SRPS

MARYLAND STATE RETIREMENT and PENSION SYSTEM

Popular Annual Financial Report

Maryland State Retirement and Pension System
A Pension Trust Fund for the State of Maryland
For the Year Ended June 30, 2022

2022

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Maryland State Retirement and Pension System

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

Mission Statement

The Board of Trustees of the Maryland State Retirement and Pension System (System) is charged with the fiduciary responsibility for administering the survivor, disability and retirement benefits of the System's participants and to ensure that sufficient assets are available to fund the benefits when due. To accomplish this mission the System has established the following key goals:

- To prudently invest System assets in a well diversified manner to optimize long-term returns, while controlling risk though excellence in execution of the investment objectives and strategies of the System.

- To effectively communicate with all retirement plan participants to inform them about the benefits provided by the System, and to educate them about planning and preparing for all aspects of their future retirement.

- To accurately and timely pay retirement allowances provided by State pension law to the System's retirees and their beneficiaries.

- To implement an automated, comprehensive and integrated pension administration and electronic document management system.

- To efficiently collect the required employer and member contributions necessary to fund the System.

A Message from our Executive Director

I t is my pleasure to present to you the sixth edition of the Popular Annual Financial Report (PAFR) for the Maryland State Retirement and Pension System (System). In the following pages, you will find a condensed version of the lengthier—and more technical—Annual Comprehensive Financial Report, which is published each year and can be found on our website at sra.maryland.gov. The PAFR presents the operating results for the fiscal year that ended June 30, 2022, in an easy-to-digest format for anyone who wants to quickly review the status of the retirement fund.

The System generated a modestly negative return of -2.97%, net of fees, for the fiscal year ending June 30, 2022, beating its policy benchmark of -3.48%. The policy benchmark is a standard for comparing a portfolio's performance in the market from which the manager selects securities. The System's diversified and risk-balanced asset allocation, designed to weather extremes in market volatility, performed significantly better than a traditional 60/40 allocation to publicly traded stocks and bonds, saving more than $5 billion on its investments for the fiscal year that ended June 30, 2022.

The fiscal year 2022 returns reflect the impact of the ongoing volatility of global financial markets impacted by inflation, rising interest rates, the COVID-19 pandemic, and the war in Ukraine. Recent market activity has been marked by a reversal in the long-term relationship between stocks and bonds. Typically, bond returns have provided a cushion to offset weak stock performance. In fiscal year 2022, stocks and bonds were both down more than ten percent.

The performance of the fund over 10-year, 5-year, and 3-year periods are all above the 7.4% return assumption at 7.8%, 7.9%, and 8.4%, respectively.

The MSRPS is responsible for properly administering retirement, disability, and death benefits for state employees, teachers, law enforcement officers, legislators, judges, as well as local government employees and correctional personnel whose employers have elected to participate in the System. The System provides monthly allowances to more than 172,000 retirees and beneficiaries and is an essential element of the future financial security for over 194,000 active participating members.
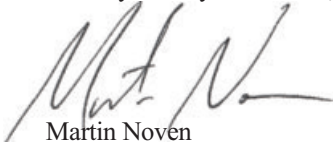
Participants and beneficiaries of the plan can be assured that the Board of Trustees is discharging its fiduciary responsibilities in a prudent and thoughtful manner. In carrying out its investment responsibilities, the Board's focus is on maximizing returns while minimizing risk. Therefore, the System's asset allocation, set by the Board is balanced and diversified, designed to navigate a middle path through periods of highs and lows in the market, putting it on a steady upward trajectory to full funding of the System.

It is important to note that the pension reforms enacted by the Maryland General Assembly in 2011 continue to display positive results on the System and, in fact, continue to exceed earlier projections. Required employer contributions for the coming fiscal year of 2024 are projected to be 17.88% of payroll, significantly lower than the 20.15% predicted at the time of the 2011 reforms. As of June 30, 2022, the System's funded ratio is 76.6%, slightly less than the 77.3% predicted at the same time, and higher than 73.6% reported last year. The System remains on track to be 80% funded by 2026; 85% funded by 2030; and 100% funded by 2039.

This Popular Annual Financial Report is derived from information contained in the System's 2022 Annual Comprehensive Financial Report, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report, please refer to the System's 2022 Annual Comprehensive Financial Report, which is prepared in conformity with GAAP and may be obtained by visiting our website.

I hope you will find this publication useful and informative.

Thank you for your interest,

Martin Noven

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Interested in learning more?

The Maryland State Retirement Agency provides several resources to keep members, retirees and other stakeholders informed about the financial management of the State's $67.9 billion pension fund.

- The full 174-page Annual Comprehensive Financial Report, along with reports for prior years, are available on the Maryland State Retirement Agency website at sra.maryland.gov. From the homepage, simply click on **Investments & Financials**, then **Annual Financial Reports**.

   This webpage also offers links to the Agency business plan, actuarial valuation reports and the Board of Trustees' open meeting minutes. You may review the Agency's investment policy manual and download quarterly investment performance updates.

- A dedicated email address is available for your inquiries about the Agency's investment program. Submit your questions to invest-info@sra.state.md.us. Note: Our investment staff cannot provide advice about your personal investment portfolio.

- If you prefer corresponding by mail, address your letter to the Maryland State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202-6700

- The Retirement Agency may be reached by telephone at 410-625-5555 or toll-free 1-800-492-5909.