

***Caroline County, Maryland,  
Employees' Pension Plan***

**For Police and Public Safety Employees**

**Effective 2003**



***This booklet summarizes the Caroline County, Maryland, Employee Pension Plan ONLY as it applies to police and other public safety employees.***

***A separate booklet describes the plan as it pertains to other employees.***

## ***Your Pension Plan — An Overview***

Retirement means different things to different people. But no matter how you envision your retirement, one thing is certain — you'll need ongoing income to replace your regular paycheck. Your Pension Plan, together with Social Security and other personal savings and investments, can give you the financial security you'll need.

This description uses everyday language to give you an overall understanding the Pension Plan, so not all details may be included. Details in the official Plan Document will prevail in the event of any conflict between the official Plan Document and the descriptions in this booklet. For a copy of the Plan Document, contact the Human Resource office or visit the County's Web site.

If you have any questions about the information in this booklet, please contact the Human Resources Department.

## ***Pension Plan Funding***

Caroline County, Maryland, pays the full cost of the Plan. Employees are not allowed to contribute to it.

To increase your retirement benefits, you should consider participating in the County's Section 457 Deferred Compensation Plan. Contact your Human Resources Department for details.

***The amount of your benefits is based on your years of credited service, which means your uninterrupted service as a Caroline County employee.***

### ***Pension Plan Eligibility***

All permanent Police and other Public Safety employees scheduled to work at least 20 hours per week automatically participate in the Pension Plan from their date of hire. The following are included:

- Sworn police officers
- Correctional officers
- Emergency medical technicians
- Cardiac rescue technicians
- Paramedics
- 911 dispatchers

Employees who transfer to or from a public safety position must have been in a public safety position for at least 15 years to qualify for the benefits described in this booklet. Otherwise, they will be treated as a non-public service employee.

### **Eligibility and Service Requirements**

***Eligibility*** for benefits is based on your years of ***eligibility service***, which means your period of service as a Caroline County employee.

The ***amount*** of your benefits is based on your years of ***credited service***, which means your uninterrupted service as a Caroline County employee, plus up to three years of credit for service in the United States military. In addition, a police employee serving in the Sheriff's Department on December 31, 2002, and who had at least 15 years of credited service as a Caroline County police officer would receive credit for up to five more years of service if he or she had previously been a sworn police officer for another municipality in Caroline County.

If you terminate employment while in good standing with Caroline County and later return as an employee, your prior eligibility and credited service will be reinstated.

**Full (Normal) Retirement Benefits Eligibility**

Police and Public Safety employees are eligible for full retirement benefits when they terminate employment after either:

- Having 25 years of *eligibility service*
- Reaching age 62 and having five years of *eligibility service*.

*Eligibility service* was defined on page 3.

**Calculation of Your Pension Benefit**

Your Pension Plan benefit amount depends on two things:

- **Final average earnings.** Under the Pension Plan, this is the average of your normal rate of pay as of the first day of each month during your final 36 months of employment.

If your rate of pay decreases during that time, the Pension Plan will use the average of the best pay you received for 36 consecutive months while serving Caroline County.

*Final average earnings* does not include overtime, bonuses, or other special payments or allowances.

- **Credited service.** See the previous page for a description.

The formula for calculating a pension is:

1.6% times credited service
MULTIPLIED BY
Final average earnings

**Example**

Scott is ready to retire at age 50. He has 25 years of eligibility and credited service and \$30,000 in final average earnings. The formula works as follows for his annual pension:

$$1.6\% \text{ times } 25 \text{ years of credited service (or } 40\%) \text{ times } \$30,000 = \$12,000$$

Because Scott's annual pension is \$12,000, he will receive \$1,000 a month.

The following page illustrates annual pensions at various levels of credited service and final average earnings.

**Annual Pension Benefit Illustrations**

Years of Credited Service	Final Average Earnings				
	\$ 25,000	\$ 30,000	\$ 35,000	\$ 40,000	\$ 45,000
5	\$ 2,000	\$ 2,400	\$ 2,800	\$ 3,200	\$ 3,600
10	\$ 4,000	\$ 4,800	\$ 5,600	\$ 6,400	\$ 7,200
15	\$ 6,000	\$ 7,200	\$ 8,400	\$ 9,600	\$ 10,800
20	\$ 8,000	\$ 9,600	\$ 11,200	\$ 12,800	\$ 14,400
25	\$ 10,000	\$ 12,000	\$ 14,000	\$ 16,000	\$ 18,000
30	\$ 12,000	\$ 14,400	\$ 16,800	\$ 19,200	\$ 21,600
35	\$ 14,000	\$ 16,800	\$ 19,600	\$ 22,400	\$ 25,200
40	\$ 16,000	\$ 19,200	\$ 22,400	\$ 25,600	\$ 28,800

Notes: \* Benefits are reduced when they start early (see page 7).  
 \* Benefits are reduced if taken in an optional form (see page 8).

***Early Retirement Pension***

If your employment with Caroline County ends before you become eligible for full (normal) retirement benefits, you may be eligible for an ***early retirement pension***. Police and Public Safety employees are eligible for reduced early retirement benefits when they terminate employment after both:

Having 20 years of eligibility service

AND

Being at least age 50

*If your employment with Caroline County ends before you become eligible for full (normal) retirement benefits, you may be eligible for an early retirement pension.*

Your early retirement pension will be determined using the same procedure as for full (normal) retirement benefits except that the amount will be reduced by 1/30<sup>th</sup> for each year that early retirement precedes your normal retirement date.

Here are examples of early retirement reductions:

<b>Years Early</b>	<b>Reduction Factor</b>
1	96.67%
2	93.33%
3	90.00%
4	86.67%
5	83.33%
6	80.00%
7	76.67%
8	73.33%
9	70.00%
10	66.67%
11	63.33%
12	60.00%
13	56.33%
14	53.33%
15	50.00%

**Example**

Bob wants to retire at age 55 with 20 years of eligibility and credited service. His final average earnings are \$40,000. If Bob could wait until age 62, he would receive an annual pension of \$12,800.

$1.6\% \text{ times } 20 \text{ years (or } 32\%) \text{ times } \$40,000 = \$12,800 \text{ a year}$
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If he chose to retire at age 55 — seven years early — Bob’s early retirement pension would be as follows:

\$12, 800 times 76.67% (the reduction factor) = \$9,814 a year

### ***Payment Options***

Retirees receive a monthly pension for life. In addition, if you are legally married when you retire, when you die, your surviving spouse will receive your full pension for the remainder of his or her life. Most married participants chose this *standard form of payment*.

On the other hand, retirees have these other payment options:

- ***Ten years of guaranteed payment.*** With this option, you would receive a **smaller** monthly pension during your lifetime, but payment would be guaranteed for 10 years. If you died before the 10-year period ended, your beneficiary would receive the same amount that you were receiving until the end of the 10 years. If your beneficiary died first, the remaining guaranteed payments would go to your secondary beneficiary or to your estate.
- ***Joint and survivor annuity.*** If you are not married at retirement, you may choose to receive a smaller pension for life. When you die, your designated beneficiary would then receive one-half, two-thirds, or your entire pension, depending on your decision. If your designated beneficiary died before you, no further monthly payments would be made after your death.
- ***Lump sum.*** Under this option, you would receive a lump-sum payment equal to the actual value of the monthly pension otherwise payable to you for life. No other benefits would be paid from the Plan. If you chose this option, you would **not** be eligible to receive any retiree medical benefits from Caroline County.

***If you choose a lump-sum payment of retirement benefits, you will NOT be eligible to receive retiree medical benefits from Caroline County.***

***If you are married when your pension starts, we will automatically assume you want to receive the standard form of payment, with monthly payments going to your spouse upon your death. To choose a different option, you must supply your spouse's written consent.***

When you apply for retirement, you will receive a written estimate of your pension under each of the above options.

If you are married when your pension starts, we will automatically assume you want to receive the *standard form* with monthly payments going to your spouse upon your death. To choose a different option, you must supply your spouse's written consent.

### ***Survivor Benefits***

If you die during or after employment but before you start receiving any retirement benefits, your spouse or other beneficiary will be entitled to survivor benefits.

The survivor benefit will be a lump-sum payment equal to the value of the pension that would have been payable to you. As an alternative, your beneficiary may receive a monthly pension at the same amount that you would have received.

If you are legally married, you may name someone other than your spouse as your beneficiary, but only with your spouse's written consent.

### ***Deferred Vested Pension***

If you terminate employment for any reason other than normal retirement, early retirement, or death and have at least five years of eligibility service (see page 3) you will be entitled to a ***deferred vested pension***.

If you do not have five years of eligibility service, no benefits will be paid from this Pension Plan.

## Caroline County — Pension Plan for Police and Public Safety Employees

Your *deferred vested pension* is calculated by multiplying your *earned pension* by your *vesting percentage*. Your *earned pension* is calculated using the full (normal) retirement pension formula. Your vesting percentage is determined from the following table:

Years of Eligibility Service	Vesting Percentage
Under 5	None
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

However, if you were hired before September 16, 1997, and have five years of eligibility service, your vesting percentage will be 100%.

*Deferred vested pensions* start at age 65. You may receive a smaller pension earlier, but not before age 62. The amounts payable at various ages are:

Age Benefits Begin	Reduction
62	90.00%
63	93.37%
64	96.67%
65	100%

If the value of your deferred pension is less than \$20,000, you may choose to receive it as a lump-sum payment. If it is more than \$20,000, you may **not receive** a lump-sum payment.

**Example**

Mary leaves after seven years with Caroline County. Her final average earnings are \$30,000. She was a Caroline County Public Safety employee for six years and spent two years in the military. Her earned pension is

$1.6\% \text{ times } 6 \text{ years times } \$30,000$
$\text{EQUALS}$
$9.6\% \text{ times } \$30,000$
$\text{EQUALS}$
$\$2,880$

She has eight years of eligibility service (six years with Caroline County plus two years of military service). Therefore, her vesting percentage is 80%. Mary's annual deferred pension is:

$80\% \text{ times } \$2,880 = \$2,304$
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Mary may receive this amount at age 65. If she wants benefits to start at age 62, the early retirement reduction factor is 90.00%. She will receive:

$90\% \text{ times } \$2,304 = \$2,074$
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**Rule of 80**

A police employee who was a sworn police officer in the County’s Sheriff’s Department on December 31, 2002, may retire early under the Rule of 80. In almost all circumstances, however, the standard plan provisions offer a better benefit.

To be eligible for a pension when your employment ends, you must be at least age 50; your age and service must total at least 80. For this purpose, your service includes the sum of:

1. Your service as a Caroline County sworn police officer
2. Your service as a Caroline County corrections officer if you have at least 15 years as a sworn police officer
3. Up to two years of military service
4. Up to five years of service as a sworn police officer in another jurisdiction other than as a state police officer
5. Up to five years of service as a state police officer assigned to Caroline County
6. Service as a sworn police officer for a municipality in Caroline County if you have at least 15 years of service as a Caroline County sworn police officer.

If you qualify for the Rule of 80 and you retire after age 55, your benefit will not be reduced.

If you qualify for the Rule of 80 and you are between ages 50 and 55, your benefit will be reduced as follows:

<b>Retirement Age</b>	<b>Reduction</b>
50	83.33%
51	86.67%
52	90.00%
53	93.33%
54	96.67%

### ***Transfer to State of Maryland Pension Plan***

If you become a state employee and transfer your pension credit to the State of Maryland pension system, you will not receive any benefits under this Plan.

### ***Annual Cost-of-Living Review***

Caroline County will, during annual budget deliberations, consider whether a cost-of-living adjustment will be made in the pensions being received by retirees.

### ***Other Retirement Benefits***

The Caroline County Pension Plan is just part of the total retirement income picture. Others are:

- **Social Security.** This federal program is for retired people and some people with certain severe disabilities. Caroline County and you have been paying taxes throughout your career so that you can receive Social Security benefits when you retire.
- **County Section 457 Deferred Compensation Plan.** You may contribute funds to this program and receive additional benefits when you retire.
- **Personal savings and investments.** Financial planners suggest replacing 60% to 80% or more of your income at retirement. While only you can determine exactly how much, you'll probably need personal savings as well as Caroline County-earned benefits and Social Security.

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***This booklet introduces the Caroline County, Maryland, Pension Plan and highlights key features. It does not contain complete descriptions of the features. They are outlined in the official Plan Document. Should the information in this brochure differ from what's in the official Plan Document, the official information shall prevail. While Caroline County intends to continue the Plan described in this booklet, it reserves the right to amend, modify, reduce, or terminate the Pension Plan.***

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