



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM



**Track Maryland pension legislation online ..... See page 3**

## Fund is diversifying in private market assets

*A message from Chief Investment Officer  
A. Melissa Moye*

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM (MSRPS) FUND INVESTS in private market assets as well as publicly-traded stocks and bonds, using external investment managers for both asset classes. The Investment Division selects and monitors external managers, including those that manage private investment strategies in real estate, other real assets such as timber and infrastructure, private equity and private debt funds.

Private market funds provide opportunity for pension funds to further diversify their portfolios. Unlike many individual investors, pension funds can invest for 10 or more years in private equity or other private market funds, with the potential to earn a return which includes

*See Fund, page 3*

## Assumed rate of return: the real story

THE ASSUMED RATE OF RETURN for the Maryland State Retirement and Pension System—that is, what we expect to earn on our investments—is currently set at 7.75%. This rate of return is reviewed every year by the System's Board of Trustees. Some critics tell us it is unreasonable to expect those kinds of earnings after the 2008 crisis. Perhaps so, but the assumed rate of return adopted by the Board of Trustees predicts what the system expects to earn on average over a long-term horizon—typically 25 years or more—appropriately reflecting the work life of a typical public employee.

As a real measure, the system has done very well in meeting or exceeding its assumed rate of 7.75% over the long term. The system has earned 7.97% on average over the past 25 years as of January 31, 2013.

How does Maryland compare nationally? A recent public fund survey of 126 plans found that 8.0% remains the predominant rate assumption among 43 plans, with the overall average at 7.80%.

Certainly, it would be ideal if the system matched or exceeded its assumed rate of return every single year, but the volatility of the market makes that unlikely, as evidenced by recent history. For example, the system earned just 0.36% on investments in fiscal 2012, but earned 20% in fiscal 2011 and 14% in fiscal 2010.



*Nancy K. Kopp*

Treasurer Nancy K. Kopp  
Chairman, Board of Trustees

*See Assumed rate, page 3*

# Annual report released for fiscal 2012

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) for fiscal year 2012 is now available for review online at [sra.maryland.gov](http://sra.maryland.gov). A summary of the report is provided here.

To access up-to-date figures throughout the year, the system's investment results are reported quarterly online at [sra.maryland.gov](http://sra.maryland.gov). Simply click on **Agency** then, under **Investments**, click **Reports and Updates**.

## Statement of Plan Net Assets by System for the Fiscal Year Ended June 30, 2012

*Expressed in thousands*

	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	\$ 1,317,342	\$ 687,581	\$ 35,186	\$ 96,838	\$ 34,060	\$ 2,171,007
Investments, at Fair Value	23,673,736	13,288,210	328,257	1,149,813	605,522	39,045,538
Other Assets	586,967	397,215	8,681	31,524	16,281	1,040,668
<b>Total Assets</b>	<b>25,578,045</b>	<b>14,373,006</b>	<b>372,124</b>	<b>1,278,175</b>	<b>655,863</b>	<b>42,257,213</b>
Total Liabilities	3,076,512	1,730,763	42,802	150,791	77,619	5,078,487
<b>Total Plan Net Assets</b>	<b>\$ 22,501,533</b>	<b>\$ 12,642,243</b>	<b>\$ 329,322</b>	<b>\$ 1,127,384</b>	<b>\$ 578,244</b>	<b>\$ 37,178,726</b>

## Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2012

*Expressed in thousands*

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Total
<b>Additions</b>						
Employer Contributions	\$ 917,565	\$ 476,212	\$ 45,537	\$ 96,123	\$ 60,324	\$ 1,595,761
Member Contributions	428,727	258,243	1,818	6,234	8,234	703,256
Investment Income	54,982	30,521	4,067	9,908	4,605	104,083
<b>Total Additions</b>	<b>1,401,274</b>	<b>764,976</b>	<b>51,422</b>	<b>112,265</b>	<b>73,163</b>	<b>2,403,100</b>
<b>Deductions</b>						
Benefit Payments	1,631,469	956,051	25,020	100,977	41,589	2,755,106
Refunds	17,751	15,560	-	280	228	33,819
Administrative Expenses	15,210	12,400	41	189	361	28,201
<b>Total Deductions</b>	<b>1,664,430</b>	<b>984,011</b>	<b>25,061</b>	<b>101,446</b>	<b>42,178</b>	<b>2,817,126</b>
Net System Transfers	(257)	127	-	37	93	-
<b>Net Change in Plan Net Assets</b>	<b>(263,413)</b>	<b>(218,908)</b>	<b>26,361</b>	<b>10,856</b>	<b>31,078</b>	<b>(414,026)</b>
Net Assets at Beginning of Fiscal Year	22,764,946	12,861,151	302,961	1,116,528	547,166	37,592,752
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 22,501,533</b>	<b>\$ 12,642,243</b>	<b>\$ 329,322</b>	<b>\$ 1,127,384</b>	<b>\$ 578,244</b>	<b>\$ 37,178,726</b>

\*Intersystem transfers have been eliminated in this financial statement.

## Actuarial Funded Status for the Fiscal Year Ended June 30, 2012

*Expressed in thousands*

	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	34,252,715	20,283,028	421,286	1,826,546	1,070,087	15,483	57,869,145
Actuarial Value of Assets	22,523,978	12,667,592	330,154	1,134,511	580,826	11,341	37,248,401
Unfunded Actuarial Accrued Liability	11,728,737	7,615,436	91,132	692,035	489,261	4,143	20,620,744
<b>Funded Ratio</b>	<b>65.8%</b>	<b>62.5%</b>	<b>78.4%</b>	<b>62.1%</b>	<b>54.3%</b>	<b>73.2%</b>	<b>64.4%</b>

## Track Maryland pension legislation *online*

THE NEWLY REDESIGNED MARYLAND GENERAL ASSEMBLY WEBSITE lets you track pension legislation on your Internet-connected computer.

### Follow these easy steps

1. Go to [mgaleg.maryland.gov](http://mgaleg.maryland.gov)
2. Under "Find Legislation" enter a specific bill number, or
3. To access all pension bills and sponsors, select "State Pensions and Retirement – (K4)" from the drop-down menu labeled "By Broad Subject"
4. Click on the number of each bill to access a printable document in Adobe Acrobat PDF format

*Photo courtesy Maryland Office of Tourism*



## New webinars now online!

### WHETHER YOU WANT TO REVIEW YOUR RETIREMENT PAYMENT OPTIONS,

get the most from your Personal Statement of Benefits, learn how your plan works or apply for disability retirement, new Internet seminars are available online to guide you every step of the way!

Conveniently located on both YouTube and Vimeo, webinars are narrated by highly-trained retirement benefits specialists from the Maryland State Retirement Agency. You can watch the video presentations on your own time. No registration is needed.

To access the webinars, simply visit the retirement agency Website at [sra.maryland.gov](http://sra.maryland.gov) and, in the bottom-left corner, click on the YouTube or Vimeo logos.

### *Fund, from page 1*

a premium for the longer time horizon of these investments.

For instance, as of June 30, 2012, the Maryland private equity program earned 8.6% annualized over a ten year period, compared to the S&P 500 at 5.3% annualized. Private equity funds account for 6% of the total assets of the MSRPS. Over time, private equity is planned to increase to 10% of the total fund.

The MSRPS will always need to maintain investments in publicly-traded securities to provide diversity and liquidity to the overall fund. However, the private funds in which we invest provide opportunity for strengthening long-term returns and increasing diversification of the total fund.

### *Assumed rate, from page 1*

Ignoring the success of the system's earnings in the previous two fiscal years—or the previous 25 years for that matter—critics have instead pointed to the FY 2012 earnings as "proof" that our expectations are overly-optimistic. Let us be clear:

One year's worth of earnings does not a trend make; neither do two or three. We take the long view. Benefits are paid out by the system over the long-term, requiring a long-term investment horizon and funding strategy.

# Trustee elections slated for teachers, employees

**ELECTIONS WILL BE CONDUCTED IN SPRING 2013** for two seats on the Board of Trustees of the Maryland State Retirement and Pension System.

A Teachers' Systems representative and an Employees' Systems representative will be chosen in the election. These 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.

Although these two board seats are open only to active members, both active members and retirees of the respective systems will be eligible to vote. Election materials, including candidate biographies, will be mailed in May to all eligible voters.

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.

The two successful candidates will serve terms in office from August 1, 2013 through July 31, 2017.

For more information on the Board of Trustees, including member biographies, photos and committee assignments, please visit the Maryland State Retirement Agency Website at [sra.maryland.gov](http://sra.maryland.gov).

## Board notes

### RETIREMENT SPECIALISTS

with the Maryland State Retirement Agency answered nearly 104,500 calls from members and retirees during fiscal year 2012. During a recent month, nearly 98% of persons receiving assistance from the highly-trained Member Services Unit reported satisfaction with the services provided.

The customer service report was presented during the August 2012 meeting of the Board of Trustees of the Maryland State Retirement and Pension System.

To contact a retirement specialist, call 410-625-5555 or toll-free 1-800-492-5909. You also may e-mail your question to [sra@sra.state.md.us](mailto:sra@sra.state.md.us)

### Trustees tapped for committees

During the July 2012 meeting, trustee committee assignments were announced for the Administrative, Investment, Audit and Corporate

Governance Committees and the Securities Litigation Ad Hoc Committee. Committee membership may be reviewed online at [sra.maryland.gov/Agency/Board](http://sra.maryland.gov/Agency/Board)

## State employee open enrollment slated

### ATTENTION ALL MARYLAND STATE GOVERNMENT EMPLOYEES:

You will receive your Open Enrollment Packet in March 2013 through the mail. Do not miss this opportunity to make changes or to enroll in health benefits. Plan year 2013 will be a 6-month (short) plan year; please review your packet for details. For more information, contact the State of Maryland Employee

Benefits Division at 410-767-4775 or toll-free at 1-800-30-STATE. Or, go to [www.dbm.maryland.gov/benefits](http://www.dbm.maryland.gov/benefits) for the latest health benefit updates.

**Note:** Maryland State Retirement Agency staff cannot answer questions about health benefits. Please direct questions to the Department of Budget and Management using the contact information provided here.

*The Mentor* is published by the Maryland State Retirement Agency  
120 East Baltimore Street  
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