



Understanding Your Retirement Statement



EMPLOYEE AND RETIREE SERVICE CENTER • MONTGOMERY COUNTY PUBLIC SCHOOLS • ROCKVILLE, MD

SEPTEMBER 2009

MCPS Announces Retirement Statements Online

Annual Retirement Statements are now available online.

MCPS Pension Plan Paper statements will no longer be mailed.

Members of the MCPS Core or Supplemental Pension Plan will be able to access their Personal Statement of Retirement Benefits through the MyMCPS link on the MCPS website.

► **View or save your Annual Retirement Benefit information including:**

- Eligibility dates for normal and early retirement
- Projected benefit amounts at normal and early retirement dates
- Eligibility and credited service
- Purchased, transferred, and military service
- Vested benefits in the event of termination prior to retirement

► **Cost-of-living provisions**

► **Access to prior years' statements**

► **Secure access to your retirement information 24 / 7**

Retirement Forms

Benefit Enrollment and Retirement Forms

Form number	Form name
MCPS 455-20	Employee Benefit Plan Enrollment (Designation of Life Insurance Beneficiaries)
MCPS 455-22	Retiree Benefit Plan Enrollment (Designation of Life Insurance Beneficiaries and Benefit Continuation)
MCPS 455-5	Designation of Beneficiary (for MCPS Pension Plan)
MCPS 455-18	Statement of Military Service
State Form 4	Designation of Beneficiary (for SRA Pension Plan)
State Form 43	Claim of Retirement Credit for Active Duty Military Service

NOTE: This is an abbreviated list of forms to be completed for retirement. If you are within 1 year of retirement, please contact ERSC for a complete list of retirement forms.

IN THIS ISSUE

- 2006 Pension Improvements
- Retirement Benefits
- Obtaining Additional Service
- Sick and Annual Leave Balance at Retirement
- Eligibility and Credited Service
- Retirement COLA
- Life Insurance and Pension Death Benefit
- Retirement Savings Plans
- Retirement Timeline
- Should I Work Past My Normal Retirement Date?

2006 Pension Improvements

In April 2006, the Maryland General Assembly approved changes to the formula used to calculate pension benefits for employees covered by the Maryland State Teachers' Pension System, retroactive to July 1, 1998. The change improved the multiplier to 1.8 percent of average final earnings from 1.4 percent of average final earnings for each year of credited service after July 1, 1998.

The Board of Education then made two changes to the pension plan provided to MCPS employees. First, the Board of Education improved the core benefit formula for approximately 4,800 MCPS employees not covered by the Maryland State Teachers' Pension System to match the improvement made for state members.

Second, the Board of Education improved the benefit multiplier for all MCPS employees' supplemental pension plan to .2 percent of average final earnings for each year of credited service after July 1, 1998.

The net effect of these changes is that the retirement benefit for an employee hired after July 1, 1998, who completes a 30-year career with MCPS will equal 60 percent of average final earnings instead of the 45 percent benefit provided by the old formula. Employees hired prior to July 1, 1998, will

see the improved benefit for service from July 1, 1998, forward.

Employees were required to support the

Retirement Workshop Dates 2009–2010

All workshops will be held at CESC, 850 Hungerford Drive, Rockville, MD. For information, please visit the ERSC website.

DATE		TIME
Monday,	Oct. 12	4:30–6:30 p.m.
Monday,	Nov. 4	4:30–6:30 p.m.
Wednesday,	Feb. 24	4:30–6:30 p.m.
Monday,	March 1	4:30–6:30 p.m.
Tuesday,	March 16	4:30–6:30 p.m.
Wednesday,	April 7	4:30–6:30 p.m.

Forms Workshop Dates 2009–2010

Monday,	Nov. 9	4:30–6:30 p.m.
Tuesday,	March 9	4:30–6:30 p.m.
Wednesday,	March 24	4:30–6:30 p.m.
Thursday,	April 22	4:30–6:30 p.m.

higher cost of the benefit improvement by paying a higher contribution rate. Effective July 1, 2008, the required employee contribution is 5.5 percent of covered salary.

By improving the supplemental benefit for pension plan participants, the Board of Education is providing MCPS employees with higher overall pension benefits than school system employees elsewhere in the state of Maryland. ■

Q How can I obtain additional information about the details of my MCPS pension plan?

A. In addition to the information in this publication, reference information is available on the ERSC website at www.montgomeryschoolsmd.org/departments/ersc/retirement_planning.shtm. Questions or comments may be sent directly to the Employee and Retiree Service Center, 7361 Calhoun Place, Suite 190, Rockville, MD 20855. ■

Retirement Benefits

Your MCPS Personal Statement of Retirement Benefits provides an annual benefit estimate of future retirement benefits. In order to provide this information, certain assumptions were made. The annual benefit amount shown assumes an employee will continue to work until he/she is eligible to retire. In addition, the amounts indicated do not assume any increase in wages or any change in work schedules, although it is expected that salaries will increase over time.

Normal Retirement

The normal retirement date is when an employee is eligible for a full, unreduced retirement benefit.

Eligibility service in the pension plan is used to qualify for retirement and credited

service is used to calculate your retirement benefit. The more credited service you earn, the greater your retirement benefit.

The following chart details when and how MCPS pension plan members become eligible for normal retirement.

Age	Years of eligibility service
Any	30
62	at least 5 years
63	at least 4 years
64	at least 3 years
65	at least 2 years

Normal Retirement Example

An employee at age 52 with 30 years of eligibility and credited service and an

average final salary of \$60,000 is entitled to full retirement benefits.

	Monthly Benefit	Yearly Benefit
Supplemental benefit	\$ 300.00	\$ 3,600.00
Core benefit	\$2,700.00	\$32,400.00
TOTAL	\$3,000.00	\$36,000.00

Early Retirement

If an employee chooses to retire prior to his/her normal retirement date, he/she will receive a reduced retirement benefit. This is referred to as early retirement. To retire early, an employee must be at least age 55 and have at least 15 years of eligibility service.

If an employee chooses to retire early, the

continued on page 3

Obtaining Additional Service (Purchasing, Transfer, and Military)

Purchasing Service

During the 12 months preceding re-retirement, an employee may be able to purchase additional service under various categories. Purchasing service at retirement can increase the retirement benefit amount, and an employee may qualify for retirement earlier than anticipated.

An employee may purchase a minimum of one month, up to a maximum of 10 years, if he/she was previously employed by one of the following:

- ▶ Federal government
- ▶ Out-of-state municipality
- ▶ Nonparticipating Maryland municipality
- ▶ Private, parochial, or out-of-state school (teaching only)

The employee pays the full cost of purchased service. The cost depends on age, final salary, and the amount of service he/she wants to purchase. Typically, purchasing service is expensive.

In addition, previous service may be purchased for leave periods for the following types of qualified approved leave:

- ▶ Personal illness
- ▶ Professional leave
- ▶ Academic leave

- ▶ Adoption leave
- ▶ Maternity/paternity leave
- ▶ Government-sponsored or subsidized employment
- ▶ Service in a professional or employee organization

An employee may receive retirement credit for the types of leave noted above. If an employee is on a paid qualified leave of absence, contributions are paid during the time of leave and he/she earns service credit. If the employee is on an unpaid qualified leave of absence, he/she can purchase service for the period of leave after returning to work.

Employees do not have to wait until the time of retirement to purchase credit for periods of approved leave. Purchasing leave of absence time is less costly when it is purchased immediately after returning to work.

It is extremely important to file all required paperwork during an approved leave of absence. This will ensure that the employee is eligible to purchase service credit for the period of leave and the active employee pension death benefit will remain in effect during the period of

leave. The employee must repay any contributions missed during the approved leave (plus interest) to be eligible for retirement credit.

Transfer of Service

If an employee is eligible, there is no cost to transfer service to MCPS from one of the following agencies:

- ▶ Another school system within Maryland
- ▶ State of Maryland government
- ▶ Maryland-National Capital Park and Planning Commission (M-NCPPC)

To be eligible, the employee has to transfer directly into an MCPS position from another position, with no break in service. The transfer of service must be between similar plans. The MCPS pension plan is a defined benefit plan, and to be eligible to transfer service into the MCPS plan, the employee's service and contributions must be from another defined benefit plan. Transferred service has to be applied for within the first year after changing positions. Once approved, the employee's service and contributions will be transferred. MCPS works in collaboration with the previous employer to verify and process the transfer of service and contributions.

continued on page 8

continued from page 2

retirement benefit will be reduced by 6 percent per year, prorated for years and months of service for each year retired prior to age 62.

For example, if an employee decides to retire at age 55 and has the required eligibility service, he/she would retire seven years early, based on age. The benefit would be reduced by 42 percent (7 years x 6 percent). Table 1 below is an example of an early retirement calculation.

Vested	5 or more years of eligibility service
Non-vested	Less than 5 years of eligibility service

Vested Benefits

If an employee terminates employment before he/she qualifies for retirement, but after earning five years of eligibility service,

the retirement benefit earned as of his/her termination date will be paid beginning at the normal retirement age of 62. This is called a vested benefit. You must apply for this benefit, it is not automatic.

If an employee terminates employment before becoming vested, he/she will receive a refund, or may roll over any employee contributions and interest to date, and will not be entitled to any future retirement benefit. ■

TABLE 1. Early Retirement Example — age 61 with 20 years of eligibility service, \$60,000 Average Final Salary (AFS)

	Monthly Benefit before Reduction	Monthly Benefit with Reduction	Yearly Benefit before Reduction	Yearly Benefit with Reduction
Supplemental benefit	\$ 200.00	\$ 188.00	\$ 2,400.00	\$ 2,256.00
Core benefit	\$ 1,800.00	\$1,692.00	\$ 21,600.00	\$ 20,304.00
TOTAL	\$ 2,000.00	\$1,880.00	\$ 24,000.00	\$ 22,560.00

Sick and Annual Leave Balance at Retirement

At the time of retirement, employees receive two separate benefits, based on their earned unused sick leave balance.

1. Termination Pay for Unused Sick Leave—requires five years of service and is equal to the final hourly rate of pay times 25 percent of the earned sick leave balance. The 25 percent sick leave payoff is increased to 30 percent for SEIU and MCAASP employees with 30 years of service at retirement. Employees represented by MCEA will receive the 30 percent payment only if they elect to retire on July 1, 2010, or any July 1 thereafter, and submit final retirement forms to ERSC by April 1. MCEA members do not have to have 30 years of service to be eligible for the higher benefit. MCEA members electing to retire at any other time of the year or who do not submit their paperwork for a July 1 retirement by April 1 will be paid 25 percent of their earned sick leave. The sick leave payoff will be sent from ERSC a few weeks after retirement. Some employees elect to tax-shelter all or a portion of their sick leave payoff using their 403(b) or 457(b) plans. Arrangements for the deposit of the sick leave payoff into a tax-deferred account must be made two months prior to retirement and is subject to the IRS maximum annual 403(b) and 457(b) plan contribution limits.

2. Additional Retirement Credited Service—Unused earned sick leave is automatically converted to additional credited service at retirement

and the additional service is included when your retirement benefit amount is calculated. You receive one month of additional credited service for every 22 days (or 176 hours) of unused sick leave accumulated, up to a maximum of 20 months or two years credit.

Sick Leave (in hours)	Service Credit (in months)
0–87	0
88–263	1 month
264–439	2
440–615	3
616–791	4
792–967	5
968–1143	6
1144–1319	7
1320–1495	8
1496–1671	9
1672–2199	1 year/10 months
2200–2375	11 months
2376–2551	12
2552–2727	13
2728–2903	14
2904–3079	15
3080–3255	16
3256–3431	17
3432–3697	18
3608–3783	19
3784—and up	2 years

Important Note: For all pension plan members, eligibility service determines when an employee qualifies for a retire-

ment benefit. Credited service is used to determine the amount of the benefit. Unused sick leave does not count toward eligibility service; therefore, does not affect when you can retire. The unused sick leave will increase the benefit amount based on the additional credited service. Conversion of sick leave credit is on a graduated scale. Please consult your pay advice where hours of earned leave are displayed. The table to the left displays how unused sick leave is converted to credited service for retirement. For all pension members, 10 months equals one year of credit from September to June.

Unused Annual Leave

MCPS 12-month employees also receive a payoff for earned unused annual leave at retirement, according to the provisions of the bargaining unit contract. Please consult your negotiated bargaining unit contract for the maximum number of days.

Your earned annual and/or sick leave payments are subject to income tax withholding upon payment, unless deferring payments using a 403(b) and/or 457(b) retirement savings account. If an employee is getting close to retirement, he/she should attend a retirement workshop and refer to the ERSC website for complete details about deferring sick and/or annual leave payoff and other retirement-related topics. ■

Eligibility and Credited Service

Your pension statement reflects two types of service—eligibility and credited service.

Eligibility Service

Eligibility service is used to determine when an employee qualifies for a retirement benefit.

Employees earn one year of eligibility service for each year the employee has worked a minimum of 500 hours. Even when an employee works less than 40 hours per week, he/she will receive full eligibility service as long as he/she works at least 500 hours.

Any employee who does not work 500 hours in a fiscal year will have his/her

eligibility service prorated based on hours worked.

Credited Service

Credited service is used in the calculation of your retirement benefit. Employees earn credited service—1 year of credited service is defined as 10 months from September 1– June 30.

If you work part time, the credited service is prorated based on your scheduled hours. An example for two employees who have different work schedules and are eligible for retirement follows.

As expected, if an employee works part time, less credited service will be earned and the retirement benefit will be lower. ■

Yearly Service Earned

Employee 1	Employee 2
Full-time hours (40 / week)	Part-time hours (20 / week)
1 year of eligibility service	1 year of eligibility service
1 year of credited service	½ year of credited service

Retirement COLA

Your benefit is adjusted during your retirement years based on an annual cost-of-living adjustment (COLA). A COLA adjustment is applied to your retirement benefit each year.

The COLA adjustment for all pension plans (MCPS core and supplemental plan and the state core plan) is limited to a 3-percent-per-year adjustment. The COLA adjustment is added to MCPS core and supplemental pension benefits as of January 1 each year and to the state of Maryland core pension benefits as of July 1 each year (Table 2).

The date you will receive your first COLA adjustment depends on the date you choose to retire.

MCPS core and supplemental pension members must be retired as of December 1 to receive the COLA on January 1.

Members of the Maryland state core plan must be retired for one full year before receiving a July 1 COLA.

Table 2 emphasizes how the retirement date will affect COLA increases for both the MCPS core and supplemental pension and the Maryland state core pension. In some instances, retiring one month later will

TABLE 2. When do I Receive My First Retirement COLA?

	Employee retires	First COLA increase will be received on—
MCPS Core and Supplemental Pension Benefits	On December 1, 2009	January 1, 2010
	Between January 1, 2010 and December 1, 2010	January 1, 2011
State of Maryland Core Pension Benefits	On July 1, 2010	July 1, 2011
	Between Aug. 1, 2010, and July 1, 2011	July 1, 2012

result in a one-year delay in receipt of your first cost-of-living adjustment.

The annual COLA is based on the U.S. Department of Labor’s Consumer Price Index (CPI). The CPI is the most widely used measure of inflation. The CPI provides information about price changes in the nation’s economy to government, business, labor, and private citizens, and is used as a guide to make economic decisions. The annual COLA is applied to your current retirement benefit. With every

applied COLA adjustment, your retirement benefit will increase by the compounded COLA amount, and you will receive the adjustment on both your original base retirement amount and on subsequent COLA adjustments.

Table 3 demonstrates the effect of a compound annual COLA on a sample \$1,000.00 per month core and \$90.00 per month supplemental pension benefit. In the example, each year’s COLA is shown as 3 percent; however, each subsequent COLA increase is larger, due to the effect of compounding. ■

Q How is my retirement benefit amount determined?

A. The MCPS Pension Plan is a defined benefit plan where your benefit amount is determined by the plan formula, using your years and months of credited service and your average final pay. Average final pay is the average of your highest 3 consecutive years of annualized pay.

Q Does MCPS contribute to my retirement plan?

A. Yes, MCPS makes annual contributions to a trust account to fund future retirement benefits for eligible MCPS employees. The MCPS contribution amount is determined annually, based on an actuarial valuation of plan assets and liabilities. The MCPS contributions are significantly more than the amount an employee contributes.

TABLE 3. The Effect of the Compound Annual COLA

MCPS Core Pension Benefit	COLA	Monthly Benefit
Initial Monthly Retirement Benefit as of 7/1/10		\$ 1,000.00
First COLA Adjustment of 3% as of 1/1/11	\$ 30.00	\$ 1,030.00
Second COLA Adjustment of 3% as of 1/1/12	\$ 30.90	\$ 1,060.90
Third COLA Adjustment of 3% as of 1/1/13	\$ 31.83	\$ 1,092.73
Fourth COLA Adjustment of 3% as of 1/1/14	\$ 32.78	\$ 1,125.51
<i>Note: State Core benefit COLA is effective on July 1 each year.</i>		
MCPS Supplemental Pension Benefit	COLA	Monthly Benefit
Initial Monthly Retirement Benefit as of 7/1/10		\$ 90.00
First COLA Adjustment of 3% as of 1/1/11	\$ 2.70	\$ 92.70
Second COLA Adjustment of 3% as of 1/1/12	\$ 2.78	\$ 95.48
Third COLA Adjustment of 3% as of 1/1/13	\$ 2.86	\$ 98.34
Fourth COLA Adjustment of 3% as of 1/1/14	\$ 2.95	\$ 101.29

Life Insurance and Pension Death Benefits

Life Insurance Death Benefit

Employees are automatically enrolled in basic term life insurance, effective the first day of the month following their hire date. The value of the basic life insurance is based on the employee's annual salary (rounded to the nearest \$1,000 and multiplied by 2). MCPS and the employee share the cost of basic life insurance—an employee pays 10 percent and MCPS pays 90 percent of the required premium. An employee can decline the life insurance when completing the benefit enrollment form as a new hire or make changes during a subsequent open enrollment period.

At the time of employment, employees covered by basic life insurance must name one or more beneficiaries for their life insurance. An employee may designate a person(s) as the beneficiary(ies), or the employee may name an estate or organization. He/she can elect to name both primary and contingent beneficiaries. A primary beneficiary(ies) is the employee's first designation to receive the life insurance benefit at the time of death. A contingent beneficiary(ies) is the individual(s) who would receive the life insurance benefit in the event that all primary beneficiary(ies) are no longer living at the time of death.

All eligible employees enrolled in basic life insurance are entitled to purchase additional life insurance equal to one time their annual salary. The cost of optional life insurance is based on age and is paid entirely by the employee through payroll deductions. Current employees who did not elect coverage during the initial period of eligibility can enroll during a future open enrollment. They will be required to provide evidence of insurability and

be approved for coverage by the Prudential Life Insurance Company.

What Happens to Life Insurance When I Retire?

At retirement, an employee may either elect to continue life insurance coverage or cancel coverage completely. If the employee elects to cancel coverage, he/she is not permitted to re-enroll.

The life insurance carried into retirement is a reducing amount. At retirement, your basic life insurance value is 42.5 percent of the active life amount. On the anniversary of your retirement over the next four years, the life insurance will be reduced by 7.5 percent of the active life amount. In your fifth year, the final value of 12.5 percent of the active life amount will remain for your lifetime benefit, as long as the premiums are paid.

There is a monthly premium for retiree life insurance. The current rate is .4236 cents per \$1,000 of coverage per month. The premiums will be deducted from your retirement check. Rates for retiree life insurance are subject to change.

The optional life insurance plan ends at retirement. The employee may elect to convert the optional life insurance amount, as well as the difference between the basic life insurance and the initial retiree life insurance amount, to an individual policy through Prudential within 30 days of the effective date of retirement. Please contact the Prudential Life Insurance Company directly at 1-877-889-2070 for life insurance benefit conversion information.

Remember to update your beneficiary information as personal situations change, such as marriage, divorce, or a death in the family. All beneficiary designation forms are available from ERSC. ■

Pension Death Benefit

The pension plan death benefit is separate from the MCPS life insurance benefit.

The retirement plan offers benefits for an employee's designated beneficiary(ies) in the event of the employee's death prior to retirement. The pension death benefit is based on the employee's status at the time of death.

Coverage for an active employee is effective after he/she has completed one year of credited service.

Working—Not Eligible to Retire

If the employee does not have enough years of service to retire (early or normal), the beneficiary(ies) receives a one-time payment at the time of the employee's death, equal to the annual salary at the time of death, plus a refund of any member contributions with interest. If the employee is on leave at the time of death, the leave must be an "approved leave of absence" to qualify for the death benefit.

Working—Eligible to Retire

If an employee is working, but eligible to retire (early or normal) at the time of death, and if the surviving spouse was named as the sole primary beneficiary, the spouse has the option of receiving the annual/monthly lifetime benefit that the employee was eligible for at the time of death instead of a one-time payment of salary and contributions with interest. The eligibility for retirement also makes the surviving spouse eligible for health insurance.

If an employee is working, but eligible to retire at the time of death, but does not have a surviving spouse named as the sole primary beneficiary, the beneficiary(ies) will receive a single payment equal to the employee's annual salary and a return of all member contributions with interest. ■

Q How can I verify my current beneficiary designations?

A. Beneficiary information cannot be provided over the telephone or via e-mail, due to privacy rules. If you are unsure about your beneficiary election, you should update this very important information.

Q How can I update my pension plan beneficiary information?

A. Beneficiary designation forms are available for both the MCPS and state pension plans from several different sources.

You can obtain MCPS Form 455-5: *Designation of Beneficiary/Beneficiaries* from the ERSC website; State Form 4 is available on the State Retirement Agency's website at www.sra.state.md.us. Once completed, you should

forward these forms to ERSC for processing. Remember, separate beneficiary designations are needed for each 403(b) and/or 457(b) account(s). Contact your vendor for applicable forms.

Q I selected beneficiaries for my pension plan, but do not see any beneficiary information. Does this mean there is no record of my beneficiary designations?

A. Beneficiary information is currently stored on paper forms. In the future, beneficiary elections will be made in electronic format, at which time beneficiary information will be added to your annual statement.

Q What do I need to do with my retirement statement?

A. The information contained in the statement about your projected benefits may be used in conjunction with your financial planning for retirement. In addition, you should review all of the information carefully, and promptly advise ERSC in writing about any questions or discrepancies you may have.

Q How often will I receive future retirement statements?

A. You will receive future statements each fall with information updated through the previous fiscal year. ■

Retirement Savings Plans

Employees can supplement their retirement income with additional retirement savings by using the 403(b) and/or 457(b) defined contribution plans. The 403(b) and 457(b) plans are an important way to invest for retirement and offer savings on your current income tax withholdings.

The defined contribution savings plans are tax-deferred personal retirement savings accounts where pre-tax contributions and account earnings are not subject to taxation until the money is withdrawn. All contributions and earnings are held in a personal account (in the employee's name), and employees receive quarterly statements from his/her selected vendor(s).

Any of the nine MCPS-approved vendors (a list is available at www.mcps.yourplan.info) can assist with setting up an account, choosing investments, and providing valuable information for developing a sound financial plan for retirement. Currently, more than 13,000 MCPS employees participate in the voluntary retirement savings programs.

An employee may withdraw contributions and account earnings in the future (typically after retirement, or reaching age 59 ½). Contributions and earnings

are subject to plan and Internal Revenue Service (IRS) withdrawal requirements.

All investments are made on a pre-tax basis through the convenience of payroll deductions. The investments are tax-deferred with no federal, state, or local income taxes imposed on the money contributed until withdrawn from the savings plan.

Currently, employees may contribute no more than 82 percent of their salary, up to the IRS maximum calendar year deferral limit in each retirement savings plan.

MCPS has created a new website for employees seeking information regarding the 403(b) and 457(b) plans available from MCPS. The ERSC website has a direct link to detailed information regarding both 403(b) and 457(b) plans, including links to plan documents and MCPS forms. Employees can review the information by visiting the following link: www.yourplan.info/mcps. Each vendor has a separate page on the website, detailing their investment options and representative contact information. Most of the vendors have the required forms available for download to establish and update your retirement savings accounts. General investment information and definitions of vendor terminology are available along with investment calculators. ■

Retirement Timeline

Employees thinking about retirement should carefully review the following timeline.

Nine to twelve months prior to retirement

- Request an estimate of benefits from the state of Maryland (if applicable) and ERSC. Estimate forms are available on the Employee and Retiree Service Center (ERSC) website.
- Apply to purchase any eligible service.
- Apply for active duty military service credit.
- Prepare your retirement budget.
- Attend a retirement workshop.

Six months prior to retirement

- Discuss your retirement benefit payment options with your family and/or financial advisor.
- Check the applicable union contract for special rules or deadlines based on your membership.
- Review retiree health plan options.

Three months prior to retirement

- Request a packet of retirement forms.
- Determine your federal and state tax withholding amount from your pension, consult with your tax advisor for assistance.
- If eligible, contact the Social Security

Administration to file for Social Security benefits and enroll in Medicare Parts A and B if you and/or your spouse are 65 or older or will turn 65 in the next three months.

- Review your 403(b) and/or 457(b) plan options, including rollover of sick and/or annual leave payout.

One to two months prior to retirement

- Return all retirement forms to ERSC, including 403(b) or 457(b) salary reduction form(s) for rollover of annual and/or sick leave payment(s), and a copy of your Medicare card if you or your spouse is enrolled in Medicare.

Note: All forms must be received by ERSC at least 30 days prior to your retirement date. Failure to submit forms will delay your retirement by one month, resulting in the loss of one month's retirement income and possible delay of a cost-of-living increase up to one year.

Understanding Your Retirement Statement

Obtaining Additional Service
continued from page 3

Military Service

After 10 years of eligible service, an employee may receive up to a maximum of five years of service credit for active duty military service. An employee may not claim this military service with any other retirement or pension system. This restriction also includes military pensions.

There is no cost to obtain military service credit. Once the military service is granted, future statements will reflect the additional service credit.

It is the employee's responsibility to apply for military credit and complete the required forms before retirement or termination of employment with MCPS. Once you have retired or terminated employment with MCPS, no additional credit may be claimed.

For specific instructions on how to obtain credit for military or transferred service, please contact ERSC at ersc@mcpsmd.org or by calling 301-517-8100, Monday–Friday, 7:30 a.m.–5:00 p.m. ■

Q What is a vested benefit?

A. If you terminate employment, a vested benefit is a future retirement benefit that will be paid to you at your normal retirement date (age 62). You must have at least five years of eligibility service to be entitled to this future benefit.

Q The Vested Benefits section of my statement says I am not vested and shows a benefit amount of zero. What does this mean?

A. If your statement has a zero under Vested Benefits, it means that at the end of the fiscal year you had not yet earned the required five years of eligibility service.

Q My service credit record does not include my active military service credit. How can I get that service included in my service balance and shown on my retirement statement?

A. After 10 years of employment with

MCPS, you may receive up to five years of service credit for periods of active-duty military service if you are not receiving credit for the military service period in any other retirement or pension system. If you have qualifying military service, you should request MCPS Form 455-18 from ERSC and State Form 43 from the State Retirement Agency, (if you are a member of the Maryland State Pension System). Military service credit must be established with separate forms for each plan. Please return both completed forms to ERSC and include a copy of your military discharge papers that reflect your dates and type of service. Active military service credit is granted at no cost to you once approved. You will be notified once the service is granted, and your annual retirement statement will show the additional credit. ■

Source: Portions of this publication are presented courtesy of the State of Maryland Retirement Agency Retirement booklet, July 2009 edition.

Should I Work Past My Normal Retirement Date?

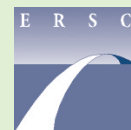
Employees who have earned 30 years of eligibility service credit, or are 62 years old with at least five years of eligibility service credit, are eligible for normal retirement. Once eligible, employees may elect to retire and immediately begin to collect their normal retirement benefit. However, retirement is not mandatory, and many employees are not ready to enter retirement based upon their individual situation.

Employees may continue working beyond the normal retirement date and will continue to earn additional retirement credit. Since retirement benefits are based on years of credited service and average final pay, working beyond the normal retirement date will increase the amount of the eventual retirement benefit. For an employee with 30

years of service, each additional year of service will typically result in a 5 percent to 7 percent increase in annual retirement benefits.

Retirement is a major life event for most employees, and careful consideration and planning should begin at least one year prior to retirement. Many factors such as personal and family situation, as well as financial considerations, should be taken into account as part of the decision-making process in determining the appropriate time to retire.

Employees considering retirement should attend one of the Employee and Retiree Service Center-sponsored retirement workshops. ■



Understanding Your Retirement Statement

*is published by the Montgomery County Public Schools, Employee and Retiree Service Center,
7361 Calhoun Place, Suite 190
Rockville, Maryland 20855-2787
phone: 301-517-8100
e-mail: ERSC@mcpsmd.org*



Larry A. Bowers
Chief Operating Officer
Susanne G. DeGraba
Chief Financial Officer
Rick Johnstone
Director, Benefits Strategy and
Vendor Relations
Jessica A. Arnold
Communications Specialist

