

June 8, 2006

MEMORANDUM

TO: All Teachers' and Employees' Pension System Members

FROM: David R. Rieger
Assistant Director for Benefits

SUBJECT: Plan Change and Enhancement

In its 2006 session, the Maryland General Assembly enacted legislation to enhance the pension benefit of eligible teachers and employees, with an effective date of July 1, 2006. The legislation provides for a retroactive enhanced multiplier for service credit back to July 1, 1998. Members who retired before July 1, 2006 are not impacted by this legislation, while members retiring July 1, 2006 and later receive the enhancement. The new multiplier for service credit after July 1, 1998 will be .018 instead of .014. The formula to determine your annual benefit has two parts and will now be calculated as follows:

Average Final Compensation*, times .012, times Years of Service up to June 30, 1998
Plus
Average Final Compensation*, times .018, times Years of Service from July 1, 1998

*Note: Average Final Compensation is the average of your three highest consecutive years of eligible compensation

For example, using the enhanced formula, if you retire July 1, 2007, with 30 years of service and an average final compensation of \$40,000, you would receive an annual retirement benefit of \$16,560. Under the old formula, you would receive \$15,120 per year. The new formula gives you an additional \$1,440 per year in this particular example.

The change in the plan also increases the mandatory employee contribution rate which will be phased in over the next three fiscal years, beginning July 1, 2006 as follows:

- 3% of earnable compensation from July 1, 2006 to June 30, 2007
- 4% of earnable compensation from July 1, 2007 to June 30, 2008
- 5% of earnable compensation from July 1, 2008 forward

The first increase to 3% for members of the Employee Pension System will begin with the pay check on July 14, 2006. Members of the Teachers' Pension System will see the increase in their pay on September 8, 2006.

The enhancement to the plan was described in more detail in a special addition of The Mentor which was recently mailed to your home. A copy is attached for your convenience. If you have any questions regarding the new enhancement after you read the material, please call the UHR-Office of Employee Benefits at (301) 405-5654.