marital Status		Married
Spouse Name		Jane Doe
Spouse SSN		000-00-4321
Spouse Date of Birth		8/7/1962
Service Data		
Date of Hire		1/2/1992
Date of Separation from County		12/31/2021
(a) County Employee Service		30.0000
(b) Transferred Service		0.0000
Transferred Employee Contributions?	✓	Not Applicable
Annual Benefit Offset If Contrib's Not Transferred	✓	\$0.00
(c) Purchased Service		0.0000
Months of Pre-County Military Service	✓	36
(d) Credited Years of Pre-County Military Service		3.0000
Unused Disability Hours	✓	1000.00
(e) Unused Disability Leave		0.5000
(f) Total Credited Service		33.5000
(f) = (a)+(b)+(c)+(d)+(e)		
note: benefit calculation will effectively limit to not more than [30 yrs + (d) + (e)]		
Salary Data		
Annual Basic Pay on 12/31/2021	✓	\$85,000
Annual Basic Pay on 12/31/2020	✓	\$82,500
Annual Basic Pay on 12/31/2019	✓	\$79,000
Annual Basic Pay on 12/31/2018	✓	\$0
Annual Basic Pay on 12/31/2017	✓	\$0
Maximum 3 Year Total		\$246,500
Final Average Earnings (FABP)		\$82,166.67
Employee Contribution Data		
Employee Contributions as of 12/1/2021 with interest:		\$140,629.51
Total Post-Tax Contributions:		\$2,000.00

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**Anne Arundel County
Employees Tier 1 Retirement Plan**

FINAL

John Q Doe (000-00-1234)

Retirement Benefits

(1) Percentage Multiplier:
2.0% x Credited Service
= (2.0% x 33.5000)
= 67.000%

(2) Maximum Multiplier:
60% + 2.0% x (Disability Leave Service + Pre-County Military Service)
= 60% + 2.0% x (3.5)
= 67.000%

(3) Annual Benefit at Normal Retirement Date (1/1/2022):

Multiplier x Final Average Earnings
= 67.000% x \$82,166.67
= \$55,051.68

(4) Annual Benefit at Early Retirement Date:

Not Applicable

(5) Lump Sum Return of Employee Contributions Due to Death:

Not Applicable

Anne Arundel County				
Employees Tier 1 Retirement Plan				FINAL

Name	John Q Doe
Date of Birth	10/6/1966
Social Security Number	000-00-1234
Street Address	123 Main Street
City, State, Zip	Arnold, MD 21012
Marital Status	Married
Spouse Name	Jane Doe
Spouse SSN	000-00-4321
Spouse Date of Birth	8/7/1962
Benefit Commencement Date	1/1/2022
Type of Benefit Calculation	Service Retirement

Benefit Options	Option	Annual Benefit	Monthly Benefit	Monthly Survivor Benefit
Modified Cash Refund Annuity	1.0000	\$55,051.68	\$4,587.64	N/A
100% Joint & Survivor	0.9182	\$50,548.44	\$4,212.37	\$4,212.37
80% Joint & Survivor	0.9335	\$51,390.72	\$4,282.56	\$3,426.05
66 2/3 % Joint & Survivor	0.9439	\$51,963.24	\$4,330.27	\$2,886.85
50% Joint & Survivor	0.9574	\$52,706.52	\$4,392.21	\$2,196.11
100% Joint & Survivor Pop Up	0.9048	\$49,810.80	\$4,150.90	\$4,150.90
80% Joint & Survivor Pop Up	0.9224	\$50,779.68	\$4,231.64	\$3,385.31
66 2/3 % Joint & Survivor Pop Up	0.9344	\$51,440.28	\$4,286.69	\$2,857.79
50% Joint & Survivor Pop Up	0.95	\$52,299.12	\$4,358.26	\$2,179.13
Social Security Adjustment Until Age 62	N/A	\$65,813.76	\$5,484.48	\$0.00
Social Security Adjustment At Age 62	N/A	\$47,069.76	\$3,922.48	\$0.00

(Note: Soc Sec Adj amounts stated here are estimates until Actuary performs the actual calculations).

Retirement Payment Options

Modified Cash Refund

This is the normal form of payout under the Employees' Retirement Plan. This payment provides you with a monthly benefit during your lifetime.

If you die before you receive an amount equal to your employee contributions including interest, the remainder will be paid to the last designated beneficiaries on file with the Office of Personnel.

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Retirement Payment Options

Joint and Survivor Options

Under this option you may designate one joint annuitant, either a spouse or, if eligible, a child.

Upon your death, this person would receive 100%, 80%, 66 2/3% or 50% of your monthly income for their lifetime.

Your monthly amount would be reduced based on the election you choose at retirement.

*



Retirement Payment Options

Joint and Survivor Pop-Up Options

If your joint annuitant predeceases you, your benefit "pops-up" (increases) to the amount of the unreduced Modified Cash Refund amount.

Under this option you may designate one joint annuitant, either a spouse or, if eligible, a child.

Upon your death, this person would receive 100%, 80%, 66 2/3% or 50% of your monthly income for their lifetime.

Your monthly amount would be reduced based on the election you choose at retirement.

This option is not available for Tier 2 participants

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Retirement Payment Options

Social Security Adjustment Option

The retiree is provided with a larger monthly benefit until the attainment of age 62 and a smaller payment thereafter. The sum of the pension plan benefit and the social security benefit is intended to remain level before and after age 62.

You may not combine this option with another option. This benefit ends at death of participant. There is no refund remaining contributions and interest.

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Cost of Living Adjustments

Benefit adjustments due to COLA's occur on July 1 of each year. There are two different COLA's: one is applied to benefits earned (accrued) prior to February 1, 1997; the other is applied to benefits earned after January 31, 1997.

Pre 2-1-97 Benefit: 3% cap, simple

- Must be retired on or before June 1st
- First COLA will be prorated based on when you retire

Post 2-1-97 Benefit: 60% of CPI up to 2.5% cap, compounded

- To be eligible for first COLA, you must be
- * retired on or before January 1st

Monthly Benefit	Monthly Pre 2/1/1997 COLA Split	Monthly Post 2/1/1997 COLA Split	Non-Taxable (67)	Taxable (68)
\$4,587.64	\$186.39	\$4,401.25	\$5.56	\$4,582.08
\$4,212.37	\$171.14	\$4,041.23	\$5.56	\$4,206.81
\$4,282.56	\$174.00	\$4,108.56	\$5.56	\$4,277.00
\$4,330.27	\$175.93	\$4,154.34	\$5.56	\$4,324.71
\$4,392.21	\$178.45	\$4,213.76	\$5.56	\$4,386.65
\$4,150.90	\$168.65	\$3,982.25	\$5.56	\$4,145.34
\$4,231.64	\$171.93	\$4,059.71	\$5.56	\$4,226.08
\$4,286.69	\$174.16	\$4,112.53	\$5.56	\$4,281.13
\$4,358.26	\$177.07	\$4,181.19	\$5.56	\$4,352.70
\$5,484.48	\$222.83	\$5,261.65	\$5.56	\$5,478.92
\$3,922.48	\$159.37	\$3,763.11	\$5.56	\$3,916.92

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FINAL STAGE COMPLETING THE RETIREMENT PROCESS

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What do I do?

- Schedule a counseling session 4-8 weeks prior to your retirement date
- Review the final figures and paperwork sent to you by the analyst
- Notify your employer at least 2 weeks prior to retirement
- Locate copies of your marriage certificate (if applicable) as well as proof of birth for both you and your spouse. Birth certificates are required for all dependents covered on your retiree insurance.



What should I bring



- Federal and state taxes will be withheld from your pension. We can not provide tax advice. Maryland is the only state tax we will withhold.
- You must sign up for direct deposit AGAIN. You will need to bring a voided check or copy of savings deposit slip or bank direct deposit form.
- Bring proof of birth dates for both you and joint annuitant as well as a copy of your marriage license (if applicable). Birth certificates are required for all dependents covered on retiree insurance.

Reemployment After Retirement

Reemployment with an Anne Arundel County Pension System participating employer:

If you are reemployed with the County after you retire your retirement benefit will be offset

\$1.00 for every \$2.00

you earn as a rehired retired employee.



Exceptions to Reemployment Offset

- Rehired with the County in a contractual agreement to work **1500 hours or less** per Calendar Year;*
- Rehired with the County in a grant funded position regardless of hours*;
- Rehired with the County with the Office of the State's Attorney or the Office of the Sheriff in a position that requires the employee to be certified as a Police Officer by the Police Training Commission. Note: Retiree must have been certified as a Police Officer by the PTC at the time the employee retired.

NOTE: *Certain employees who retired from exempt positions may still incur an offset.

Reemployment After Retirement

County policy requires that a retiree be removed from the County payroll for at least 30 days before being reemployed.

No offer of re-employment should be discussed by you and your employer prior to retirement.

NOTE: Distributions from your 457(b) T. Rowe Price account are not permitted during your period of reemployment. You are permitted to resume deferrals into that Plan.

Reemployment After Retirement

OTHER THAN Anne Arundel County Government:

NO RESTRICTIONS

If you elected a normal or early service retirement and accept employment with the private sector or with a non-participating employer.

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Employee Retirement Savings Plan (ERSP)

(effective for NEW HIRES July 1, 2018)

- Assets are immediately available to the participant when County employment ends.
- Early withdrawal tax penalties apply before age 55 or 59 ½ depending on employment separation date.
- No action is required at retirement.
- Distributions mandatory starting at age 72.

Employee Retirement Savings Plan (ERSP)

Vesting Requirement

The County contributions will be vested **20% per year with a 5 year graded** schedule as follows:

<u>Vested percentage</u>	<u>Years of service</u>
20%	1 year
40%	2 years
60%	3 years
80%	4 years
100%	5 years

You are always **100% vested** the employee contributions portion of your account.



The Anne Arundel County
Deferred Compensation Plan

IT'S A
SNAP!

NEW!

We now offer a ROTH option in our 457(b) Deferred Compensation plan

This will allow you to contribute to your 457 account on an after tax basis and pay no taxes on qualifying distributions when the money is withdrawn.

There is a minimum of 5 years from first deposit and age 59 1/2 to get the tax savings.



The Anne Arundel County
Deferred Compensation Plan

IT'S A
SNAP!

- Administered through T. Rowe Price
- Allows for additional savings pre-tax or Roth
- Offers various investment Retirement Funds
- Deferrals may be changed at any time
- Deferrals may be stopped at any time
- Enroll at any time



The Anne Arundel County
Deferred Compensation Plan

IT'S A
SNAP!

- Lesser of 100% of eligible compensation or IRS Limitation
- Contribution Limit 2023: \$22,500
- Over 50 Catch-up 2023: \$7,500 (\$30,000 total)
 - Roth only for income above \$145,000 starting 1/1/2024
- 457 Special Catch-up:
 - 2 x allowable limit (\$45,000) in the 3 consecutive calendar years prior to year of normal retirement age.
 - not required to retire after participating.
- Final balances for Annual Leave, Disability Leave, Comp hours (except executive CT) are all eligible to be deferred into your Plan account

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The Anne Arundel County
Deferred Compensation Plan

IT'S A
SNAP!

In-Service Distributions Limited to:

- 1) Loan
- 2) Unforeseeable Emergency (Financial Hardship), or
- 4) You are 59 ½ or older
- 5) Qualified Birth or Adoptions

After-Retirement Distributions:

- Assets are immediately available to the participant upon retirement
- No decision or action required at retirement
- Distributions mandatory starting at age 72 (new)
- Taxed as ordinary income at distribution



The Anne Arundel County
Deferred Compensation Plan

IT'S A
SNAP!

Distribution Options:

- Do Nothing
- Lump Sum
- Partial Lump Sum
- Installment payments
- Fixed payment amount over period of X years
- Rollover to an eligible retirement plan.





The Anne Arundel County
Deferred Compensation Plan

ITSA
SNAP!

Loans after Retirement

If you have an existing loan balance at the time you separate from employment you may:

- Contact TRP and arrange to make manual monthly payments on the existing balance
- Contact TRP and request the total payoff amount and pay in full
- Cure Period: the period of time allowed by the County following a missed payment before a loan is considered in default. **Our cure period is the end of the calendar quarter following missed contributions, not less than 90 days.** Interest still accrues on the balance during the cure period.
- Once the cure period ends, if the participant has not made arrangements to pay off the loan or pay monthly payments, the County will instruct TRP to do a Plan Loan Offset.
- A Plan Loan Offset is the reduction of the Plan's total assets by the outstanding loan amount. The loan amount ceases to exist and the participant's loan balance is reduced to \$0. This is considered a "distribution". In January of the following year of this offset the participant will receive a 1099-R tax form.
It will be a taxable event.

Pension Team

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Lynn Daitch - Analyst

Kellie Reilly - Assistant for M-Z

Wendy Graulich - Assistant for A-L

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