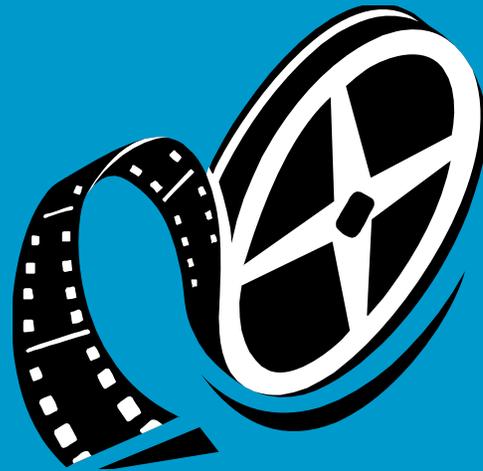


Town of Ocean City's General and Public Safety Pension Plans



Human Resources Department



Overview

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- ◆ Definitions
- ◆ Cost
- ◆ Plan Benefits
- ◆ Suspension, etc.
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History

- ◆ Established in May 1976. Plan has been amended and restated a few times since then. Public Safety Plan separated from Employees Plan in 1990.
- ◆ Set-up to supplement your retirement needs.
 - 1/3 from Social Security
 - 1/3 from Town of Ocean City pension
 - 1/3 from personal savings (deferred comp or other)
- ◆ Assumed retirement at age 65 (Normal Retirement).



Definitions

- ◆ Accrued Benefit – Pension benefit earned to any date of reference.
- ◆ Actuarial Reduction - A reduction as a result of a benefit starting before participant's Normal Retirement Date (NRD).
- ◆ Average Compensation – average monthly rate of compensation of a participant for the three (3) consecutive anniversary qualifying dates during the last ten years of employment preceding date of calculation.





Definitions, continued

- ◆ Beneficiary – person receiving payments under Plan as result of death of Participant.
- ◆ Cash-Out - a distribution in settlement of a benefit otherwise payable under the plan and which is equal to Participant's employee contributions.
- ◆ Compensation – monthly rate, determined as of first day of month of March of basic remuneration excluding bonuses or overtime.
- ◆ Early Retirement Date – First day of any month which precedes NRD and coincides with Participant attainment of age 55 and 10 years of credited service.



Definitions, continued

- ◆ Employee Contributions – General -5% or Public Safety – 7% or 8% (depending on job classification) of compensation before tax. Interest computed on March 31 of each year and compounded annually at 2.5%.
- ◆ Normal Retirement Date – first day of month coinciding with or next following participant's 65th birthday.
- ◆ Sick Leave Credit – Unused sick leave at the time of retirement will be credited for benefit calculation but will not apply for service credit.
- ◆ Plan Year – Twelve (12) month period beginning April 1 and ending March 31.

Definitions, continued



- ◆ Eligibility – Covered Employee – date you perform one hour of service as a full-time employee. Participation in plan and agreement to make contributions is mandatory as a condition of employment. Enter plan at time of hire.
- ◆ Vesting – employee has completed sufficient years of service and has the right to receive benefits. Percentage of benefit earned increases with years of service.





Definitions, continued

Vesting Schedule

◆ Less than 5 years	Not Vested
◆ 5 years	25% Vested
◆ 10 years	50% Vested
◆ 15 years	100% Vested
◆ Age 65	100% Vested

Cost of the Plan – Who Pays?

- ◆ Both the Town and the General and Public Safety Employees share the cost for providing their retirement benefits.



Plan Benefits

How Is My Retirement Benefit Calculated?

- ◆ Defined benefit pension plans use a formula to figure the benefit amount earned. It involves salary and number of year and whole months of service.
- ◆ Effective April 1, 1996, the formula was changed. If you were a covered employee prior to April 1, 1996, the amount of your benefit is determined as the better of the prior formula or the new formula.
- ◆ Under the General Employees Plan, a member may elect early retirement at age 55 with 10 years of continuous service with reduced benefits, retire at age 55 with 30 years of service with unreduced benefits or elect normal retirement which coincides with your 65th birthday.

Plan Benefits, continued

- ◆ Under the Public Safety Pension Plan, a member may elect early retirement at age 55 with 10 years of continuous service or retire after completion of 25 years of service.
- ◆ General Employees' normal benefit is 50% of pay, (Employee contribution is 5%).
- ◆ Public Safety Employees' normal benefit is 50% or 60% of pay. (Employee contribution is 7% - 8% depending on job classification).

Plan Benefits, continued

◆ Disability Benefits

By reason of total and permanent disability, a participant is entitled to receive, at his normal retirement date or on the first day of any prior month following the determination of disability by the City, a monthly benefit based on the participants average compensation and subject to Actuarial Reduction for commencement prior to normal retirement date.



Plan Benefits, continued

◆ Death Benefit

If all of the following conditions are met, the surviving spouse of a deceased Participant shall be entitled to receive a 50% survivor annuity:

- a. The Participant is married on the date of death.
- b. The Participant was 100% vested.
- c. The Participant's death occurs while actively employed by the City.
- d. The City did not implement a cash-out.
- e. Benefit commencing no earlier than first day of month following what would have been Participant's fifty-fifth birthday.

Plan Benefits, continued

- ◆ Death Benefits, continued

Cash –Out – If the surviving spouse (or beneficiary) elects, a cash-out of the Participants Employee Contribution can be made in lieu of all other benefits.

- ◆ Retiree Death Benefit – Only those retiring PS Employees covered by the Collective Bargaining Agreement, effective 7/1/05 – 6/30/08 and 7/1/2008 – 6/30/2011, shall be eligible for a death benefit in the amount of \$10,000.

Suspension-Termination-Forfeiture

- ◆ Suspension of Benefit

Retire and receive a pension, then reemployed full-time, benefits are suspended until second retirement.

- ◆ Termination Employment

With five years of service – vested, entitled to accrued benefit at retirement. Reemployed after 1 year, disregard prior service.

- ◆ Forfeiture of Benefits

No benefit for you or your beneficiary if you commit a criminal offense against the Town.

Transfer of Service

- ◆ Plan to Plan - A participant in either plan may transfer to the opposite plan to coincide with a change in job position. Contribution and credit service will be calculated and transferred to the new plan.
- ◆ Maryland Municipality –
 - a. Transfer must be from one Maryland municipality to another, without a break.
 - b. Transfer request must be made within one year.
 - c. Other rules apply.

Application for Benefits

How Do I Apply?

- ◆ Written notice to Human Resources Department 60 days prior to termination date. Copy of resignation letter will suffice.



Benefit Options

Methods of Payment

- ◆ Life Annuity – under this option, benefits are paid to you in monthly installments for your lifetime.
- ◆ Five or Ten Year Guaranteed Life Annuity – Under this option, benefits are paid to you in monthly installments for your lifetime with a guarantee that if you die before the five or ten year period, your designated beneficiary will continue to receive benefits equal the guaranteed number of payments.

Benefit Options, continued

- ◆ Joint and Survivor Spouse Annuity – Under this option, you will receive a reduced monthly retirement benefit with 50% or 100% of the amount you were receiving with payments being continued after your death to your surviving spouse for his or her life. If your spouse dies after benefits commence or if you divorce your spouse, the election will remain in effect.



Benefit Options, continued

- ◆ Level Income Option – Benefits are paid, in a greater amount (20%) until age 65 at which time the benefit will be decreased to an amount which results in an overall benefit equal to actuarial equivalent of NRD. This option is sometimes called the Bridge Option.



Benefit Options, continued

- ◆ Reduction for Health Benefits (Hired Before 7/1/2005)

- a. General Employees with at least 15 years of service who are 55 years or older; and
- b. Public Safety Employees retiring with 25 or more years of service or with 15 years of service and are 55 or older;

May receive single health coverage on a 80-20% shared basis, with retiree paying 20% and City paying 80% of premium cost. Spouse or family coverage would be at full cost.



Benefit Options, continued

- ◆ Reduction for Health Benefits (Hired on or After 7/1/2005)
 - a. General or Public Safety Employees must have at least 25 years of credited service for vesting purposes at the time of retirement to receive single health coverage on a 80-20% shared basis, with retiree paying 20% and City paying 80% of premium cost. Spouse or family coverage would be at full cost.

Things to Remember



- ◆ Statement of Retirement Benefits
 - a. Receive annually
 - b. Shows benefit accrued as of April 1
 - c. Shows earliest date you can retire with unreduced benefits.
 - d. Shows projected monthly pension benefit.
 - e. Shows percent vested.
 - f. Shows total contribution you have made.

Things to Remember, continued

- ◆ Death Benefit Election – on file in Human Resources Department and should be kept current by employee.
- ◆ Defined Benefit Plan – promises a specified monthly benefit at retirement. Does not fluctuate with investments.
- ◆ Value – The approximate value of your entire benefit package as a City employee is equal to approximately 40 % of your base pay. Your pension is a key part of this package.

Things to Remember, continued

- ◆ General employees contribute 5% until they retire or terminate employment.
- ◆ Public Safety Employees contribute 7 or 8% until they retire or terminate employment.
- ◆ Health Benefit if hired before July 1, 2005, must have 15 years of service, be 55 years old and retire to be eligible for the 20% single coverage health benefit. If hired on or after July 1, 2005, must have 25 years of service and be at least 55 years old.

Things to Remember, continued

- ◆ Social Security – If you are 25 or older and not already receiving Social Security benefits, you will receive an annual statement that displays your earnings record and estimates of retirement, disability and survivors benefits. The age at which full benefits are payable increased in gradual steps from age 65 to 67. Example, if you were born between 1943 – 1954, full retirement age is 66. No matter what your full retirement age is, you may start receiving benefits as early as age 62.

Visit www.ssa.gov for a variety of services or call 1 800 772 1213.



Other Resources

- ◆ Employee Handbook
- ◆ Sandpaper
- ◆ Plan Summaries



TOWN OF
OCEAN CITY
MARYLAND

EMPLOYEE
HANDBOOK

October 1, 2005





Summary

- ◆ If you are considering retirement in a few years, start thinking about:
 1. Expenses – estimate all living expenses likely to be incurred in retirement. Do you want to travel, do you own your home, have children in college?
 2. Consider Income – will you have other sources available, i. e., ICMA deferred investments, do you plan to work part-time?

- ◆ Even if thoughts of retirement are a long way off, consider contributing to ICMA. Contributions of any amount will be matched as part of the “Employer to Employee \$250 Annual Maximum Match Program”. To receive the ‘maximum’ \$250 annual benefit an employee needs to contribute \$1,000 to their ICMA account for a calendar year.