



Frequently Asked Questions about the Employee Pension Reforms and Future Retiree Health Benefits

How do I know if I'm affected by pension and retiree health benefit changes?

Find your age and year of hire in the following chart to see whether or not you will be affected by these changes:

Age	Date Hired with MCPS	Affected by Employee Pension Changes?	Affected by Retiree Health Benefit Cost Changes?
Any	Prior to July 1, 2006	Yes. You will experience an increase in the mandatory pension contribution to your core pension plan, as well as a difference in your retiree cost-of-living adjustment.	No.
Over 55 or Will have at least 30 years eligible service in the State Teachers' or MCPS Pension Plan upon retirement	Between July 1, 2006 and July 1, 2011	Yes. You will experience an increase in the mandatory pension contribution to your core pension plan, as well as a difference in your retiree cost-of-living adjustment.	No.
Under 55	Between July 1, 2006 and June 30, 2011	Yes. You will experience an increase in the mandatory pension contribution to your core pension plan, as well as a difference in your retiree cost-of-living adjustment.	Yes. You will be subject to a new minimum length of employment to receive retiree health benefits, as well as a new retiree health benefit cost-sharing structure.
Any	After July 1, 2011	Yes. New employees will experience the most changes to their pension plans. They will receive detailed information during the hiring and orientation process.	Yes. New employees will receive detailed information about their future retiree health benefits during the hiring and orientation process.



Why are these changes dependent on when I joined MCPS and how old I am?

MCPS has attempted to minimize the effect of these changes on employees who are least able to adjust their short-term retirement plans. Therefore, these employees have been exempted from changes or have been minimally impacted.

What is the difference between eligible and credited service?

You earn two types of service toward your retirement: eligibility service and credited service.

Eligibility service is used to determine *when* you are eligible to retire.

You earn one year of eligibility service for each year you have worked a minimum of 500 hours. Even if you work less than 40 hours per week, you will receive a year of eligibility service as long as you work at least 500 hours during the year. If you do not work 500 hours in a fiscal year, then your eligibility service will be prorated based on the hours you have worked.

Credited service is used in the calculation of your retirement benefit and retirement benefit cost-of-living adjustment (COLA). One year of credited service is defined as 10 months from September to June. If you work part time, the credited service is prorated based on your scheduled hours.

	Full-time hours (40/week)	Part-time hours (20/week)
Eligible Service	1 year	1 year
Credited Service	1 year	.5 years

Does it matter if my core pension membership is with the State or the County?

Yes. Most of the changes are identical in both the State Teachers' and MCPS Pension systems, including the increased contribution rate. However, the change to the COLA calculation differs depending on your core plan membership. Both core plans will change the COLA calculation for benefits earned after July 1, 2011, but each is subject to slightly different COLA caps.

What will be the COLA for credited service earned after July 1, 2011?

When you retire, you receive an annual cost-of-living adjustment, or COLA, based on inflation. One of the changes to the employee pension is that for all service earned after July 1, 2011, a different COLA will be applied for benefits based on credited service earned after that time. The State Teachers' Pension Plan and MCPS Pension Plan will handle COLAs for this period of time differently. MCPS will institute a new adjustment cap, while the state will institute a conditional COLA.

State core plan members: You will receive a conditional COLA for benefits based on all credited service earned after July 1, 2011. A conditional COLA is only applied if certain conditions are met for that year. If the State Teacher Pension Trust's investment returns meet their expectations for the year, then an increased COLA will be applied that is equal to the consumer price index (CPI) with a two and a half percent cap. If the plan does not do as well as expected during the year, then the adjustment will be equal to the CPI but will be capped at one percent. For additional information about the conditional COLA, please visit the [Maryland State Retirement Agency website](#).

County core plan members: The COLA for benefits based on all credited service earned after July 1, 2011, will be based on the Consumer Price Index (CPI) and capped at two percent. No additional conditions will be applied to obtain the yearly COLA.

County supplement plan members (all employees, regardless of core plan membership): The COLA for benefits based on all credited service earned after July 1, 2011, will be based on the Consumer Price Index (CPI) and capped at two percent. No additional conditions will be applied to obtain the yearly COLA.

For all benefits based on credited service earned **prior** to July 1, 2011, the annual COLA you receive as a retiree will be applied according to the yearly CPI with a three percent cap, with no additional conditions. The COLA for all service earned prior to July 1, 2011, is applied in the same way regardless of your core plan membership.

Will my contribution to my MCPS supplemental pension plan increase?

No. At this time, there is no increase to the employee contribution to the county supplemental pension plan. Therefore, your total pension plan contribution will equal seven and a half percent—seven percent to your core plan and 0.5 percent to your supplemental plan.

What is my current pension contribution?

All employees currently contribute five percent of their salaries to their core pension plan and 0.5 percent to their supplemental pension plan, for a total pension contribution of five and a half percent of your salary.

The two percent increase to your core pension plan will take place on July 1, 2011, and will be reflected in your September 16, 2011, pay advice. This increase will bring your total pension contribution for your core and supplemental plans to seven and a half percent. Remember, however, that pension contributions are made pre-tax, so the effect on your net pay will be slightly less than this total.

Will these changes affect when I am eligible to retire?

No. Employees hired prior to July 1, 2011, will still be eligible to retire:

- At any age with at least 30 years of eligible service, or
- At age 62 with at least five years of eligible service, or
- At age 65 with at least two years of eligible service.

Current employees will still be eligible for early retirement at age 55 with at least 15 years of eligible service. Employees hired on or after July 1, 2011, will have different requirements. They will receive additional details during the hiring and orientation process.

Will these changes affect the amount of pension benefit I receive when I retire?

No. There will be no change for employees hired prior to July 1, 2011, to the way your future pension benefit will be calculated.

What is the current cost-sharing structure for retiree health benefits?

All employees who have retired on or before June 30, 2011, pay 36 percent of the cost of their health benefits, regardless of longevity. MCPS pays 64 percent of the cost of retiree health benefits.

What will be the new retiree health benefit cost-sharing structure?

Affected employees (see above) will pay the following percentage of retiree health benefits cost:

- **10 up to 15 years** eligible service: **You pay 60 percent.** (MCPS will pay 40 percent of the cost.)
- **15 up to 20 years** eligible service: **You pay 50 percent.** (MCPS will pay 50 percent of the cost.)
- **20 or more years** eligible service: **You pay 36 percent.** (MCPS will pay 64 percent of the cost.)

In addition, affected employees will only be eligible to receive retiree health benefits if they have at least 10 years of eligible service.

Will current retirees be affected?

No. Current retirees will not be affected by pension reform. They no longer contribute to their pension benefits, and they will not have earned any service after July 1, 2011, so they will not experience the different COLA calculation for that time period. In addition, retiree health benefits for current retirees will remain unchanged; they will continue to pay 36 percent of the cost of their health benefits.

When will these changes take effect?

Changes to employee pensions and future retiree benefits will take effect on July 1, 2011.

- Any employees who are affected by the health benefit changes and who retire after July 1, 2011, will be subject to the new retiree health benefit cost-sharing structure.
- The first pay deduction of the increased pension contribution will take place on September 16, 2011, because pension contributions are deducted from your pay on a ten-month schedule.

How will I know that the increased pension contribution has been deducted from my pay?

On and after September 16, 2011, the deduction will appear as “Base Pen” on your *ePaystub* under “Taxes and Other Deductions.”

Who can I contact to learn more?

Staff members at the Employee and Retiree Service Center (ERSC) are available to answer your questions Monday through Friday, from 8:00 a.m. to 4:30 p.m. You can speak with an ERSC staff member by:

- Email: ERSC@mcpsmd.org
- Phone: 301-517-8100, or
- In person: 7361 Calhoun Place, Suite 190, Rockville, MD.

For additional information about your employee pension, search “pension” from any MCPS Web page.