

CITY OF HAGERSTOWN, MARYLAND

**AN ORDINANCE TO AMEND THE CITY OF HAGERSTOWN POLICE AND FIRE
EMPLOYEES' RETIREMENT PLAN**

ORDINANCE NO. 0-21-01

AN ORDINANCE TO AMEND the Code of the City of Hagerstown by revising Chapter 38, entitled Police & Fire Employees' Retirement Plan (the "Plan"), to reflect additional service credit under the Plan for accrued sick leave at retirement and to increase the percentage of pay contributed as City pickup contributions.

BE IT ORDAINED AND ENACTED by the Council of the City of Hagerstown as follows:

Section 1. Chapter 38, Section 21 of the Code of the City of Hagerstown is hereby amended to read as follows:

§ 38-21. Credit for Accrued Sick Leave.

Solely for purposes of determining the amount of the participant's benefits payable pursuant to Sections 38-28, 38-29, or 38-30, the participant shall receive additional years of credited service for unused sick leave. Unused sick leave shall be credited by dividing the number of accrued sick leave hours as of the participant's termination date by the number of annual, contractual, regularly scheduled hours applicable to the participant as of the participant's termination date, then multiplying the product by 12 and rounding up or down to the nearest number of whole months. Fractions of .50 will be rounded to the closest even number. For example, a participant whose accrued sick leave as of the participant's termination date equals 586 hours whose annual, contractual, regularly scheduled hours equal 2,496 will receive an additional three months of credited service $((586/2496) \times 12) = 2.817$, rounded to three months of credited service. Notwithstanding the foregoing, in no event will the additional credit for accrued sick leave cause the participant's retirement benefit to exceed 60% of average compensation.

Section 2. Chapter 38, Section 26, subpart A.(1) of the Code of the City of Hagerstown is hereby amended to read as follows:

(1) City pickup contributions. Effective for the pay periods beginning on or after July 1, 2018, and in accordance with rules established by the City, each participant shall make contributions to the plan equal to 8.0% of his or her compensation. Effective for pay periods beginning on or after July 1, 2021, and in accordance with rules established by the City, each participant shall make contributions to the plan equal to 9.0% of his or her compensation. The participant contributions referred to in this § 38-26 shall be picked up by the City, as described in Section 414(h)(2) of the Internal Revenue Code, deducted from the pay of the contributing participants as salary reduction contributions, and paid by the City to the Trustees with reasonable promptness after the total of such contributions during any month has been determined, and in any event by the end of the succeeding month. The contributions

0-21-01


made pursuant to this § 38-26 shall be made a part of the participant's employee contributions benefit, that is, a part of his or her accrued benefit

Section 3. Effective date.

This ordinance shall become effective July 1, 2021.

WITNESS AND ATTEST
AS TO CORPORATE SEAL:

MAYOR AND COUNCIL OF THE
CITY OF HAGERSTOWN


Donna Spickler, City Clerk

By: 

DATE OF INTRODUCTION: 02/23/2021
DATE OF PASSAGE; 03/23/2021
EFFECTIVE DATE: 04/22/21

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SUMMARY OF THE CITY OF HAGERSTOWN POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN

Introduction

The City of Hagerstown established the City of Hagerstown Police and Fire Employees' Retirement Plan ("Plan") for City employees originally effective July 1, 1998. This Summary is intended to give you an overview of the requirements for participation in the Plan and the benefits provided by the Plan generally effective as of July 1, 2021. However, if there is a discrepancy between this Summary and the actual Plan document, the Plan document will govern.

If you were employed by the City as a full-time Employee in a covered classification before July 1, 1998, your participation in the Plan was optional. You had the right to elect to transfer to the Plan from the Maryland State Retirement or Pension Systems and receive the full Credited Service from the State Plan(s), or you could have done nothing and remained a participant in one of the State systems.

If you begin your employment with the City as a full-time Employee in a covered classification on or after July 1, 1998, participation in the Plan is required as a condition of your employment with the City.

General Information - Types of Benefits

As a general matter, the Plan is a pension plan designed to help to provide you with a secure and adequate income when you retire. Retirement benefits are payable at your normal, early or delayed retirement date. Retirement benefits might also be payable to you if you terminate employment or become disabled, or to your beneficiary in the event of your death. Each of these benefits is discussed in greater detail in this Summary.

The Plan is intended to qualify for favorable tax treatment under the Internal Revenue Code and the Trust is intended to be exempt from tax under Section 501 of the Internal Revenue Code. It might be necessary, from time to time, to make changes to the Plan to satisfy these requirements. In that event, you will be notified of the required Plan changes.

Eligibility for Participation

Your eligibility for participation in this Plan is based on your status as a "Covered Employee." Appendix A to this Summary contains a list of employment classifications to help you determine whether you are a "Covered Employee." If you are classified by the City as a full-time Employee and you are employed in one of the job classifications listed in Appendix A, you are a Covered Employee.

Covered Employees of the City who are hired on or after July 1, 1998 begin to participate in the Plan on their first day of work for the City as a Covered Employee.

Covered Employees who began working for the City before July 1, 1998 are eligible to transfer to the Plan as of July 1, 1998, if they complete the application forms on or before June 5, 1998 and agree to make contributions to this Plan. If you did not elect to transfer to the Plan as of July 1, 1998, you may not do so now or in the future.

Employee Contributions

The Plan is a "defined benefit" plan. This means that professional actuaries determine how much money should be contributed each year to the Plan to provide benefits for all participants. While extensive support for the Plan is provided by the City of Hagerstown, Plan participants are required to make contributions to the Plan.

From each paycheck, a participating employee must contribute to the Plan an amount equal to 8% of his or her base annual salary. Your contribution increased to 9% of base annual salary effective July 1, 2021.

These contributions are deducted from employees' pay before federal and most state income taxes are calculated.

Under certain circumstances, contributions you may have made to retirement plans of other governmental employers, plus the interest you earned on these contributions, may be transferred to the Plan.

Vesting

Throughout this Summary, reference is made to the "vesting" of benefits. When you become vested in your benefits, you will not lose or forfeit the benefits you earn under this Plan when you terminate employment with the City.

Your benefits become vested according to the following table:

Years of Eligibility Service	Percentage Vested
Less than 5	0%
5 or more	100%

You should also note that, even if you terminate employment before you are 100% vested, you will always receive a benefit equal to your own employee contributions, including transferred contributions, plus any Interest applied to your contributions prior to July 1, 2017.

Credit for Service

Your benefits from the Plan depend in large part on your length of employment (or "Service") with the City. For many purposes, your Service is counted on a Plan Year basis. A Plan Year is the period beginning on July 1 and ending on the following June 30.

Your Service is counted for different purposes. For purposes of determining whether you have a vested interest in your benefits and for purposes of determining whether you are eligible for normal or early retirement, "Eligibility Service" is counted. For purposes of determining the amount of your benefits, "Credited Service" is counted.

Eligibility Service and Credited Service are, in most circumstances, calculated and counted the same way. Sometimes, Eligibility Service and Credited Service will be referred to simply as Service. However, your total Eligibility Service may be different from your total Credited Service if you transfer service to the Plan under the rules which are discussed later in this Summary.

Eligibility Service:

Eligibility Service is given for each full year of Plan participation from your first day of employment with the City as a Covered Employee to your date of retirement, termination of employment, death or disability.

Credited Service:

Credited Service is given for each full month of Plan participation from your first day of employment with the City as a Covered Employee to your date of retirement, termination of employment, death or disability.

Transferred Service from the Maryland State Retirement System

If you were employed as a Covered Employee (as defined at the time) as of July 1, 1998, you were entitled to make an irrevocable election to receive Service credit for service recognized and performed with the Maryland State Retirement or Pension Systems. If you make such an election on or before June 5, 1998, you are entitled to full credit for the Service that you transferred from the State System.

Transferred Service from Another Governmental Employer

If you were employed on a full-time basis in a position similar to one of the positions listed on Appendix A for a governmental employer other than the City, you may elect to receive credit for such service. If you elect, the City will credit you with up to 5 years of Eligibility Service (but not Credited Service) for full-time service in a position similar to one of the positions listed on Appendix A. The maximum Eligibility Service you may receive under this provision is 5 years.

Although you will not receive Credited Service for service transferred from another governmental employer, your retirement benefits will be increased if, in connection with the transfer and prior to reaching a termination date, you elect to transfer your contributions plus interest to the Plan from the other governmental plan. The amount of the increase in your benefits will be the actuarial equivalent of the contributions paid from the other employer's plan to this Plan.

Purchase of Service with Another Governmental Employer

You may purchase up to five years of Credited Service and Eligibility Service for employment with one or more of the following employers provided that you are not eligible to receive a pension from any of these employers (or from the City) based on the service you want to purchase:

- (1) A Maryland governmental employer;
- (2) Any State, City or other municipal government employer within the United States; or
- (3) The United States government.

Before you begin to receive benefits under the Plan, you must pay the entire cost of the benefits provided by the Service credited from your purchase.

You may pay for the credit in a single lump sum, by a rollover of your benefit from another retirement plan, or in installment payments. You may make installment payments on a pre-tax basis if you enter into an irrevocable payroll reduction agreement with the City to purchase the service. The City may limit your ability to purchase Service if necessary to comply with federal tax laws.

Credit for Unpaid Leaves of Absence for Military Service

You will receive credit for Service for an unpaid leave of absence for military service to the extent required by federal and state law.

Credit for Pre-Employment Military Service

If you were a Covered Employee on or before June 30, 1998, you may apply for and receive Credited and Eligibility Service for periods of military service performed prior to your first day of employment with the City. To qualify for this military service credit, you cannot be entitled to a military pension and you must have at least 10 years of Credited Service (without adding in your military service). The maximum Service you may receive for your pre-employment military service is 5 years.

If you were not actively employed by the City on or before June 30, 1998 but are actively employed by the City on or after October 26, 2012, you also may apply for and receive Credited Service (but not Eligibility Service) for periods of military service performed prior to your first day of employment with the City, up to a maximum of three years of Credited Service.

If a Participant received credit for Years of Eligibility Service and/or Years of Credited Service under both these plan provisions and the plan provision that grants service credit as required by federal law for a military service leave, the total service

credited shall not exceed the greater of five years, or the amount of such service credited by federal law for your military service leave.

Benefits

Calculation of Average Compensation

One of the key elements in determining the amount of your benefits from this Plan is your "Average Compensation." Average Compensation is calculated based on the annual base salary for your position without counting overtime pay, bonuses on-call or other extra pay.

For Plan Years beginning July 1, 2018, and before, your Average Compensation is the average monthly base salary equal to 1/36th of the total base salary you receive during the 3 consecutive Plan Years of your employment with the City which produce the highest average. For the Plan Year beginning July 1, 2019, your Average Compensation is the average monthly base salary equal to 1/48th of the total base salary you receive during the 4 consecutive Plan Years of your employment with the City which produce the highest average. For Plan Years beginning July 1, 2020, and after, your Average Compensation is the average monthly base salary equal to 1/60th of the total base salary you receive during the 5 consecutive Plan Years of your employment with the City which produce the highest average.

For example, assume your salary history is as follows:

<u>Plan Year</u>	<u>Base Salary</u>
2007-08	\$31,600
2008-09	\$32,000
2009-10	\$33,800
2010-11	\$34,500
2011-12	\$35,000
2012-13	\$35,000
2013-14	\$37,000
2014-15	\$38,600
2015-16	\$40,125
2016-17	\$35,300
2017-18	\$34,500

Your Average Compensation for Plan Years beginning July 1, 2018, and before is calculated as follows:

1 Year	x	\$37,000	=	\$37,000
1 Year	x	\$38,600	=	\$38,600
1 Year	x	\$40,125	=	<u>\$40,125</u>
				\$115,725

$$\$115,725/36 = \$3,214.58 \text{ Average Compensation}$$

Your Average Compensation for the Plan Year beginning July 1, 2019, is calculated as follows:

1 Year	x	\$37,000	=	\$37,000
1 Year	x	\$38,600	=	\$38,600
1 Year	x	\$40,125	=	\$40,125
1 Year	x	\$35,300	=	<u>\$35,300</u>
				\$151,025

$$\$151,025/48 = \$3,146.35 \text{ Average Compensation}$$

Your Average Compensation for Plan Years beginning July 1, 2020, and after is calculated as follows:

1 Year	x	\$35,000	=	\$35,000
1 Year	x	\$37,000	=	\$37,000
1 Year	x	\$38,600	=	\$38,600
1 Year	x	\$40,125	=	\$40,125
1 Year	x	\$35,300	=	<u>\$35,300</u>
				\$186,025

$$\$186,025/60 = \$3,100.42 \text{ Average Compensation}$$

Normal Retirement Benefits

Under the Plan, you may retire at your Normal Retirement Date and receive unreduced benefits. You will reach your Normal Retirement Date on the first day of the month on or after you complete 25 years of Eligibility Service, regardless of your age, or, if earlier, the date you both: (1) reach age 62, and (2) complete at least 3 years of Eligibility Service.

Your normal retirement benefit is a monthly benefit beginning on your Normal Retirement Date and continuing over your lifetime.

If you retire after June 30, 2001 and were hired before July 1, 2018, your normal retirement benefit will be calculated as follows:

2.0% x Average Compensation x Credited Service to a maximum of 60% of Average Compensation

Example: Jim retires on January 1, 2022. He has earned 31.5 years of Credited Service and his Average Compensation is \$3,750. Jim's monthly benefit at his Normal Retirement Date is \$2,250 which is the maximum 60% of his Average Compensation calculated as follows:

$$\begin{array}{rclclcl} .02 & \times & \$3,750 & \times & 31.5 & = & \$2,362.50 \text{ per month} \\ \text{Maximum:} & & \$3,750 & \times & .60 & = & \$2,250 \text{ per month} \end{array}$$

If you are first hired on or after July 1, 2018, your normal retirement benefit will be calculated as follows:

1.8% x Average Compensation x Credited Service to a maximum of 60% of Average Compensation

Example: Jane was hired January 1, 2019 and retires on January 1, 2054. She has earned 35 years of Credited Service and her Average Compensation is \$4,000. Jane's monthly benefit at her Normal Retirement Date is \$2,400 which is the maximum 60% of her Average Compensation calculated as follows:

$$\begin{array}{rclclcl} .018 & \times & \$4,000 & \times & 35.0 & = & \$2,520 \text{ per month} \\ \text{Maximum:} & & \$4,000 & \times & .60 & = & \$2,400 \text{ per month} \end{array}$$

If you are first hired before July 1, 2018, terminated employment on or after July 1, 2018 and are then rehired, your normal retirement benefit will be calculated as follows:

2.0% x Average Compensation x Credited Service through initial termination date **PLUS** 1.8% x Average Compensation x Credited Service earned after the initial termination date upon rehire.

The total benefit is limited to 60% of Average Compensation.

Example: Mike was hired January 1, 2010 and terminated June 30, 2020 with 10.50 Years of Credited Service. He is later rehired on July 1, 2022 and retires on January 1, 2042 with 19.50 additional years of Credited Service. He has earned 30 years of Credited Service and his Average Compensation is \$4,000. Mike's monthly benefit at his Normal Retirement Date is \$2,400 calculated as follows:

$$.020 \times \$4,000 \times 10.5 = \$840 \text{ per month}$$

PLUS

$$.018 \times \$4,000 \times 19.5 = \$1,404 \text{ per month}$$

$$= \$840 + \$1,404 = \$2,444 \text{ per month}$$

$$\text{Maximum: } \$4,000 \times .60 = \$2,400 \text{ per month}$$

Early Retirement Benefits

You may receive benefits from the Plan prior to your Normal Retirement Date, but these benefits are reduced to reflect the fact that benefit payments start earlier and are presumed to be paid over a longer period of time.

You will reach your Early Retirement Date on the first day of the month on or after the day you both reach age 50 and earn at least 20 years of Eligibility Service if you are employed by the City on that date.

Your monthly retirement benefits are based on the same formula as your normal retirement benefits, except using your Average Compensation and Credited Service at your Early Retirement Date. Your monthly benefits are reduced by 0.50% for each month benefits are paid before your 62nd birthday through age 55 and reduced 0.33% for each month before age 55. See Appendix B.

Example: Jill elects to retire on March 1, 2019 at age 52, 120 months before her Normal Retirement Date (36 months before reaching age 55 and 84 months between ages 55 and 62). Her final Average Compensation is \$3,300. She has earned 20 years of Credited Service. Her total monthly benefit is \$607.20, computed as follows:

Benefit Formula:

$$.02 \times \$3,300 \times 20 = \$1,320 \text{ per month}$$

$$\text{Reduction: } (84 \times .005) = .42 + (36 \times .0033) = .12$$

$$.42 + .12 = .54$$

$$\$1,320 \times .54 = (\$712.80)$$

$$\text{Monthly Benefit at Early Retirement: } \$607.20 \text{ per month } (\$1,320 - \$712.80)$$

Delayed Retirement Benefits

You may defer retirement and keep working after you have obtained 25 years of Eligibility Service or age 62 with 3 years of Eligibility Service. If you choose to continue working, your benefit payments will be postponed until you actually retire. If you continue to work beyond your Normal Retirement Date, you will continue to accumulate Credited Service. However, calculation of your benefit is still subject to the maximum 60% of your Average Compensation as of the date of your actual retirement. In addition, depending on the form of benefit payment you elect, your monthly benefit may be higher to reflect the fact that benefit payments start later and are presumed to be paid over a shorter period of time.

Credit for Sick Leave

For purposes of determining your normal, early, or delayed retirement benefit payment, beginning with retirements on and after July 1, 2021, you may receive credit for your accrued sick leave as of the date of your termination.

The amount of your sick leave credit is determined by dividing your sick leave hours as of your termination date by the contractual, regularly scheduled hours applicable to you, then multiplying the result by 12 and rounding to the nearest whole month.

Example: Jill has 586 hours of accrued sick leave when she terminates employment. Her contractual, regularly scheduled hours per year are 2,496. Jill will receive an extra three months of Credited Service, but not Eligibility Service.

$$((586/2496) \times 12) = 2.817$$

The extra credit for accrued sick leave cannot cause your benefit to exceed 60% of your final average compensation.

The sick leave credit is provided only for "Credited Service" to determine the amount of your benefit payment. Additional credit for accrued sick leave does not impact the determination of your vesting under the Plan or your eligibility for a normal or early retirement benefit.

Disability Retirement

You will become eligible for disability benefits if you sustain a total and permanent disability while you are employed by the City or on an authorized leave of absence and you are no longer able to perform the duties of your job. There are 2 types of disability: "ordinary" and "line-of-duty."

A "total and permanent disability" is a physical or mental injury or disease which is expected to be permanent or result in death. "Total and permanent disability" does not include an injury or disease which arises because of chronic alcoholism or addiction to

narcotics, is sustained while engaged in criminal behavior, is intentionally self-inflicted or arises because of your willful misconduct.

If you submit a claim for disability, your claim may be reviewed by a Disability Review Board. The Disability Review Board may seek the assistance of one or more physicians to determine if your condition qualifies as a total and permanent disability. Decisions of the Disability Review Board may be appealed to the Administrator.

Ordinary Disability Benefits

If you become disabled after completing 5 years of Eligibility Service and your injury or illness did not occur in the line of duty, you will be eligible for ordinary disability benefits under the Plan. If you satisfy the requirements, you will receive a monthly benefit computed in accordance with the normal retirement benefit formula using Credited Service and Average Compensation at the date of disability. The minimum disability benefit for participants who have earned at least 5 years of Eligibility Service is 20% of Average Compensation.

If you have at least 25 years of Eligibility Service at the date of your disability, you will be deemed to have elected to retire under either the Normal or Delayed Retirement provisions and your retirement benefit will not be reduced by any benefits you receive through Workers' Compensation.

Line-of-Duty Disability Benefits

You will qualify for a line-of-duty disability benefit if you are a Covered Employee other than a Police Officer Trainee or a Police Cadet and you sustain a total and permanent disability as a result of an on-the-job accident or injury which has been ruled "compensable" under the Maryland Workers' Compensation Act.

There are two categories of line of duty disabilities: catastrophic and non-catastrophic. Catastrophic line of duty disabilities are disabilities which result from an on-the-job accident or injury which permanently prevents you from performing a moderate amount of work with reasonable regularity or which severely limits your participation in one or more of the following major life activities: caring for yourself, walking, seeing, hearing, speaking, breathing or learning. Non-catastrophic line of duty disabilities are disabilities which result from an on-the-job accident or injury but are not severe enough to be a catastrophic line of duty disability.

If you terminate employment because of a catastrophic line of duty disability, you will receive a monthly benefit equal to the greater of (1) 66 2/3% multiplied by your annual Compensation (adjusted to reflect changes in the base annual salary from the time of your disability through the time when your disability benefits begin) or (2) a return of your contributions to the Plan, including transferred contributions, plus any Interest applied to your contributions prior to July 1, 2017.

If you terminate employment because of a non-catastrophic line of duty disability, you will receive a monthly benefit equal to the greater of (1) 33 1/3% multiplied by your annual Compensation (adjusted to reflect changes in the base annual salary from the time of your disability through the time when your disability benefits begin) or (2) a return of your contributions to the Plan, including transferred contributions, plus any Interest applied to your contributions prior to July 1, 2017.

Limitations Regarding Disability Benefits

Your monthly disability benefits will be reduced by any Workers' Compensation benefits you receive.

During the time in which you receive disability benefits, you must send the Administrator a copy of your federal income tax return each year. You may also be asked to undergo physical examinations on a periodic basis. Failure to comply with these requests will result in termination of your disability benefits.

If you recover from your disability and return to work for the City, your monthly disability benefits will stop, but you will receive credit for Service for the time that you were receiving disability benefits from the Plan.

Death Benefits

If you die before you begin to receive your benefits from this Plan, your beneficiary is entitled to receive a benefit which is at least equal to your own employee contributions, including transferred employee contributions, plus any Interest applied to your contributions prior to July 1, 2017.

If you die before termination of your employment, your beneficiary may receive a larger benefit which, like disability benefits, may be classified as "ordinary" or "line of duty."

If you die while performing qualified military service on or after January 1, 2007, your beneficiary is entitled to receive benefits that would have been provided under the Plan had you resumed employment on the day before your death and terminated employment on your actual date of death. "Qualified military service" means service in any of the U.S. armed forces, if you are entitled to re-employment rights.

Ordinary Death Benefits

If your death occurs after you have reached age 50 and have at least 20 years of Eligibility Service, and you have named your spouse as your primary beneficiary, he or she will be eligible to choose one of the following payment forms:

(a) A lump sum payment equal to your final annual pay plus a return of all the contributions which you have made into the Plan, plus any Interest applied to your contributions prior to July 1, 2017; or

(b) A monthly benefit equal to 100% of the amount which would have been paid to you had you retired one day before your death and begun to receive your benefit as a joint and 100% survivor annuity.

If your death occurs after you have at least one year of Credited Service, but before you have attained age 50 with 20 years of Eligibility Service, or you die without having chosen your spouse as primary beneficiary, your primary beneficiary will receive a lump sum payment equal to your final annual pay, plus a return of all the contributions which you have made into the Plan, plus any Interest applied to your contributions prior to July 1, 2017, in accordance with the Plan provisions.

If your death occurs before you have at least one year of Credited Service, your primary beneficiary will receive a refund of your contributions, plus any Interest applied to your contributions prior to July 1, 2017.

Line of Duty Death Benefits

If your death occurs from an injury or illness which you have sustained as an active participant and which has been ruled compensable under the Workers' Compensation law of Maryland, your death will be considered to have occurred in the line of duty.

If your spouse is named as your primary beneficiary, your spouse will be able to choose one of the following payment forms:

(a) A lump sum payment equal to your final annual pay, plus a return of all the contributions which you made into the Plan, plus any Interest applied to your contributions prior to July 1, 2017; or

(b) An annual benefit equal to 66 2/3% of your final pay, payable until your spouse dies or remarries.

If your spouse dies or remarries, your children, if any, who you named as contingent beneficiaries are eligible to receive monthly payments in the aggregate of 50% of your final salary. These payments will continue to each child until he or she reaches age 18 (or age 23 if he or she is a full-time student).

If your children are named as your primary beneficiary, your children who are less than age 18 or who are full-time students under age 23, will receive monthly payments in the aggregate of 50% of your final salary, payable until age 18 (or 23).

If your primary beneficiary is other than your spouse or eligible children, the beneficiary will receive a lump sum payment equal to your final annual salary plus a return

of all the contributions which you have made to the Plan, plus any Interest applied to your contributions prior to July 1, 2017.

Benefits Following Termination of Employment

Vested Termination

If you terminate employment with the City prior to your Normal or Early Retirement Date, but after you have been credited with 5 years of Eligibility Service, you may still elect to receive a future benefit at age 62, or, if you had completed 20 years of Eligibility Service when you terminated employment with the City, when you reach age 50.

Your benefit will be calculated in the same way as normal retirement benefits are calculated, except using your Average Compensation and Credited Service as of the date of your termination of employment.

Instead of electing to receive a future benefit at what would have been your Normal Retirement Date, you may immediately withdraw your contributions and any Interest credited to these contributions until July 1, 2017, but you will forfeit any remaining benefit from the Plan.

Non-Vested Termination

If you terminate employment with the City before you are credited with 5 years of Eligibility Service, you will automatically receive, in a lump sum payment, a return of your employee contributions, including transferred contributions, plus any Interest applied to your contributions prior to July 1, 2017. This payment will be made within a reasonable period of time following the date you terminate employment.

Optional Forms of Payment

When you approach retirement, you will have an opportunity to choose from a number of optional forms of benefit payment. You will want to pick an option that best suits your personal needs and the needs of your family. The election is irrevocable - you may not change your option after you retire and receive your first benefit payment.

You may select a benefit form that provides you with the largest possible monthly income, or you may select an option which reduces the monthly income paid to you during your lifetime, but provides for payments to your beneficiary.

All of the optional forms of payment are based on the retirement or disability allowance to which you are entitled and reflect an adjustment to that amount to recognize the benefits which would be payable in the event of your death.

Maximum Benefit Option - This form of benefit payment provides for a monthly benefit to you for your lifetime only. However, if you die before you have received payment of an amount equal to your employee contributions plus any Interest applied to

your contributions prior to July 1, 2017, your remaining contributions, plus any Interest, will be paid to your beneficiary. Under this option, all benefits cease at your death so there will be no income protection to your beneficiaries after your death. If you need such protection, you should select one of the options which may provide your beneficiary or beneficiaries with a monthly or lump-sum payment upon your death. To receive this income protection, your basic retirement allowance will be reduced during your lifetime.

Joint and Survivor Option - This form of benefit payment provides monthly benefits to you during your lifetime, plus monthly benefits continuing after your death to your beneficiary. This option provides for a smaller monthly payment to you during your lifetime than the Maximum Benefit Option because payments continue to your beneficiary after your death and are, therefore, presumed to be paid over a longer period of time.

Under the Joint and Survivor Option, you may elect to have 50% or 100% of your monthly benefit continued to your beneficiary until your beneficiary's death. The percentage you select will affect your monthly benefit payable during your lifetime. If your beneficiary dies before you do, you will continue to receive the monthly benefit you were receiving all along and no one will receive any further payment after your death.

Under this form of benefit payment, if your beneficiary dies before you, or you and your beneficiary divorce, the election remains in effect.

Lump Sum Option - This option is a return of your employee contributions, plus any Interest applied to your contributions prior to July 1, 2017. Once this benefit is paid, no further benefits are payable from the Plan.

Pop-Up Option - This form of benefit payment provides monthly benefits to you during your lifetime, plus monthly benefits continuing after your death to your beneficiary. This option provides for a smaller monthly payment to you during your lifetime than the Maximum Benefit Option because payments continue to your beneficiary after your death and are, therefore, presumed to be paid over a longer period of time.

Under the Pop-Up Option, you may elect to have 50% or 100% of your monthly benefit continued to your beneficiary until your beneficiary's death. The percentage you select will affect your monthly benefit payable during your lifetime. However, unlike the Joint and Survivor Option, if your beneficiary dies before you do, or you and your beneficiary divorce, your allowance is increased to equal your Maximum Benefit Option.

Single Life Annuity Option - This form of benefit provides monthly benefits to you during your lifetime. You may elect for your beneficiary to receive, upon your death, a lump sum payment equal to either the present value of your employee contributions or your monthly retirement benefit.

Social Security Leveling Option - This form of benefit provides monthly benefits to you during your lifetime. The monthly benefits are greater at the beginning of payment until you begin receiving Social Security retirement benefits. After you begin receiving Social Security retirement benefits, your benefits under the Plan will be reduced so that your monthly income will be consistent throughout your retirement.

Designation of Beneficiaries

When you begin participation in this Plan, you will be asked to designate a beneficiary to receive any benefits which may be payable after your death.

If you are married, your spouse will automatically be your beneficiary unless your spouse consents in writing to designation of another beneficiary, using a form provided by or acceptable to the Administrator. If you marry after naming another beneficiary, your spouse will automatically become your beneficiary unless your spouse consents to your designation of another beneficiary. The form must be notarized.

If you are not married and you failed to designate a beneficiary, death benefits will be paid in the following order:

- (1) to your children or grandchildren
- (2) to your parents, or
- (3) to your estate.

Preservation of Your Retirement Benefits

In order to preserve your benefits under this Plan for your retirement, the Plan makes no provision for borrowing against your benefits or withdrawing money from the Plan unless you are otherwise entitled to a distribution.

In general, your creditors may not attach or garnish your benefits before they have been paid from the Plan. There is, however, an exception to this general rule. The Administrator may be required by law to recognize obligations you incur as a result of court ordered child support or alimony payments. The Administrator must honor any "qualified domestic relations order." A qualified domestic relations order is a decree or order issued by a court that obligates you to pay child support or alimony, or otherwise allocates a portion of your benefits in the Plan to your spouse, former spouse, child or other dependent. If a qualified domestic relations order is received by the Administrator, all or a portion of your benefits may be used to satisfy the obligation.

Administrative Provisions

The Plan is administered by an employee of the City in Human Resources who has been appointed Administrator by the City Council. The Administrator prepares rules, regulations and procedures necessary for proper and efficient administration of the Plan. The Administrator receives non-binding recommendations from a Retirement Plan Committee consisting of City employees; union representatives; police and fire management employees; a member of the City Council; at least one citizen of Washington County, Maryland, with investment or financial experience; and at least one retiree under

the Plan. Questions regarding your participation in the Plan and your benefits under the Plan should be directed to the City's Human Resources Department.

APPENDIX A

Administrator - An employee of the City who has direct responsibility or oversight responsibility for Human Resources and to whom the City Council has delegated the administrative responsibilities for the Plan.

Average Compensation - For Plan Years beginning July 1, 2018, and before, the average monthly base salary equal to 1/36th of the total base salary you receive during the 3 consecutive years of your employment with the City which produce the highest average. For the Plan Year beginning July 1, 2019, the average monthly base salary equal to 1/48th of the total base salary you receive during the 4 consecutive years of your employment with the City which produce the highest average. For Plan Years beginning July 1, 2020, and after, the average monthly base salary equal to 1/60th of the total base salary you receive during the 5 consecutive years of your employment with the City which produce the highest average.

Beneficiary - The person or persons you designate to receive benefits from the Plan in the event of your death.

Covered Employee - An Employee employed on a full-time basis and who is employed in one of the following job classifications:

Police Officer	Firefighter	Assistant Fire Marshal
Police Sergeant	Fire Captain	Fire Public Educator
Police Lieutenant	Battalion Chief	Fire Marshal
Police Captain	Deputy Chief	Senior Fire Marshal
Police Chief	Fire Chief	Fire Apparatus Operator
Police Cadet		
Police Officer Trainee		

Credited Service - Credited Service is used to calculate the amount of an employee's benefits from the Plan.

Early Retirement Date - The first day of the month on or after the date on which an Employee both attains age 50 and completes 20 years of Eligibility Service.

Eligibility Service - Eligibility Service is used to calculate vesting and eligibility for retirement under the Plan.

Employee - Any person employed by the City.

Interest - Employee contributions made on or before June 30, 2017, were credited with interest under the terms of the Plan then in effect, until June 30, 2017. No interest is credited to employee contributions after June 30, 2017.

Military Service - Active military duty in the Armed Forces of the United States on account of which an employee is not eligible to receive a military pension.

Normal Retirement Date - The first day of the month following the date on which an Employee has completed 25 years of Eligibility Service, regardless of age, or, if earlier, the date on which an Employee both: (1) reaches age 62, and (2) has at least 3 years of Eligibility Service.

Plan Year - The 12 month period beginning July 1 and ending on June 30 of the following year.

Retirement Plan Committee - The Committee made up of City Employees; union representatives; police and fire management employees; a member of the City Council; at least one citizen of Washington County, Maryland, with investment or financial experience; and at least one retiree under the Plan, which makes non-binding recommendations to the Administrator.

APPENDIX B

City of Hagerstown Police & Fire
Employees' Retirement Plan

Early Retirement Reduction effective 7/1/2018
Eligibility Age 50 With 20 Years of Service

Age	Percentage Paid
62	1.0000
61	0.9400
60	0.8800
59	0.8200
58	0.7600
57	0.7000
56	0.6400
55	0.5800
54	0.5400
53	0.5000
52	0.4600
51	0.4200
50	0.3800

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