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ADELPHI, MD 20783-1690

OFFICE OF ADMINISTRATION AND FINANCE
HUMAN RESOURCES

TO: New USM Exempt Staff and Faculty employees who are eligible for the Optional Retirement Program
FROM: University System of Maryland (USM)

RE: Retirement Plan Elections for ORP-eligible employees hired on or after July 1, 2011

Employee Name_____ **Social Security Number**_____

Hiring USM Institution Name_____ **Hire Date**_____

Certain Higher Education employees in the State of Maryland have an option to join the Optional Retirement Program ("ORP") in lieu of the State Reformed Contributory Employees'/Teachers' Pension System ("EPS/TPS"). This memorandum describes circumstances that are applicable to those who are employed on or after July 1, 2011. If you were employed by any agency of the State of Maryland (including a public institution of Higher Education) prior to July 1, 2011 and you participated in either the ORP or any retirement or pension system of the State of Maryland, please notify your Human Resources office immediately, as different rules may apply to you. Prior employment by any Maryland public college or university, including a regional or community college, as well as employment with the Maryland Higher Education Commission, may also limit your retirement plan options.

Your Institution's Human Resources Office has determined that you have been hired in a position that is ORP-eligible and, as such, you may elect to participate in the ORP in lieu of the EPS/TPS. Enrollment in a retirement plan is **mandatory by your first date of initial employment** with any Institution of the USM. To participate in a retirement plan you will need to fill out the form at the end of this memo and provide additional required documents and forms

If you do not elect to join the ORP on your first day of employment, by default you will be required to enroll in either the EPS or TPS and you will need to complete the State enrollment Forms: 001 and 004. If by default you enrolled in the EPS/TPS, you are still eligible to change plans and enroll in the ORP **but only within one year of the date you ever first became eligible to participate in the ORP** at any of the institutions from the list provided in the next paragraph. If you delay enrollment in the ORP, your service time in the EPS/TPS may be lost and it may impact your retiree health benefit eligibility for purposes of participation and subsidy.

For purposes of determining ORP-eligibility, the time begins to run on the first date that you were **ever** eligible to participate in the ORP while employed by **any of the following employers**:

- 1) University System of Maryland, any of its constituent Institutions or centers, and any precursors to these Institutions (such as employment with a former State of Maryland Board of Trustees school prior to the creation of the University System);
- 2) Morgan State University;
- 3) St. Mary's College of Maryland;
- 4) Baltimore City Community College (including any of its predecessors, provided that such institution offered the ORP to its eligible employees);
- 5) The Maryland Higher Education Commission; or
- 6) Any regional or community college established under Title 16 of the Education Article of the Annotated Code of Maryland. Essentially, this means any public community or regional college in the State of Maryland.

It is your obligation to report to the Human Resources Office all prior employment with any of the employers on the above list, and to assist Human Resources in determining whether a previous position was ORP-eligible. Failure to provide correct and complete information may result in an improper enrollment, and the possible loss of retirement service credit and health benefits eligibility.

FACTORS TO CONSIDER IN DECIDING WHETHER TO ENROLL IN THE ORP vs. THE EPS/TPS

1. Defined Benefits (DB) plan or Defined Contributions (DC) plan. If you do not enroll in the ORP, by default you will be required to enroll (or continue to be enrolled) in the EPS/TPS. Please consult with your Human Resources Office if you were employed by **ANY** agency of the State of Maryland, including a Higher Education institution, prior to July 1, 2011.

- The **EPS and TPS** are Defined Benefits (DB) plans, with retirement benefits determined by a statutory formula based upon an employee's date of employment, earnings history, creditable service, and age at the time of retirement. A participant in the EPS/TPS has no responsibility for, nor ability to direct, any investment decisions related to the EPS/TPS.
- The **ORP**, by comparison, is a Defined Contribution (DC) plan; the employer contributes a set percentage of compensation to the employee's ORP account. The current ORP contribution rate is 7.25%, but this could be changed by the State of Maryland, just as the statutory formula for computing EPS/TPS benefits could be changed by legislative action. An ORP participant has the responsibility for making investment decisions from among certain investment vehicles offered by the ORP vendors. The benefits that will be available to an ORP participant upon retirement are dependent on the final value of the account based on the investment performance of the options selected by the participant.

2. Employee contributions.

- **EPS/TPS** -Employees are required to contribute 7% of earnable compensation to the EPS/TPS.
- **ORP** -The ORP requires no employee contributions at this time. Changes to these provisions could be made by the State of MD in both cases.

3. Retirement Vesting.

- **EPS/TPS** -In order to be vested and be eligible to receive EPS/TPS retirement payments, an employee must have 10 years of creditable service as a participant in the EPS/TPS.
- **ORP** -Retirement benefits in the ORP vest immediately and the funds in the account may be withdrawn by the employee upon termination from employment according to the ORP guidelines.

EPS/TPS and ORP -However, as a word of caution, note that for any of the retirement plans, retirement payments are directly linked to health benefits eligibility as noted below in item 4.

4. Health Benefits Eligibility for a Retiree, Retiree's Spouse or Child, and Retiree's Surviving Spouse or Child to participate in State health benefits and to receive a subsidy from the State. There are major and complex eligibility differences and rules between the EPS/TPS and the ORP. The differences are impacted by the employee's years of service and employing agency; with the rules being more demanding for the ORP member.

- **EPS/TPS** -The EPS/TPS retiree, retiree's spouse or child, and retiree's surviving spouse or child generally are eligible to participate in the State health benefits and receive a State contribution for the cost of the health benefits premium (i.e., the State subsidy) after 10 years of creditable service by the **EPS/TPS member**, beginning at 10/25ths (or 40%) of the State subsidy, up to 25/25ths (or 100%) of the State subsidy after 25 years of creditable service.
- **ORP** -Specifically the ORP retiree must retire directly from an ORP employer in order to be eligible to participate in the State health benefits and receive a State subsidy after 10 years of creditable service, beginning at 10/25ths (or 40%) of the State subsidy, up to 25/25ths (or 100%) of the State subsidy, after 25 years of creditable service. If the employee has 25 years of Full Time Equivalent (FTE) employment then retirement may be deferred and he/she shall continue to qualify for health benefits.

However, the **ORP retiree's spouse or child**, and **retiree's surviving spouse or child** will be eligible for the State subsidy **only** if the **ORP** member has 25 or more years of service as an employee in the legislative, judicial or executive branch of Maryland State Government participating in any retirement or pension plan (which includes

service as a USM employee). The subsidy for health benefits will equal 25/25ths (or 100%) of the State subsidy. There is no partial subsidy for fewer years of service, but access to the State's health insurance is available at the full cost of the group insurance rate. If the **ORP** retiree had combined EPS/TPS and ORP membership, then creditable service calculations and further regulations are mandated to determine eligibility and State subsidy.

EPS/TPS and ORP -In order to be eligible to receive State health benefits, both **EPS/TPS and ORP** plans mandate additional requirements that a retiree, retiree's spouse or child, or retiree's surviving spouse or child must be receiving either a monthly allowance from State Retirement EPS/TPS or a periodic distribution of payments from the ORP. If all retirement funds are withdrawn from the EPS/TPS or the ORP then the **health benefits will stop**. Potential concerns over the criteria described here can be further clarified by the Institution Benefits Coordinator before making a final retirement plan selection.

5. Death benefit.

- **EPS/TPS** -Employees who have completed one year of service as members of the EPS/TPS are entitled to a death benefit equal to one year's salary.
- **ORP** -There is no death benefit for ORP participants.

6. Disability retirement.

- **EPS/TPS** -Employees who have completed five years of service as EPS/TPS participants may qualify for a disability retirement allowance.
- **ORP** -There is no disability retirement benefit associated with the ORP.

7. Unused sick leave conversion.

- **EPS/TPS** - If the employee retires directly from State service, EPS/TPS allow conversion of unused sick leave to extra creditable service.
- **ORP** -Members of the ORP cannot convert sick leave, which is lost when an ORP employee leaves State service.

The highlights of programs listed above are in effect as of July 1, 2011 and not intended to be all inclusive. Additional details are provided in the official booklets from the State Retirement Agency (SRA) and the Department of Budget & Management–Employees Benefits Division (DBM-EBD), as well as in consultation with your Institution Benefits Coordinator.

Note that the State of Maryland can change the terms and conditions relating to retirement or pensions, such as vesting, employer contribution rate or benefits formula, employee contribution rate, etc. at any time by legislative action. The State of Maryland can also change the health benefits offered to employees, retirees, and their family members, or the amount of the State's subsidy, as well as eligibility to participate in the State's health benefits plan or to receive a State subsidy for such plans.

Please proceed to the next page to fill out the **USM - Retirement Plan Selection Form for USM Exempt Staff and Faculty employees**. To make an informed decision, you may require information about your pension/retirement history from the Maryland State Retirement and Pension System. You may also require further health benefits information for retirees from the Maryland Department of Budget and Management-Employee Benefits Division (DBM-EBD). **DO NOT DELAY** any inquiries that you must make; the agency response may take some time, and the one year period in which you can elect the ORP CANNOT be extended.



USM - Retirement Plan Selection Form for USM Exempt Staff and Faculty employees

I have been advised of the foregoing information concerning election of the Optional Retirement Program (ORP). I have had an opportunity to ask questions, and I have also been told that I am free to seek information from the ORP vendors, the Maryland State Retirement and Pension System, the Maryland Department of Budget and Management-Employees Benefits Division (DBM-EBD) regarding health benefits, as well as any outside financial or other consultants from whom I choose to seek input. Based upon the foregoing:

I. PLEASE SELECT ONE by initialing below:

A. _____ I elect to participate in the ORP by filing an ORP vendor selection form, along with all supporting paperwork/documents (copy of Passport, Driver's License/State issued ID, or Birth Certificate) and I understand that I also need to complete an Election Not To Participate in SRPS (EPS/TPS)- Form 60 of the Maryland State Retirement and Pension System.

B. _____ I decline participation in the ORP and I understand that I need to enroll in the EPS or TPS and complete Forms: 001 and 004 of the Maryland State Retirement and Pension System.

I understand that, if I fail or have failed in the past to enroll in the ORP within one year of my first ORP-eligibility **ever**, this will forever foreclose my ability to participate in the ORP. I further understand that, if I do not elect the ORP, I **must** be enrolled in the EPS or TPS as the default option.

II. CERTIFICATION - Initial one of the following two options:

A. _____ Prior to the date I began my current position, I have **never** been employed by:

1. The University System of Maryland, any of its constituent institutions or centers, and any precursors to these institutions (such as employment with a former State of Maryland Board of Trustees school prior to the creation of the University System);
2. Morgan State University;
3. St. Mary's College of Maryland;
4. Baltimore City Community College (including any of its predecessors, provided that such institution offered the ORP to its eligible employees);
5. The Maryland Higher Education Commission; or
6. Any regional or community college established under Title 16 of the Education Article of the Annotated Code of Maryland (i.e., any public community or regional college in the State of Maryland).

OR

B. _____ Prior to the date I began my current position, **I was employed by one or more institutions listed above, in Section II.A.1. through 6.** (If you initial this item, please provide details below, including the name of the institution(s), your position(s), and your approximate dates of employment. If you do not know this exact information, you should still initial this box and provide any information that you can, but you must list **all** employers from the list above).

1. Name of Institution: _____ **Dates of Employment:** _____

Position Title: _____ **Employee Category:** _____ **Enrolled in ORP:** Yes ___; No ___

2. Name of Institution: _____ **Dates of Employment:** _____

Position Title: _____ **Employee Category:** _____ **Enrolled in ORP:** Yes ___; No ___

Please list on a separate sheet of paper any additional employment with the institutions listed in Section II.A.

Employee's Signature

DATE

Employee's Printed Name

USM Institution: Benefits Coordinator's Signature

DATE

Benefits Coordinator's Printed Name



OPTIONAL RETIREMENT PLAN (ORP) VENDOR SELECTION FORM UNIVERSITY SYSTEM OF MARYLAND (USM)

In order to enroll in the Optional Retirement Plan and select the ORP Vendor of my choice, I, _____, SSN _____,
(First Name Middle Initial Last Name)
have attached an "Election Not to Participate in the MD State Pension System" form (MSRA-60), and the required proof of identity (see reverse side).

I select the following vendor and action (Please select one vendor and one action):

VENDOR:

FIDELITY INVESTMENTS _____ TIAA-CREF _____

ACTION:

Enroll: _____ Change: _____

I recognize that the University will contribute an amount equal to **7.25%** of my base annual salary to the ORP on my behalf. I understand that University contributions will be made over 20 pays during the academic year, and invested upon enrollment in a "LifeCycle Fund". After enrollment is in effect, I can access the ORP Vendor website and, at my direction, designate my investment among the funds available for the USM-ORP. No money will be deducted from my salary. I reserve the right to make voluntary contributions on a salary reduction (before tax) basis to a Supplemental Retirement Plan, subject to Federal limits.

LIMITS ON CONTRIBUTIONS - I recognize that if I was hired on or after July 1, 1996, the University's 7.25% contribution to my ORP will stop once my earned salary in the fiscal year reaches the Federal limit on employer contributions to the ORP.

REHIRES - I understand that if I am rehired and I was an ORP participant in MD before July 1, 1996, the Federal contribution limit does not apply to me and I am entitled to have the 7.25% contribution apply to my full salary. My prior USM or other MD Institution of Higher Education dates of employment are: Hired: _____ Terminated: _____
My initial MD-ORP participation date was: _____ Institution _____

By signing this form I understand: 1. the conditions stated above; 2. that I may enroll with only one ORP Vendor at any given time; 3. that I am entitled to change ORP Vendors only once during any calendar year; 4. I will keep a copy of this document for my files.

Employee's Signature: _____ Date: _____

USM Institution _____ Office Phone _____

USM Benefits Coordinator: _____ Date: _____
(Institution Representative)

VALID TYPES OF IDENTIFICATION

New employees must provide proof of identity when making application for enrollment in the Optional Retirement Plans. Copies of the following documents are acceptable as proof of identity. Please attach two Xerox copies of the documents you are submitting as identification to your Optional Retirement Plan application forms. *Make sure that the copies of the documents can be read.*

Provide one of the following documents:	<u>OR</u> Provide two of the following documents:
Birth Certificate Passport Naturalization Record Military Discharge Papers School or College Record <i>(if at least five years old)</i> Life Insurance Policy <i>(if at least five years old)</i> Baptismal Certificate Family Bible – copy of page <i>(Will only be accepted if accompanied by a statement, from a Plan Representative in your Institution's Benefit Office or a Notary Public, that provides the following information: 1) she/he has examined the Bible; 2) gives the name of the individual that made the entry in the Bible, 3) the date the entry was made, and 4) that your name and date was shown in the entry.)</i>	Affidavit of Parent Birth Certificate of Child Census Record Church or Sunday School Record Club or Lodge Record Confirmation Record Diary Driver's License Election Registration Employment Record Family Doctor's Record Fraternal Organization Record Hospital Record Immigration Registration or Visa Marriage Record Military Identification or Service Card Professional Organization Record School Report Card Selective Service Registration Statement of Physician or Midwife Present at Birth Vaccination Record