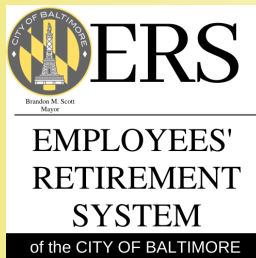


City of Baltimore Employees' Retirement System

SUMMARY OF RETIREMENT BENEFITS for Class C Members



**SUMMARY OF
RETIREMENT
BENEFITS for Class C
Members**

AS OF JUNE 2023

Introduction

This ERS Summary of Retirement Benefits was designed to provide active and retired members and beneficiaries of the City of Baltimore Employees' Retirement System (ERS) with information about the many benefits and services offered by the ERS. Please note that this Summary is intended solely for informational purposes and is not a legally binding document.

The ERS Summary of Retirement Benefits explains the many components of the City's benefit plans, including retirement, disability and death benefits. Beginning on page 10, you will find information on membership credit, types of retirement, employee and employer contribution requirements, benefit payment options, formulas, as well as examples of benefit calculations.

Information on the retirement process starts on page 32, including a step-by-step checklist for both service and disability retirements.

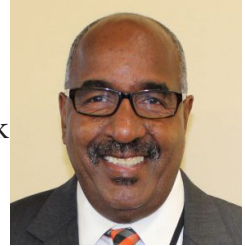
For help with your retirement planning or for additional information:

- Call ERS at (443) 984-3200
- Call RSP at (443) 984-3405
- Visit our office at 7 East Redwood Street — 13th Floor (ERS) or 11th Floor Retirement Savings Plan (RSP)
- Visit the ERS website — www.bcers.org
- Read the ERS Newsletter
- Refer to the ERS Comprehensive Annual Financial Reports and Articles 22 and 22A of the City of Baltimore Code. Available on the ERS website.

Message from the Executive Director

Dear Members, Retirees and Beneficiaries:

I am pleased to present the latest edition of the City of Baltimore Employees' Retirement System's Summary of Retirement Benefits book for Class C members. This handbook is designed to provide information about retirement benefits for those hired before July 1, 2014.



The information in this handbook will help you make informed decisions throughout your employment with the City as you plan for your future. While the information contained here provides a detailed overview of your retirement benefits, we offer many other ways for you to gain knowledge about your benefits. We provide regular retirement education webinars and one-on-one meetings with retirement analysts to help you understand your retirement benefits.

Our dedicated staff is here to support you. If you have any questions or would like to make an appointment to meet with an analyst and discuss your benefits, please do not hesitate to contact us.

We look forward to assisting you with all of your retirement needs.

Sincerely,

David A. Randall
Executive Director

Your Class C Retirement Plan

Employees' Retirement System (ERS)

The Employees' Retirement System (ERS) is a defined benefit plan that was established January 1, 1926 by City Ordinance. Regular full-time employees hired on or after July 1, 1979 and before July 1, 2014 in a benefits-eligible position with the City of Baltimore are eligible for mandatory membership enrollment in the Class C retirement plan after completing one year of employment. Excluded from the ERS are: 1) uniformed Fire and Police Department personnel and elected City Officials who are covered under other City retirement plans, specifically the Fire and Police and the Elected Officials' Retirement Systems; 2) employees of the Enoch Pratt Free Library and Baltimore City Public School System who are in positions that require them to become members of the Maryland State Retirement System; and 3) employees of the Baltimore City Sheriff's Office.



All ERS-related administrative and benefit provisions are established by City ordinance, as contained in Article 22 of the Baltimore City Code, and may be amended only by the Mayor and City Council. The plan provisions provide a contractual relationship for the membership, whereby benefits may not be diminished or impaired in any way except as permitted by law.

ERS, as a defined benefit plan, pays retirees, or their beneficiaries, a monthly benefit, as set out in detail in this Summary. These benefits are funded by employee contributions (5% of their annual base pay), City contributions, and investment earnings. The City's contributions are actuarially determined and vary from year to year, depending on ERS's investment earnings.

ERS is administered by a 9-member Board of Trustees. Serving on the ERS Board are:

- The Comptroller of the City
- The Director of Finance
- Two ERS members elected by the active ERS membership
- Two residents of Baltimore City, not employed by the City, appointed by the Mayor and confirmed by the City Council. One of these trustees must have commercial banking experience.
- Two residents of Baltimore City or a surrounding county, recommended by the President of the City Council, appointed by the Mayor and confirmed by the City Council. Both of these trustees must have at least 5 years of institutional investment, insurance, taxation accounting or finance experience.

Your Class C Retirement Plan

- One ERS retiree elected by the retired ERS membership

Supporting and executing the Board's actions and policies are an Executive Director and professional staff who manage daily operations.

DEFERRED COMPENSATION PLAN (DCP)

Baltimore City also offers a 457(b) Deferred Compensation Plan (DCP) to all regular full-time, benefit-eligible employees. Participation in the DCP is optional, and not mandatory. DCP participation is open to any City employee who is eligible for retirement benefits, regardless of the primary retirement plan to which the employee contributes. The DCP gives City employees the ability to save and provide additional money for retirement. DCP participants may contribute pre-tax (Traditional) and/or post-tax (Roth) and have the ability to choose how their contributions are invested. DCP participants may start, stop, increase or decrease their contributions at any time. The DCP is administered by the RSP Board. City employees who are eligible for retirement benefits may enroll in the DCP immediately upon hire.

RETIREE BENEFITS TRUST (OPEB)

The Retiree Benefits Trust (also known as the "Other Postemployment Benefits Trust" or "OPEB") is a fund to help pay for health insurance coverage for City employees during retirement. OPEB was established November 1, 2006. The ERS Board oversees the investment of OPEB funds and pays OPEB expenses. Day-to-day operations of retirement funds and OPEB are handled by the ERS Executive Director and staff.

Class C plan overview

Membership class	<ul style="list-style-type: none"> Class C (individuals hired between July 1, 1979 and June 30, 2014)
Membership eligibility	<p>Based on:</p> <ul style="list-style-type: none"> Regular full-time employment status in a benefit-eligible position with the City of Baltimore and other City agencies including but not limited to: <ul style="list-style-type: none"> -Baltimore Museum of Art (hired prior to July 1, 2014) -Walters Art Museum (hired prior to July 1, 2014) -Baltimore Convention Center -Non-uniformed employees of the Fire and Police Departments -Certain employees of the Baltimore City Public School System and Enoch Pratt Free Library A one-year waiting period after beginning employment <p>**See note</p>
Service retirement eligibility	<ul style="list-style-type: none"> Earlier of 30 years of service credit or age 65 with 5 years of service credit
Disability retirement eligibility	<ul style="list-style-type: none"> Line-of-duty disability retirement– immediate eligibility upon membership Non-line-of-duty disability retirement – with five years of service credit Dismemberment disability retirement- immediate eligibility upon membership
How to earn membership service credit	<ul style="list-style-type: none"> Employment as a regular full-time City employee in a benefit-eligible position Transferring service credit Purchasing additional service credit, including purchase of first year of employment as a regular full-time employee in a benefit-eligible position Serving in the military
Vesting eligibility	<ul style="list-style-type: none"> 10 years of service credit (prior to age 55); 5 years of service (age 55 and older) <p>**Note: Employees of the Baltimore City Sheriff's Office are not eligible for ERS membership.</p>

Class C plan overview

Types of benefits	<ul style="list-style-type: none"> • Service retirement <ul style="list-style-type: none"> -Normal (unreduced benefits) -Early (reduced benefits) -Job abolishment/Layoff benefits • Disability <ul style="list-style-type: none"> -Accidental (line-of-duty) -Ordinary (non-line-of-duty) • Death <ul style="list-style-type: none"> -Accidental death (line-of-duty) -Ordinary death (non-line-of-duty)
Retirement benefit calculation	Based on: <ul style="list-style-type: none"> • Average final compensation (AFC) • Years of service credit • Age
Retirement benefit payment options	<ul style="list-style-type: none"> • Maximum allowance option (default) • Reserve guarantee option • 100% survivorship option • 50% survivorship option • 100% “pop-up” survivorship option • 50% “pop-up” survivorship option
Service retirement process	<ul style="list-style-type: none"> • Submission of application packet and required documents either in person or by mail within 30-90 days if expected retirement date • Estimation of benefits • Verification of all documents
Refund of contributions	<ul style="list-style-type: none"> • Non-vested members (contributions plus 3% interest)
Cash Out	<ul style="list-style-type: none"> • Available for qualified vested members with a benefits value of \$12,500 or less
Annual cost of living adjustment (COLA)	<ul style="list-style-type: none"> • Retired members (January 1 after 18 months in retirement) • Under age 65-1.5% • Age 65 and older 2%
Webinars offered	<ul style="list-style-type: none"> • Understanding Class C Plan

Class C membership

Membership Class

Class C – Covers individuals hired on or after July 1, 1979 through June 30, 2014. Class C also includes certain members who transferred from classes A and B.

Membership eligibility

Membership eligibility starts after one year of employment as a regular full-time or part-time employee in a benefit-eligible position. The one-year waiting period is mandatory. Retirement benefits are based on:

- Membership Class
- Employment status
- Age
- Service Credit
- Average final compensation
- Type of termination

Four ways to earn membership service credit

1. Being a regular full-time or part-time employee of the City or a covered City agency in a retirement benefit-eligible position

For Class C members, ERS membership eligibility begins on the anniversary date after which the employee began work as a regular full or part-time employee of the City of Baltimore in a benefit-eligible position. An employee whose job classification requires 1,000 hours or more of work in a fiscal year will receive credit for one year of service.

If the job classification requires not less than 500 and not more than 1,000 hours of work in a fiscal year, an employee will receive credit for ½ year of service. If the job classification requires less than 500 hours of work in the fiscal year, the employee does not receive service credit.

Note: Contractual and temporary employees of the City, and City employees in non-benefit-eligible positions, are not eligible for retirement benefits.

2. Transferring service credit

An employee may transfer accumulated or earned service credit into ERS from the State of Maryland retirement system or any city (including Baltimore City), county or municipal retirement system within the State of Maryland if there is no break in service between prior employment and employment with the City of Baltimore. The request for transfer of service credit must be made within one (1) year of becoming a

Class C membership

member of ERS.

3. Purchasing additional service credit

Under certain circumstances, an employee may purchase service credit for any other employment within Baltimore City. In addition, an employee may purchase service credit for his/her first year of City employment (prior to ERS membership). The cost for purchasing service credit is calculated as follows: the employee's annual salary at the time of purchase times the contribution rate at the time of purchase times the number of years or part of a year to be purchased. The purchase must be made in a single payment. The contribution rate is subject to change every July 1.

4. Military service credit

You may receive up to three years of service credit for military service served prior to starting City employment if you:

- Have 20 years of membership service, regardless of age, or are at least age 62 with 10 years of membership service; and
- Not eligible for a regular active-duty military pension; and
- Not be eligible to receive retirement benefits for military service from any other retirement system except for a Reserve Component Retirement benefit for Reserve service and National Guard members.

Missing Time

Members who are "out of pay status" (not receiving regular pay) at any time during a single fiscal year will be considered as "missing time."

Before July 1, 2013: If a member receives no pay for a total of 7 or more biweekly pay periods or 14 or more weekly pay periods during a single fiscal year, the member will receive no service credit for that period of missing time.

On or After July 1, 2013: If a member receives no pay, he/she will receive no service credit for that pay period of missing time. If a member receives pay and no employee contribution is made, then the member will receive service credit with an employee contribution deficiency that must be recovered by ERS.

Employees' Retirement and Elected Officials' Retirement System

Reemployment Rules For Class C Members

These rules apply to individuals who have terminated from City employment and have returned to City employment in a permanent position. These rules also apply to current City employees who have changed jobs from permanent to temporary, such as a Grant Service Specialist, and back to permanent.

Non-Vested Class C Members Who Terminate Employment From A Retirement Benefit Eligible Position On Or After 7/1/2014 And Are Reemployed	
If employees are rehired within 180 days, they...	If employees are <u>not</u> rehired within 180 days, they...
<ul style="list-style-type: none"> • return to Class C immediately; • retain prior service for non-contributory years; 	
<ul style="list-style-type: none"> • automatically retain prior service credit for contributory years as long as they did not receive a refund of their contributions before reemployment; and 	<ul style="list-style-type: none"> • are given the opportunity to elect either the Hybrid or Non-Hybrid retirement plan. If the Hybrid plan is elected (or by default), they will become a Class D member after one year of reemployment; and
<ul style="list-style-type: none"> • do not retain prior service credit for contributory years if they received a refund of their contributions unless they purchase it back under the rules for purchasing the 1st year of service. 	<ul style="list-style-type: none"> • do not retain prior service credit unless they purchase it back under the rules for purchasing the 1st year of service.

Non-Vested Class C Members Who Terminate Employment From A Retirement Benefit Eligible Position Before 7/1/2014 And Are Reemployed	
If employees are rehired <u>before</u> the parity time period expires, they...	If employees are rehired <u>after</u> the parity time period expires, they...
<ul style="list-style-type: none"> • return to Class C after one year of reemployment; • retain prior service credit for non-contributory years; 	
<ul style="list-style-type: none"> • automatically retain prior service credit for contributory years as long as they did not receive a refund of their contributions before reemployment; and 	<ul style="list-style-type: none"> • are given the opportunity to elect either the Hybrid or Non-Hybrid retirement plan. If the Hybrid plan is elected (or by default), they will become a Class D member after one year of reemployment; and
<ul style="list-style-type: none"> • do not retain prior service for contributory years if they received a refund of their contributions unless they purchase it back under the rules for purchasing the 1st year of service. 	<ul style="list-style-type: none"> • do not retain prior service credit unless they purchase it back under the rules for purchasing the 1st year of service.

Example of Parity Time: If an employee had 5 years of membership service credit at the time of termination from employment, the employee has 5 years to return to a retirement benefit eligible position in order to return to Class C after one year of reemployment. Otherwise, the employee must elect either Hybrid or Non-Hybrid and lose prior service credit unless it purchased back under the rules for purchasing 1st year of service.



Employees' Retirement and Elected Officials' Retirement System

Vested Class C Members Who Terminate Employment From A Retirement Benefit Eligible Position And Are Reemployed

If employees are rehired within 180 days, they...	If employees are <u>not</u> rehired within 180 days, they...
<ul style="list-style-type: none">• return to Class C immediately; and	<ul style="list-style-type: none">• automatically become a Non-Hybrid member; and
<ul style="list-style-type: none">• retain prior service credit.	<ul style="list-style-type: none">• are not in the Class C plan or Class D plan.

Reemployment Rules For Class C Members

Important Information: Employees hired in temporary and contractual positions as well as permanent

positions with less than 500 hours a year are not eligible to participate in the Baltimore City Retirement Savings Plan (RSP). Employees that were hired in a retirement benefit eligible position and became a Class C member and are later offered a Grant Service Specialist I, II, III & IV position, should keep in mind that these are temporary positions. Therefore, if employees accept a Grant Service Specialist position, they will lose their membership in the Class C plan and could lose prior membership service credit if they are not rehired in a retirement benefit eligible position within a specified period. If former Class C members are rehired in a retirement benefit eligible position, the reemployment rules above will be applied. Employees are strongly encourage to speak with a Retirement Benefits Analyst before accepting a Grant Service Specialist position.

Membership benefits

Three types of retirement benefits

1. Service retirement benefits

Normal Retirement (unreduced benefits)

Normal service retirement is based on membership class, service credit and age.

As a Class C member, you are eligible for normal service retirement benefits if you:

- Have 30 years of membership service credit, or
- Are at least age 65 with five years of service credit

Early Retirement (reduced benefits)

Class C members may retire as early as age 55 with at least 5 years of membership service credit. If you retire early, your retirement benefits are reduced approximately 6.7% per year for each of the first 5 years of retirement between the ages of 60-65 (maximum reduction of 1/3) and an additional 3.3% per year for each year of retirement between the ages of 55-60 (maximum additional reduction of 1/6). The maximum total reduction is 50%. (Note: The reduction is prorated for a partial year of early retirement.)

EXAMPLE

If you are age 55 and would have been entitled to an annual retirement benefit of \$25,000 under retirement rules, your benefit would be reduced as follows:

$\$25,000 \times 6.7\% \times 5$ (the number of years of retirement between ages 60-65) =
\$8,375; plus

$\$25,000 \times 3.3\% \times 5$ (the number of years of retirement between ages 55 and 60) =
\$4,125

In this example, your annual retirement benefit would be reduced to \$12,500

Membership benefits

Vesting eligibility

Depending on your years of service credit, you are entitled to certain benefits, even if you leave City employment. This is referred to as “vesting.”

Class C members are vested after 10 years of service credit prior to reaching age 55, or after 5 years of service credit after reaching age 55 (if they have not elected early retirement). These class members are entitled to unreduced benefits at age 65, and to reduced benefits at age 55.

If you leave City employment before you are vested, you will receive a refund of your employee contributions (with interest). If you leave City employment after you are vested, but before you are eligible for normal retirement, your benefit is deferred until you reach normal retirement age (or early retirement age, if you choose).

JOB REMOVAL

If your job is eliminated through no fault of your own due to a reduction in the work force, you may be entitled to: 1) an immediate unreduced retirement benefit if you have 20 years of service credit before age 65, or 2) an immediate reduced retirement benefit if you have 5 years of service credit and have reached age 55.

DEFERRED VESTED MEMBERS

You may elect a lump-sum cash-out instead of a monthly retirement allowance if the cash-out amount is \$12,500 or less. A member who receives a lump-sum cash-out is not entitled to any other retirement benefits from ERS or the City, and cannot transfer the service to another pension system.

2. Disability Retirement Eligibility

Regardless of your membership class, you are eligible for:

Line-of-duty disability retirement benefits – immediately when you become an ERS member

Dismemberment disability retirement – immediately when you become an ERS member

Non-line-of-duty disability benefits – with five years of service credit

Disability Retirement Benefits

If you are no longer able to do your job due to illness or injury, you may be eligible for

Membership benefits

disability retirement benefits. Your eligibility will be determined by an independent hearing examiner.

1. Non-Line-of-Duty Disability Retirement Benefit

To be eligible for a non-line-of-duty disability benefit, you must have at least 5 years of ERS service credit, you must be mentally or physically incapacitated for the further performance of your job, and the incapacity is likely to be permanent. You must apply for non-line-of-duty disability benefits within 1 year after leaving City employment.

If the hearing examiner determines that you are eligible for non-line-of-duty disability benefits, you are entitled to an annual benefit of the greater of 15% of your average final compensation (the average of your highest 3 annual salaries), or your accrued service retirement benefit, with no reduction for early retirement and regardless of your age or years of service.

2. Line-of-Duty Disability Retirement Benefit

To be eligible for a line-of-duty disability benefit:

- You must be permanently incapacitated from the further performance of your job classification,
- Your incapacity must be due to the 50% impairment of any one, or 25% impairment of any two, of the following: speech, sight, neck, back, vital bodily organ, central nervous system, arm, leg, shoulder, hearing, or mental incapacity for which you have been awarded a disability under Social Security,
- You must have sustained the impairment as the result of an on-the job accident, and
- Your disability must be independent of any preexisting physical or medical conditions.

You must apply for line-of-duty disability retirement benefits within 1 year after leaving City employment and within 5 years of the accident resulting in your impairment.

If the hearing examiner determines that you are eligible for line-of-duty disability benefits, you are entitled to an annual benefit of 66 2/3% of your average final compensation (the average of your highest 3 annual salaries).

3. Dismemberment Disability Retirement Benefits

If you suffer the loss of both hands, both feet or both eyes, or a combination of a hand and foot, a hand and eye, or foot and eye, as the result of an on-the-job accident, you are entitled to a dismemberment disability benefit. You must apply for dismember-

Membership benefits

ment disability benefits within 1 year after leaving City employment and within 5 years of the accident resulting in the dismemberment.

If the hearing examiner determines that you are entitled to a dismemberment disability benefit, you will receive 100% of your annual final compensation (the average of your highest 3 annual salaries).

Workers' Compensation

Workers' Compensation provides financial protection for workers while they are on the job. If you are hurt or disabled while you are on the job, you may be entitled to financial support. Workers' Compensation benefits vary depending on the situation.

ERS' disability process is separate from the determination of disability made by the Workers' Compensation Commission or from the termination of your City employment made by your department regarding your illness or injury. ERS will verify any Workers' Compensation benefit you received within the last five years for the same injury claimed on your disability retirement.

If you receive a Workers' Compensation benefit for the same injury for which you were granted a disability retirement benefit in the previous five (5) years, the amount of the Workers' Compensation benefit (minus doctor and lawyer's fees) is offset against your disability retirement. The offset is calculated based on life expectancy.

EXAMPLE: Worker's Compensation computation after offset

Age at disability retirement	40 years
Annuity factor (life expectancy)	15.140 years
Annual pension	\$25,000
Worker's Compensation benefit	\$8,500
Doctor's fees	\$1,500
Lawyer's fees	\$2,000
\$8,500	Worker's Compensation benefit
-\$1,500	Doctor's fees
-\$2,000	Lawyer's fees
\$5,000	Amount to be offset
÷14.2347	Annuity factor (life expectancy)
\$351.25	Annual offset
\$25,000	Annual pension
-\$351.25	Annual offset
\$24,648.75	New annual disability benefit

Membership benefits

3. Death benefits

Death benefits provide financial compensation to your survivors should you die before retirement or termination of employment. Death benefits may be paid depending on the circumstances of death (line-of-duty or non-line of duty) and your eligibility for retirement, as follows:

1. Non-Line-of-Duty Death Benefits (Ordinary death)

If you die while a City employee, but not in the course of your job, your beneficiaries are entitled to a non-line-of-duty death benefit. The amount of the benefit and to whom it is payable depend on your age and years of service credit.

If at the time of your death you are eligible for normal or early retirement (or would have been eligible within 90 days of your death), your beneficiary is entitled to a 100% survivorship benefit (see 100% Survivorship Benefit, page 27). This is a continuing benefit paid to your designated beneficiary for his/her lifetime, provided that your designated beneficiary is your spouse to whom you were married for 5 years, or if your designated beneficiary is one of your surviving parents. If you have no designated beneficiary, the benefit is payable to your surviving spouse, if you were married for at least 5 years. If your designated beneficiary is neither your spouse nor your parent, and that beneficiary predeceases you, the benefit is payable to your surviving spouse, if you were married for 5 years. The other payment options are set out in greater detail on pages 19-29.

If at the time of your death you have at least 20 years of service credit, and you are not yet eligible for retirement, your beneficiary is entitled to a 40% survivorship benefit, which equals 40% of your retirement benefit as if you had retired at normal retirement age and elected the maximum retirement allowance (see Maximum Retirement Allowance, page 26). This benefit is payable only to your surviving spouse (for life or until remarriage prior to age 70) if you were married at least 1 year, or to your minor children (until age 22).

If you do not qualify for either of these survivorship benefits, but you have acquired at least 1 year of service credit, your designated beneficiary will receive a lump sum equal to your employee contributions (plus interest) and 50% of your current annual compensation or average final compensation (the average of your highest 3 annual salaries), whichever is greater. If you do not have a designated beneficiary or if your designated beneficiary predeceases you, the benefit is payable to your surviving spouse. If you have no surviving designated beneficiary or surviving spouse, the benefit is payable to your

Membership benefits

children, in equal shares. If you have no surviving designated beneficiary, spouse or children, the benefit is payable to your surviving parents, in equal shares. If you have no surviving designated beneficiary, spouse, children or parents, the benefit is payable to your estate.

The Active Death Beneficiary Designation Form (Specific Designation Form) allows you to name any person(s) you want to receive the death benefit. You must file a new Specific Designation Form if you want to change beneficiaries or if a named beneficiary dies. The Specific Designation Form remains in effect until it is replaced. The filing of a Specific Designation Form revokes any prior designation.

2. Line-of-Duty Death Benefits (Accidental death)

If you die in the course of your job as a City employee, and an independent hearing examiner determines that your death is the direct result of an on-the-job accident, you are eligible for a line-of-duty death benefit.

The line-of-duty benefit consists of two parts. First, your employee contributions (plus interest) will be paid to your designated beneficiary. If you have no designated beneficiary, or if your designated beneficiary predeceases you, your employee contributions are payable to your surviving spouse. If you have no surviving designated beneficiary or surviving spouse, your employee contributions are payable to your children, in equal shares. If you have no surviving designated beneficiary, spouse, or children, your employee contributions are payable to your surviving parents, in equal shares. If you have no surviving designated beneficiary, spouse, children or parents, your employee contributions are payable to your estate.

Additional membership benefits

Life Insurance Benefits

You may be entitled to a life insurance benefit based on your union affiliation and enrollment in Optional Life Insurance. This benefit is unrelated to any retirement benefit payable by ERS. Contact the Office of Employee Benefits of the Department of Human Resources for additional information.

Benefit calculations and options

Retirement benefit calculation

Your retirement benefit is calculated based on 1.60% of your average final compensation (AFC) multiplied by your years of credited service.

EXAMPLE

1.6% x AFC
plus
.25% x AFC in excess of covered compensation x years of credited
service up to 30 years
plus
1.85% x AFC for each year of credited service in excess of 30 years

Average Final Compensation (AFC)

Average final compensation (AFC) is the average annual earnable compensation on January 1 for three successive years of service during which earnable compensation was highest or, if less than three years, the average during the total service period. AFC is based on the member's earnable compensation that includes the employee's regular authorized salary. It does not include overtime pay, hazardous duty pay, pay for conversion of leave or other fringe benefits.

Covered compensation

Covered compensation means an annual amount determined by the Social Security Administration that represents the average of the Federal Insurance Contribution Act (FICA) wage base for the 35-year period ending with the calendar year which ends immediately prior to the earlier of:

- January 1 of the calendar year one year prior to the calendar year in which member terminates, or
- January 1 of the calendar year in which the member turns age 65

If a member's AFC is more than the covered compensation set by Social Security Administration, it is subtracted from the base and the difference is calculated with a different multiplier and added to the member's pension benefit. A schedule of covered compensation amounts is published annually by the Social Security Administration.

Benefit calculations and options

Determining the covered compensation amount to be used in retirement benefit formulas

The covered compensation amount is based on the earlier of:

- The year the member reaches age 65, or
- The year prior to the year the employee terminates employment with the City

Once the member attains age 65, the covered compensation becomes fixed. For example, if you continue working beyond age 65, use your year of birth on the schedule and use the covered compensation amount for that year.

EXAMPLE

Member turned age 65 in 2015. Retires in July 2025
Covered compensation= \$75,180 (from schedule for year 2015)

If you are not age 65, use the covered compensation amount that is listed for the calendar year prior to the year in which you retire.

EXAMPLE

Member retires in July 2025 at age 62
Covered compensation= \$97,620 (from schedule for year 2024)

Benefit calculations and options

SAMPLE CALCULATION

Class C – Normal service retirement using covered compensation formula

Average final compensation (AFC) is *more than* covered compensation (CC)

Name: **John Doe**
 Retirement date: **July 1, 2025**

Average final compensation: 105,000 Covered compensation (CC): 99,876 (based on Social Security Administration Schedule)	Retirement age: 56 Years of service: 35 0 0 YRS MOS DAYS
Excess: 5,124	Decimal equivalent: 35.00
Up to 30 years of service	
1. .01600 x 105,000 AFC	1,680
2. .00250 x 5,124 EXCESS	12.81
3. Subtotal (Line 1 + line 2)	1,692.12
4. Years of service up to 30 years	30.00
5. Line 3 x line 4	50,784.30
More than 30 years of service	
6. .0185 x 105,000 AFC	1,942.50
7. Years of service over 30	5.00
8. Line 6 x line 7	9,712.50
9. Maximum annual retirement allowance (Line 5 + line 8)	60,496.50

Benefit calculations and options

SAMPLE CALCULATION

Class C – Early service retirement using covered compensation formula

Average final compensation (AFC) is *more than* covered compensation (CC)

Name: **John Doe**
 Retirement date: **July 1, 2025**

Average final compensation: 165,000 Covered compensation (CC): 99,876 Y	Retirement age: 62 Years of service: 25 0 0 YRS MOS DAYS
Excess: 5,124.00	Decimal equivalent: 25.00
Up to 30 years of service	
1. $.01600 \times 105,000$ AFC	1,680.00
2. $.00250 \times 5,124.00$ EXCESS	12.81
3. Subtotal (Line 1 + line 2)	1,692.12
4. Years of service up to 30 years	25.00
5. Line 3 x line 4	42,303.00
Early retirement with less than 30 years of service	
6. Early age factor	.800
7. Annual retirement allowance	33,842.40

Benefit calculations and options

SAMPLE CALCULATION

Class C – Early service retirement using covered compensation formula

Average final compensation (AFC) is *less than* covered compensation (CC)

Name: **John Doe**
 Retirement date: **July 1, 2025**

Average final compensation: 75,000 Covered compensation (CC): 99,876	Retirement age: 55 Years of service: 25 0 0 YRS MOS DAYS
Excess: 0	Decimal equivalent: 25.00
Up to 30 years of service	
1. .01600 x 75,000 AFC	1,200.00
2. .00250 x 0 EXCESS	0
3. Subtotal (Line 1 + line 2)	1,200.00
4. Years of service up to 30 years	25.00
5. Line 3 x line 4	30,000.00
Early retirement with less than 30 years of service	
6. Early age factor	.500
7. Annual retirement allowance	15,000.00

Benefit calculations and options

SAMPLE CALCULATION

Job abolishment benefit

LEAVING EMPLOYMENT AT AGE 55 (with 20 or more years of service credit)

Years of service: 20
Termination date: July 1, 2025
Average final compensation: \$25,000
Age: 55
Job abolishment benefit: \$8,000

LEAVING EMPLOYMENT BEFORE AGE 55 (with more than 5 years , but less than 20 years, of service credit)

Years of service: 7
Termination date: July 1, 2025
Average final compensation: \$25,000
Age: 35
No immediate retirement benefit

Retirement benefit at:
Age 65 \$2,800
Age 55 (early retirement) \$1,400
Cash-out lump sum option: \$1,544.55 paid immediately

Benefit calculations and options

Six service retirement benefit payment options

You may choose from six service retirement benefit payment options that will suit different family circumstances. The maximum allowance option provides the highest benefit amount to the member, while other options provide lower amount to member and increased amount to the beneficiary. The member may change their chosen retirement option within 30 days after retirement.

1. Maximum allowance option

Under this option, the beneficiary may receive 40% of the member's retirement benefit upon the member's death. The beneficiary may only be: 1) the eligible spouse, to whom the retired member was married for at least one year before the member's retirement date (to continue for life or until remarriage prior to age 70); or 2) minor children who are under age 18, or who are under age 22, if they are students. The eligible spouse or minor children are eligible for health insurance coverage.

EXAMPLE

Maximum retirement benefit (unreduced) - \$1,000 monthly

Your benefit - \$1,000 monthly (no reduction)

Benefit to eligible beneficiary after your death - \$400 monthly

2. Reserve guarantee option

The reserve guarantee benefit permanently reduces the member's lifetime benefit to provide for a lump-sum payment to the beneficiary. The lump-sum payment is determined based upon the life expectancy of the member. The member may change the beneficiary at any time or have multiple beneficiaries. However, if the member lives beyond the total years that is equivalent to the actuarial value of the annuity, there will be no remaining balance for the designated beneficiary. The beneficiary is not eligible for health insurance coverage.

Benefit calculations and options

EXAMPLE

Maximum retirement benefit – \$1,000 monthly (unreduced)

Your reserve guarantee benefit – \$860 monthly (reduced)

Expected lifetime benefits – \$113,520

If you die four years after retirement

12 payments a year x 4 years = 48 benefit payments

48 (payments) x \$860 (monthly benefit) = \$41,280 (total benefits paid)

\$ 113,520 Reserve guarantee lifetime benefit

– \$ 41,280 Total benefits paid

\$ 72,240 Payment to beneficiary

3. 100% survivorship option

This option permanently reduces the member's lifetime benefit to provide a monthly payment to the beneficiary. The reduction is based on the difference between the age of the beneficiary and the age of the member. Upon the death of the member, the eligible beneficiary will receive for life 100% of the member's retirement allowance, even if the beneficiary remarries. The member can change the beneficiary only within 30 days after retirement. The beneficiary is also eligible for health insurance coverage.

EXAMPLE

Maximum retirement benefit – \$1,000 monthly (unreduced)

Your 100% survivorship benefit – \$820 monthly (reduced)

Beneficiary's benefit – \$820 monthly

Benefit calculations and options

4. 50% survivorship option

This option permanently reduces the member's lifetime benefit to provide for a monthly payment to the beneficiary. The reduction is based on the difference between the age of the beneficiary and the age of the member. Upon the death of the member, the eligible beneficiary will receive for life 50% of the member's retirement benefit. The member can change the beneficiary only within 30 days after retirement. The beneficiary is also eligible for health insurance coverage.

EXAMPLE

Maximum retirement benefit – \$1,000 monthly (unreduced)
Your 50% survivorship option benefit – \$900 monthly (reduced)
Beneficiary's benefit – \$450 monthly

5. 100% “pop-up” survivorship option

This option permanently reduces the member's lifetime benefit to provide for a monthly payment to the beneficiary. The reduction is based on the difference between the age of the beneficiary and the age of the member. Upon the death of the member, the eligible beneficiary will receive for life 100% of the member's retirement allowance. The member can change the beneficiary only within 30 days after retirement. If the beneficiary dies before the member, the member's benefit increases to the maximum retirement allowance and a new beneficiary cannot be designated. The beneficiary is also eligible for health insurance coverage.

EXAMPLE

Maximum retirement benefit – \$1,000 monthly (unreduced)
Your 100% pop-up benefit – \$770 monthly (reduced)
Beneficiary's benefit – \$770 monthly
If beneficiary predeceases you, your benefit – \$1,000 monthly

Benefit calculations and options

6. 50% “pop-up” survivorship option

This option permanently reduces the member’s lifetime benefit to provide for a monthly payment to the beneficiary. The reduction is based on the difference between the age of the beneficiary and the age of the member. Upon the death of the member, the eligible beneficiary will receive for life 50% of the member’s retirement allowance. The member can change the beneficiary only within 30 days after retirement. If the beneficiary dies ahead of the member, the member’s benefit increases to the maximum retirement allowance and a new beneficiary cannot be designated. The beneficiary is eligible for health insurance coverage.

EXAMPLE

Maximum retirement benefit – \$1,000 monthly (unreduced)

Your 50% pop-up benefit – \$870 monthly (reduced)

Beneficiary’s benefit – \$435 monthly

If beneficiary predeceases you, your benefit – \$1,000 monthly

Refund, cash-out and COLA

Refund and cash-out

If you terminate employment with the City of Baltimore prior to qualifying for retirement, you are entitled to receive a refund of your contributions to the fund, plus interest. If you leave City employment prior to qualifying for immediate retirement benefits, you may elect to receive a lump-sum cash payout if the present value of the total retirement benefit is \$12,500 or less. If you elect to receive a lump-sum cash payout, you are no longer eligible to receive any City retirement benefits.

EXAMPLE

Average final compensation – \$25,000

Years of Service	Age at termination			
	35	40	45	50
10	\$2,121.72	\$3,210.50	\$4,881.42	\$7,485.84
15	\$2,633.07	\$3,984.28	\$6,057.89	\$9,290.01
20	\$3,510.76	\$5,312.38	\$8,077.19	n/a

Annual cost of living adjustment (COLA)

Retirees and beneficiaries receive an annual cost-of-living adjustment (COLA). The amount of the COLA is the greater of 1.5% or the amount of the COLA awarded by Fire and Police Retirement System of the City of Baltimore.

Retirees and beneficiaries receive their COLA on the January 1 following the June 30 in which they have been receiving benefit payments for at least 12 consecutive months. For example, a member who retires prior to June 30, 2021, will receive a COLA beginning January 1, 2023.

Retirement Process

Service retirement

The service retirement application process is designed to be easy and efficient. After you submit your application, a benefits analyst will advise you of the benefits you are entitled to, make sure your application is complete, let you know if you need to submit additional documents, and explain all of your retirement options.

30/90 days advance notice required

When you are ready to retire, you must file your retirement application with the ERS office no more than 90 days and no less than 30 days in advance in order to avoid a gap between your last paycheck as an active employee and your first retirement check. You have 30 days after your retirement date to change your option for payment and your beneficiary; after 30 days, your form of payment and beneficiary become permanent and cannot be changed. (If you elect the Reserve Guarantee Option, you may change your beneficiary at any time.)

Application process for service retirement

You can file your application for retirement benefits:

- In person. To do so, call (443) 984-3200 to make an appointment with an ERS benefit analyst to learn about your retirement benefits. You can file an application during your appointment.
- By mail. You can request an application by calling (443) 984-3200, or you can download an application from our website at www.bcers.org. Send the completed application to:
Employees' Retirement System
7 East Redwood Street – 13th Floor Baltimore, MD 21202
- ERS must have copies of these documents in order to process your application for retirement benefits:
 - Birth certificates for yourself, your spouse (if you are married), minor children and any other beneficiary. If birth certificates are not available, then you must present two other acceptable documents, such as a baptismal certificate, passport or visa, or insurance policy
 - A court order changing your name, if your present name is different from the name on your birth certificate
 - Marriage license(s) or certificate(s)

Retirement Process

- Any divorce decrees, settlement agreements, or separation agreements
- Your spouse's Social Security number (if you are married)
- Military separation papers (Form DD214 or equivalent) to receive credit for military service
- Employment date information for any prior employment with Baltimore City, Baltimore County, State of Maryland and/or any of its political subdivisions

Verification process

After you submit your retirement application form, a Benefit Analyst will start the verification process by requesting from your department the following items:

1. Signed salary verification memo
2. Last day in pay status
3. Cut-off ticket issued from your department
4. Validation of your three highest consecutive-year salaries (as of January 1 each year)

If your retirement application is completed in full and the information you provided is verified as correct, within 30 days you will be placed on the retirement payroll. The effective date of retirement must be the first day of the month.

Disability retirement

Your eligibility for disability retirement benefits will be determined by an independent hearing examiner hired by Baltimore City.

The disability process can take from three to six months. Because of the long process, it is very important that you file a disability application before you have used all of your paid leave. If your leave time runs out before your disability application has been approved, you may temporarily lose your health care and prescription coverage paid by the City until you begin receiving a disability benefit, if eligible. If you file an application for a disability benefit and later are able to return to work, you can withdraw your disability application with no penalty.

Application process for disability retirement

You can file your application for disability retirement:

- In person. To do so, call (443) 984-3200 to make an appointment with an ERS benefit analyst to learn about your retirement benefits. You can file an application during your appointment.
- By mail. You can request an application by calling (443) 984-3200, or you can down-

Retirement Process

load an application from our website at www.bcercs.org. Send the completed application to:

Employees' Retirement System

7 East Redwood Street – 13th Floor Baltimore, MD 21202

The application must be filed no later than one year following your last day of City employment. You must also file a doctor's report of disability (ERS form 25).

- ERS staff will gather all medical and other pertinent records regarding your disability.
- ERS staff will schedule you for a no-cost examination by a physician chosen by the City who will evaluate your disability.
- The hearing examiner will schedule a hearing of your claim. The hearing is an adversarial proceeding. You may have an attorney represent you at the hearing.
- If you claim a line-of-duty injury, the hearing examiner must determine that you are incapacitated and unable to perform your job as the result of an injury in the line of duty and that your disability is likely to be permanent. Or, if you claim a non-line-of-duty illness or disability, the hearing examiner must determine that you are incapacitated for the performance of duty and that your disability is likely to be permanent. The hearing examiner's decision is in writing
- ERS staff will notify you and your department of the decision of the hearing examiner.
- If the hearing examiner denies your claim, you are entitled to appeal the decision to the Circuit Court for Baltimore City. If the City disagrees with the decision of the hearing examiner, the City may appeal the decision to the Circuit Court of Baltimore City. The appeal must be filed within 30 days after you receive the hearing examiner's decision.
- If the hearing examiner finds that you are eligible for disability benefits, you will be advised of the benefits payable under the various options that provide survivorship benefits. You must then select your benefit option so that you may be placed on the retirement payroll.

Retirement Education and other Resources

Retirement seminars

A comfortable retirement involves planning. Nearly every month, the ERS offers two retirement seminar series that provides information to help you plan for a financially healthy future.

Retirement Educational Seminars are designed for employees who have worked at least one year or up to 10 years with the City of Baltimore. These seminars cover:

- ERS enrollment
- Purchasing service
- Getting credit for military time
- Disability retirement eligibility
- Beneficiary designation
- Membership service credit
- Health insurance changes
- Death/survivorship benefits
- Retirement savings options
- Deferred compensation

Retirement Ready Seminars are for those people who are nearing retirement and who have over 10 years of City employment. These seminars cover:

- Benefit options and retirement eligibility
- Death/survivorship benefits
- Benefit estimates
- Health care coverage upon retirement
- Social Security benefits
- Living wills, and power-of-attorney
- Estate planning

Double-dipping policy

After you retire, if you decide to return to work with the City of Baltimore or a City agency in any position (even part-time), your retirement benefits will stop. The only exception is if you work as a contractual employee. You must promptly notify the ERS of your re-employment. You must repay all retirement benefits you received while reemployed. Upon re-employment you immediately become an active member of the ERS. If you are re-employed within 180 days of your retirement you return to Class C membership. Any previous service credit accumulated at the time of retirement will be restored. If you are re-employed after 180 days of your retirement you become a non-Hybrid member of RSP.

Retirement Education and other Resources

However, as a retired City employee, you may be re-employed by the City on a contractual basis and still receive your retirement benefits if:

- Your requesting agency establishes a need for your services and you have the qualifications necessary to satisfy the requirements of the services to be rendered;
- You have been retired for at least 90 calendar days before beginning service; and
- You enter into a contractual agreement with the Mayor and City Council of Baltimore wherein the contract:
 - Stipulates a time period not to exceed one year and only up to 1,200 paid work hours per contract year
 - Is contingent on funds being available

Rate determination can be no more than the difference between the maximum salary which you would have received based upon your qualifications if you were employed full-time by the City in the classification at the time of the contract and your maximum City retirement benefit. To determine the maximum hourly rate, the dollar value of the difference is to be divided by the 1,200 work hours allowed per contract year.

CONTACT US

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www.bcers.org