

THE Mentor

News from the Maryland State Retirement and Pension System

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MARYLAND
STATE RETIREMENT
and PENSION SYSTEM



BOT election slated for 2013

MEMBERS AND RETIREES WILL CHOOSE a Teachers' Systems representative and an Employees' Systems representative to the Maryland State Retirement and Pension System Board of Trustees in an election slated for spring 2013.

While the offices are open only to active members, both active members and retirees of the respective systems will be eligible to vote. The two board seats are currently held by Teachers' Systems representative Kenneth B. Haines and Employees' Systems representative Sheila Hill, whose terms expire in July 2013.

Teachers' Systems candidates must be active members of the Teachers' Retirement or Pension Systems. Employees' Systems candidates must be active members of the Correctional Officers' Retirement System, Employees' Retirement or Pension Systems, Judges' Retirement System, Legislative Pension Plan, Local Fire and Police System or Law Enforcement Officers' Pension System.

More information on the trustee nomination and election process will be included in the summer edition of *The Mentor* and posted in October on the Maryland State Retirement Agency website at sra.maryland.gov.

Legislative update

A NUMBER OF BILLS of special interest to members of the Maryland State Retirement and Pension System (SRPS) were enacted during the 2012 session of the Maryland General Assembly. Each of these bills was signed into law by Governor Martin O'Malley on May 22.

House Bill 19: Military Service Credit – Reservists

Synopsis: Provides that SRPS members who are also members of a reserve component of the United States armed forces may apply for retirement credit for mili-

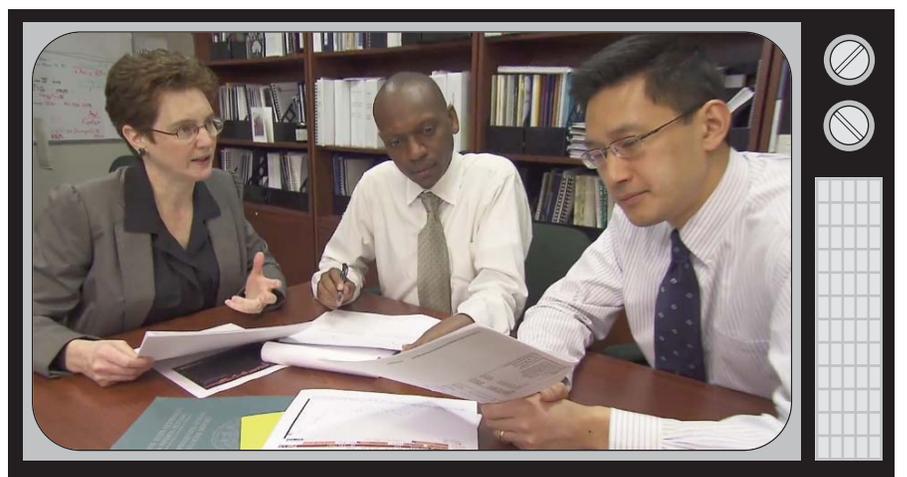


Photo courtesy Maryland Office of Tourism

tary service in the reserves. The Maryland State Retirement Agency will award this credit in the same

See Update, page 5

New video shows the dramatic impact of pensions (page 2)



In a scene from the new video "Retirement Security Benefits Everyone," from left, Chief Investment Officer A. Melissa Moye, Senior Investment Analyst Stephen Muturi and Managing Director Michael Cheung review investment returns at the Maryland State Retirement Agency.

sra.maryland.gov

New video touts value of pensions to workers, retirees and the state

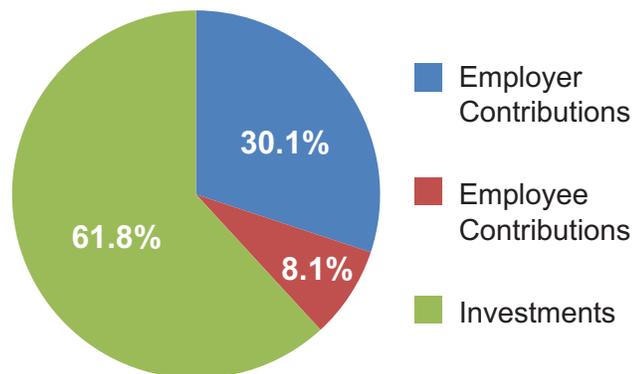
THE MARYLAND STATE RETIREMENT AGENCY'S NEW VIDEO, "Retirement Security Benefits Everyone," is now available on the video-sharing websites **YouTube** and **vimeo**.

The informative 11 minute video provides viewers with insightful context to the ongoing conversation about public pension benefit plans. To view the video, simply visit the retirement agency website at sra.maryland.gov and click on the YouTube or Vimeo logos.

Some of the key points addressed in "Retirement Security Benefits Everyone" include:

- Defined Benefit plans, in combination with Social Security and personal savings, provide a secure retirement for Maryland's public employees and school teachers.
- Nearly two thirds of annual contributions to the fund come from investment income.

Contribution Sources*

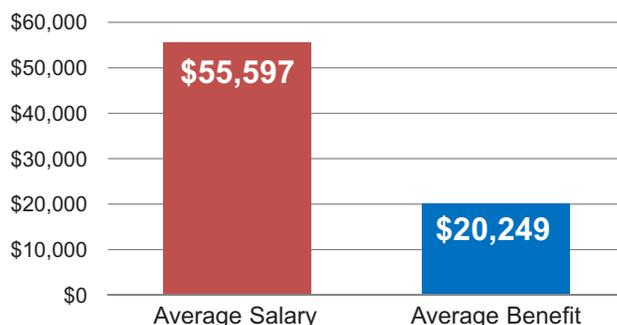


*Average of Fiscal Years 1985 — 2011

- Nearly 80% of all pension benefits are recycled back into Maryland's economy.

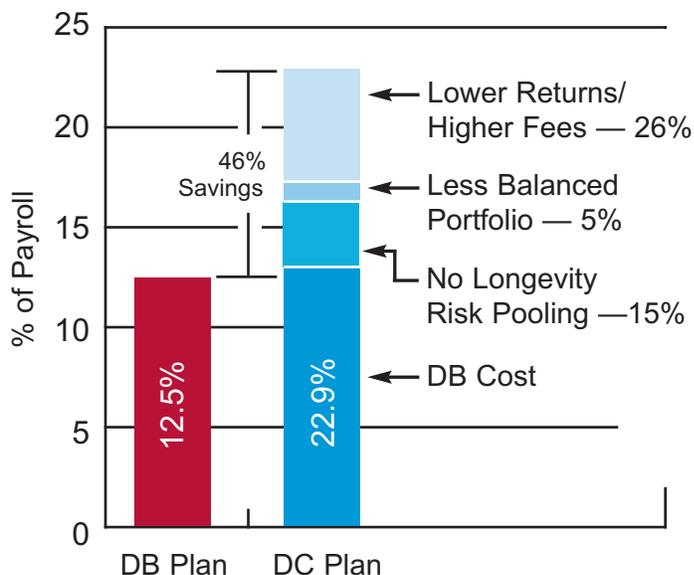
- The average benefit that's paid out currently is well under half of the average per-capita personal income of the state. [Maryland Bureau of Revenue and Estimates and the retirement agency]

Modest Benefit



- A dollar of benefit can be delivered to a retiree under a defined benefit plan at roughly half the cost of a defined contribution plan. [Source: National Institute on Retirement Security: "A Better Bang for the Buck" 2008]

Cost of Defined Benefit and Defined Contribution Plans as Percentage of Payroll



Disability retirement benefits: Protection when you need it

DISABILITY RETIREMENT BENEFITS PROVIDE VALUABLE PROTECTION for eligible members who are deemed to be permanently disabled and unable to perform their normal job duties.

Types of disability retirement

The Maryland State Retirement and Pension System provides benefits for two types of disability retirement: ordinary and accidental.

- **Ordinary disability** covers any permanently disabling physical or mental condition.
- **Accidental (special) disability** covers permanently disabling injuries that a member sustains in an accident that occurs on the job while he or she is performing assigned duties.

For either type of disability retirement, the medical condition must permanently prevent the member from performing the duties of his or her position.

Rules for LEOPS and State Police

To be eligible for accidental disability retirement, a member of the Law Enforcement Officers' Pension System (LEOPS) must be totally and permanently incapacitated for duty arising out of, or in the course of, the actual performance of duty without willful negligence by the member. The same standard applies for State Police; however, the term "special disability" is used instead of "accidental disability."

“Members filing for disability must actively pursue their claim.”

See page 4 for application guidelines.

Participants in the Deferred Retirement Option Program (DROP) are not eligible to file for ordinary disability retirement. They can, however, file for accidental or special disability retirement provided their incapacity arose out of, or in the course of, the actual performance of duty during their DROP participation.

Eligibility

To be eligible to apply for *ordinary disability* retirement, a member must have at least five years of eligibility service. There is no service requirement for members to apply for *accidental* or *special disability* retirement. Members who terminate employment and withdraw their employee contributions are not eligible to apply for disability benefits. Retirees, also, are not eligible to apply.

Filing requirements

Members filing for disability must actively pursue their claim and comply with all requests by the Maryland State Retirement Agency. Timely filing is essential.

Members may file for disability benefits while on payroll or within a set period of time, depending on

their system, after leaving payroll. An additional filing extension may be granted for members who can prove they were mentally or physically incapacitated from filing within the deadline due to the disability itself. The requirements to receive this filing extension are difficult to meet. The graphic on page 4 lists these filing deadlines.

Applications for accidental disability retirement **must be filed within five years from the date of the accident**. This filing deadline for accidental disability does not apply to the State Police, Correctional Officers', or Law Enforcement Officers' systems.

When all documentation necessary to submit a disability claim has been received by the retirement agency, the applicant will be informed in writing that the medical evaluation of his or her claim has begun. Applicants will be promptly notified in writing of a claim decision as soon as it is rendered by the Maryland State Retirement and Pension System Board of Trustees.

State employees approved for disability retirement have 120 days to accept and file for retirement or be terminated by their employer.

How to apply for disability retirement

Filing for disability retirement benefits is a two step process. A member seeking disability benefits must 1) file a disability claim and then 2) apply to actually retire.

Step 1: File a disability claim

A MEMBER FILING FOR ORDINARY OR ACCIDENTAL DISABILITY BENEFITS must properly complete and submit to the Maryland State Retirement Agency (SRA) the following forms (available online at sra.maryland.gov) and materials:

- *Statement of Disability* (Form 20),
- pertinent medical records,
- current job description signed by employer,
- *Preliminary Application for Disability Retirement* (Form 129),
- *Application for an Estimate of Disability Retirement Allowances* (Form 21; Form 22 for State Police; Form 100 for LEOPS),
- *Authorization for Release of Medical Records by Employing Agency* (Form 632),
- leave/attendance records and
- most current performance evaluations.

Members applying for accidental or special disability also must submit the following:

- employer's first report of injury, forms submitted to Workers' Compensation and copies of awards,
 - medical evidence establishing the accident as the cause of the disability
- OR
- evidence that the disability arose out of, or in the course of, the performance of duty (Maryland State Police and LEOPS only).

Following a review by the retirement agency's medical board, the Maryland State Retirement and Pension System Board of Trustees takes final action on the claim and the applicant is notified. The filing process for ordinary disability can take up to six months. Accidental or special disability claims may take longer. Requests for reconsideration or the appeal process can extend the timeline by six to eight months or more.

Step 2: If approved, apply to retire

IF THE CLAIM IS APPROVED, the member will receive an estimate of his or her monthly disability retirement payment. To retire and begin collecting monthly benefits, the member must submit the following:

- *Application for Service or Disability Retirement* (Form 13-23; Form 14-24 for State Police; Form 98-101 for LEOPS),
- *Electronic Fund Transfer (Direct Deposit) Sign-Up* (Form 85),
- *Reemployment After Retirement* (Form 127; Form 128 for State Police; Form 131 for LEOPS) and
- *Federal and Maryland State Tax Withholding Request* (Form 766).

Retirement benefits specialists at the retirement agency are available to answer questions and guide members through the filing process. For more information, call a retirement benefits specialist at 410-625-5555 or toll-free 1-800-492-5909.



Disability Filing Deadlines

Teachers' Retirement System: Five years after leaving payroll. A one-year filing extension may be available.

All other systems: Four years after leaving payroll. A two-year filing extension may be available (excludes Judges' and Legislative Plans.)

Board notes: Investment performance

A PERFORMANCE UPDATE ON THE INVESTMENT FUND

was offered at the March 20, 2012 meeting of the Board of Trustees of the Maryland State Retirement and Pension System.

Robert Burd, deputy chief investment officer for the system, reported that February was a good month for the fund, led by continued strength in the public equity markets. The total fund returned 2.82% for the month, exceeding the policy benchmark by 16 basis points.

For the fiscal year to date as of February 29, the total fund was up 1.50%, lagging the policy benchmark by 12 basis points, Mr. Burd said. For the month of February, all asset classes posted a positive return, and all but one outperformed its benchmark.

January results

The total market value of the investment fund was \$36.7 billion as of January 31, 2012, reported Dr. A. Melissa Moye, chief investment officer of the system, at the board's February 21 meeting. The total plan earned 3.68% in January, outperforming the policy index by 17 basis points. For the fiscal year to date as of January 31, the fund earned -1.3%, trailing the policy benchmark by 30 basis points.

The 14-member board, which is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency, meets each month at the system's

administrative offices in Baltimore. Full meeting minutes, trustee biographies and photos are available online at sra.maryland.gov. Simply click on **Agency**, then **Board of Trustees**.

Update, from page 1

manner as for service in the Maryland National Guard. Note: Members of the Legislative Pension Plan are not eligible to receive retirement credit for military service.

House Bill 801 / Senate Bill 880: Transfer of Members Between Systems

Synopsis: Applies to persons who are SRPS members on June 30, 2011, and then transfer to another SRPS plan at a later date (i.e., on or after July 1, 2011). Such members, while retaining membership in their new plan, will be subject to the plan rules that were in effect on June 30, 2011.

For example, an individual who was a member of the Correctional Officers' Retirement System on June 30, 2011, and who, without a break in employment, accepts a new job on or after July 1, 2011, in a position that is covered by the Employees' Pension System will not be considered a new member of the

EPS. Accordingly, that individual will not be subject to a 1.5% multiplier, 10 year vesting or the Rule of 90 for purposes of eligibility. Instead, that person is subject to the same rules to which an individual who was a member of the EPS on June 30, 2011 is subject.

Senate Bill 335: Judges' Retirement System – Contribution Rates for New Members

Synopsis: Increases the employee contribution rate from 6% to 8% of payroll for all members of the Judges' Retirement System effective July 1, 2012. Also establishes a five-year vesting requirement for members enrolled on or after July 1, 2012.

For the latest information on pending retirement legislation, visit the Maryland State Retirement Agency website at sra.maryland.gov and click on **Legislation**.

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