



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM



Governor O'Malley issues proposal to help sustain Maryland pension system

DEFINED BENEFIT PLANS FOR STATE AND PARTICIPATING GOVERNMENTAL WORKERS WILL BE PRESERVED while the Maryland pension system's unfunded liability is reduced under a pension reform proposal released by Governor Martin O'Malley on January 21.

The governor's pension reform proposal is among a slate of budget issues being considered by the General Assembly now meeting in Annapolis.

An overview of the governor's plan is available online. Visit the Maryland State Retirement Agency homepage at www.sra.state.md.us and select "**Reforming Maryland's Pension System: A Path to Sustainability.**"

To become law, the governor's plan must be enacted by the General Assembly before the session ends April 11.

Current members and retirees

The Governor's proposed pension reform has no impact on current retirees and no impact on benefits already earned by vested active or former employees and teachers.

See Proposal, page 3



Governor Martin O'Malley introduced his fiscal year 2012 budget proposal at a press conference attended by Secretary of Budget and Management T. Eloise Foster, who also serves on the pension system's board of trustees.

System notes 14.3% investment return at midpoint of fiscal 2011

THE MARYLAND STATE RETIREMENT AGENCY IN JANUARY REPORTED that as of December 31, 2010—the midpoint of fiscal year 2011—the state pension system's portfolio returned 14.3% on investments, increasing the fund's value by more than \$4 billion. These earnings exceed the 7.75% actuarially assumed return rate, raising the assets of the system to \$36.0 billion, up from \$31.9

billion reported at the close of fiscal year 2010, six months before.

"The board is very pleased with the fund's continuing positive performance and the steady growth we have seen in the fund since the economic downturn of just a few years ago," said State Treasurer Nancy K. Kopp, Chairman of the Maryland State Retirement and Pension System

See Investment return, page 3

New annual report cites investment growth

AS DETAILED IN THE PLAN'S NEWLY-RELEASED COMPREHENSIVE ANNUAL FINANCIAL REPORT, the Maryland State Retirement and Pension System closed fiscal year

2010 with portfolio earnings of 14.03%. The year's investment performance boosted assets to \$31.92 billion as of June 30, 2010 – an increase of \$3.3 billion over the previous year.

Growth for the fiscal year exceeded the 7.75% actuarial earnings assumption and surpassed the system's policy benchmark by

See annual report, page 3

Statement of Plan Net Assets by System for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Total
Cash & Cash Equivalents	\$ 989,812	\$ 517,468	\$ 20,523	\$ 79,048	\$ 23,481	\$ 1,630,332
Investments, at Fair Value	21,381,510	11,939,584	272,175	928,122	479,763	35,001,154
Other Assets	594,197	404,930	7,715	31,014	14,813	1,052,444
Total Assets	22,965,519	12,861,982	300,413	1,038,184	518,057	37,683,930
Total Liabilities	3,709,009	1,878,679	47,323	42,585	82,922	5,760,293
Total Plan Net Assets	\$ 19,256,510	\$ 10,983,303	\$ 253,090	\$ 995,599	\$ 435,135	\$ 31,923,637

Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Total
Additions						
Employer Contributions	\$ 820,867	\$ 394,878	\$ 19,955	\$ 25,465	\$ 47,756	\$ 1,308,921
Member Contributions	319,989	201,362	1,800	6,671	5,759	535,581
Investment Income	2,431,937	1,379,139	29,464	125,307	50,512	4,016,359
Transfers*	1,058	335	1	(2)	276	-
Total Additions	3,573,851	1,975,714	51,220	157,441	104,303	5,860,861
Deductions						
Benefit Payments	1,455,248	835,569	23,816	94,255	36,652	2,445,540
Refunds	17,197	15,478	-	500	356	33,531
Administrative Expenses	15,195	12,853	39	196	344	28,627
Transfers*	1,049	585	-	29	5	-
Total Deductions	1,488,689	864,485	23,855	94,980	37,357	2,507,698
Net Change in Plan Net Assets	2,085,162	1,111,229	27,365	62,461	66,946	3,353,163
Net Assets at Beginning of Fiscal Year	17,171,348	9,872,074	225,725	933,138	368,189	28,570,474
Net Assets at End of Fiscal Year	\$ 19,256,510	\$ 10,983,303	\$ 253,090	\$ 995,599	\$ 435,135	\$ 31,923,637

*Intersystem transfers have been eliminated in this financial statement.

Actuarial Funded Status for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Municipal Correctional Officers' Retirement System	Total
Actuarial Accrued Liability	31,963,421	19,009,788	1,722,564	426,215	950,236	12,858	54,085,081
Actuarial Value of Assets	20,908,149	11,937,944	1,085,281	276,643	471,728	8,601	34,688,346
Unfunded Actuarial Accrued Liability	11,055,272	7,071,844	637,283	149,572	478,508	4,257	19,396,735
Funded Ratio	65.41%	62.80%	63.00%	64.91%	49.64%	66.89%	64.14%

Proposal, from page 1

Under the Governor's proposal being considered by the General Assembly, for future years of service, all active members would be offered a one-time choice this June between the following:

1. Continue to pay 5% of salary, but receive a reduced benefit (1.5% benefit multiplier for each future year of service rather than the current 1.8% benefit multiplier).
OR
2. Increase his or her retirement contribution from 5% to 7% of pay and continue to earn benefits at the current level (1.8% benefit multiplier for each future year of service).

In addition, all current non-vested active members would, when eligible, receive benefits calculated on the highest five years of salary rather than three.

New hires

New members would automatically be required to contribute 7% of salary and receive a 1.5% benefit multiplier under the governor's proposal. Other changes for new employees and teachers would include:

- Members would be vested in the system (i.e., guaranteed a future benefit) after 10 years of service rather than five
- The early retirement age would increase from 55 to 60
- Retirement benefits would be calculated on the highest five years of salary rather than three.
- Retiree cost-of-living adjustments would be based on investment benchmarks.

For members of the state police and law enforcement officers' systems, the Deferred Retirement Option Program (DROP) would be closed for new employees and non-

vested current members under the governor's plan.

Funding

The proposed reforms are designed to allow the state to reinvest more than \$1 billion into the pension system over the next six years and reach an 80% funded status by fiscal year 2023.

Sustainability Commission

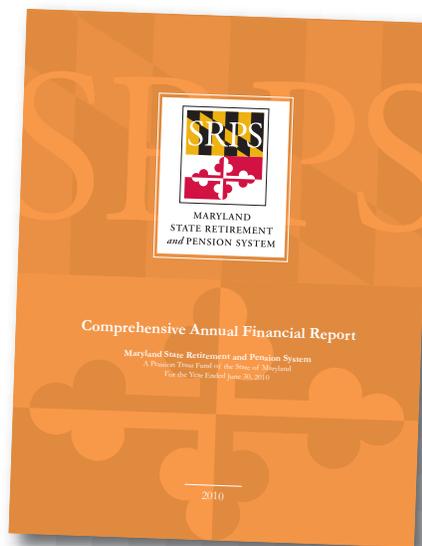
The announcement of the Governor's pension reform proposal follows the December release of the Public Employees' and Retirees' Benefit Sustainability Commission's report, which provided a set of recommendations to the Governor and General Assembly for reforming state health and pension benefits. This document is available by visiting the Maryland State Retirement Agency website. Click on **Related Links** to access the commission's website.

Annual report, from page 2

2.22%, or \$625 million, net of fees, according to the report.

These earnings represent an impressive turnaround from last fiscal year's losses that resulted from the credit crisis and severe decline of the global economy. Regardless of the economic events and market volatility of recent years, the system remains financially sound and committed to its long-term funding goals.

For more detailed information, the system's Comprehensive



Annual Financial Report is available online at www.sra.state.md.us.

Investment return, from page 1

Board of Trustees. "The upward trajectory the system has enjoyed over the last couple of years is due in no small part to professional management by the system's investment team and to the prudently diversified asset allocation that they manage."

An overview of the system's fiscal year 2010 performance is included on page 2 of this newsletter. When compared to other states, Maryland's pension system performed better than 65% of public funds of similar size. Over the last 30 years, the Maryland State Retirement and Pension System has realized average returns of 9.3%.

Board notes

THE BOARD OF TRUSTEES OF THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM voted to propose a new regulation for adoption at the boards' December 21, 2010, meeting.

The proposed regulation clarifies that a former member who is eligible to retire at the time of separation from employment, but who does not apply to receive retirement until a later date, may not receive retroactive benefits for the period before the submission of the application. As adopted by the board, the new regulation will clarify existing policy on retroactive benefit payment.

In other business, Interim Chief Investment Officer, A. Melissa Moye, Ph.D., reported on the system's recent investment performance. Assets in the trust fund totaled \$34.7 billion on November 30, 2010. At that time, the fiscal year-to-date investment return was 10.08%, while the one-year return was 9.52% and the two-year return was 16.66%. The latter two rates exceeded the performance benchmarks for their respective periods.

November 16, 2010

Trustee Robert W. Schaefer, chairman of the board's investment committee, opened the full board's November meeting with a detailed presentation on the system's investment performance for the first quarter of fiscal year 2011.

During that period, the system's overall plan performance was 8.6% compared to the policy benchmark return of 9.3%. At September 30, the 12-month return was 10.0%, exceeding the benchmark of 9.2%. The full content of Mr. Schaefer's presentation is available on the Maryland State Retirement Agency's website at www.sra.state.md.us.

For the system's latest investment results, see the article on page 1.

The 14-member board, which is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement and Pension System, meets each month at the system's administrative offices in Baltimore. Full meeting minutes are available the month following the meeting at www.sra.state.md.us.

Retirement staff working overtime on estimates

A MASS MAILING TO 38,000 FORMER MEMBERS combined with the announcement of the state's Voluntary Separation Program have caused the Maryland State Retirement Agency to be inundated with requests for estimates. Extra staff have been assigned and overtime is being worked to process these estimates. However, waits of 12 weeks or more are possible. Your continued patience is appreciated.

Board of trustees election slated for this summer

MEMBERS AND RETIREES of the Maryland State Retirement and Pension System will elect a retired Teachers' representative and a retired Employees' representative in a board of trustees election slated for this summer. These seats are currently held by Trustees Theresa Lochte and John W. Douglass, respectively.

The two successful candidates will serve terms in office from August 1, 2011, through July 31, 2015.

For the purposes of the election, the Teachers' Systems include the Teachers' Retirement and Pension Systems. The Employees' Systems include the Correctional Officers' Retirement System, Employees' Retirement and Pension Systems, Judges' Retirement System, Legislative Pension Plan, Local Fire and Police System, and Law Enforcement Officers' Pension System.

Election results will be announced following the July 2011 meeting of the board of trustees.

Attention: State of Maryland Employees

STATE OF MARYLAND 2011-2012 OPEN ENROLLMENT is right around the corner. Please watch the mail for your annual Open Enrollment packet which will be mailed to your home in early spring. For the latest benefit updates go to www.dbm.maryland.gov/benefits

Regional retirement counseling is available across Maryland

CALL NOW to schedule a counseling session with a Maryland State Retirement Agency benefits specialist visiting your area. Specialists travel regularly throughout Maryland to assist members planning for retirement. Check the Maryland State Retirement Agency website at www.sra.state.md.us for locations and dates.

Proper filing makes Retirement Agency forms less formidable

MARYLAND STATE RETIREMENT AGENCY FORMS

such as *Designation of Beneficiary* (Form 4), *Statement of Disability* (Form 20) and *Election to Transfer Service* (Form 37) **are not effective** until they are received in Retirement Agency offices in Baltimore.

A completed form received by your employer, *but not forwarded to the Retirement Agency*, is not valid.

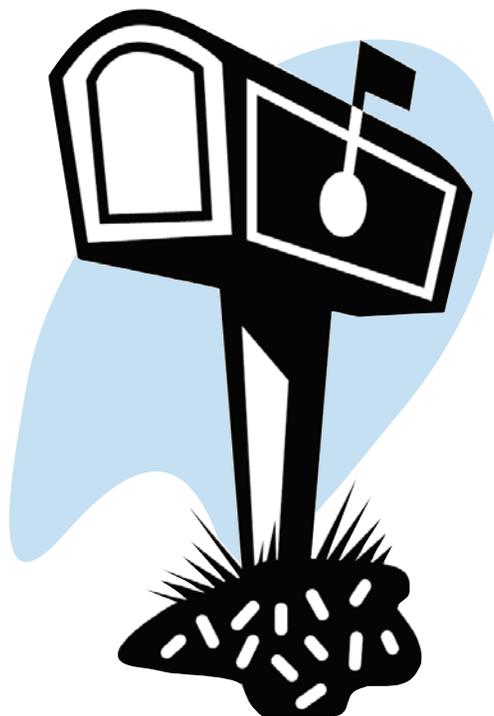
Please also be aware that some Retirement Agency forms require a member to sign or have the form notarized, as indicated in the form's printed instructions. Forms submitted without the necessary signature or notarization are not valid and will be returned for completion. Printable forms are available online at www.sra.state.md.us.

Have you experienced a change of address?

ANNUAL BENEFITS STATEMENTS, trustee election ballots and other important announcements are mailed directly to members of the Maryland State Retirement and Pension System. That's why it is important to keep your address up to date with the Maryland State Retirement Agency.

Have you moved since you first enrolled in the system? If so, please inform your employer of your new address. Your mailing address in Retirement Agency files will be updated automatically at the next pay cycle.

If you leave employment before retirement, you should submit your change of address directly to the Retirement Agency.



The Mentor is published by the Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, MD 21202-6700
410-625-5555
1-800-492-5909
TDD/TTY 410-625-5535
www.sra.state.md.us

EDITOR: Benjamin Robb

BOARD OF TRUSTEES

Nancy K. Kopp
CHAIRMAN
Peter Franchot
VICE CHAIRMAN
R. Dean Kenderdine
SECRETARY

David S. Blitzstein
William D. Brown
John W. Douglass
T. Eloise Foster
James M. Harkins
Sheila Hill

F. Patrick Hughes
Morris L. Krome
Theresa Lochte
Robert W. Schaefer
Harold Zirkin
Thurman W. Zollicoffer, Jr.