

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

JANUARY 2014

VOL. 32 NO. 1



A Newsletter for Retirees from the Maryland State Retirement & Pension System

## State Trooper trustee election slated for spring

RETIRED AND ACTIVE MARYLAND STATE TROOPERS will elect a new member of the Maryland State Retirement and Pension System Board of Trustees in an election slated for May through June of this year. Election results will be announced in July.

The board of trustees, 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](http://sra.maryland.gov). Simply click on **Agency**, then **Board of Trustees**.

## Did you know?

- Your pension system's investment portfolio returned 10.57% in fiscal year 2013.
- The system pays an average of \$256 million in benefits to nearly 141,300 retirees and beneficiaries each month.

## Bush, Herman are new trustees

JAMES A. BUSH, JR., AND LINDA A. HERMAN have joined the Board of Trustees of the Maryland State Retirement and Pension System of Maryland.

Trustee Bush, a budget analyst with the Maryland Transit Administration, was elected last spring by members and retirees of the Employees' Systems.

He previously served as a trustee of the Baltimore City Employees Retirement System and the Baltimore City Elected Official Retirement System for 10 years, the last three as board chairman. He then was employed as a financial advisor with Merrill Lynch. Mr. Bush holds degrees in business/finance and chemistry from the University of Baltimore and Loyola University, respectively.

Trustee Bush replaces retiring board member Sheila Hill, who provided a decade of dedicated board service.

### Trustee Herman to represent counties

Governor Martin O'Malley appointed Linda Herman, Executive Director of the Montgomery County Employee Retirement Plans (MCERP), to a newly-created 15th seat on the board effective August 1, 2013. The board was expanded to include an additional trustee to represent the interests of county governments as a result of legislation passed during the 2013 General Assembly session. House Bill 390 (Chapter 535) and Senate Bill 741 (Chapter 534) require that the new trustee possess at least 10 years of experience in financial management and oversight of county government budgets.

Ms. Herman has served as Executive Director of MCERP since her appointment to that position in April 2004. Prior to that, Ms. Herman had served the MCERP for five years as Senior Investment Officer,



James A. Bush, Jr.



Linda A. Herman

# Annual report released for fiscal 2013

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) for fiscal year 2013 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, 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, 2013

<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	\$ 1,211,594	\$ 719,300	\$ 44,504	\$ 66,249	\$ 43,439	\$ 2,085,086
Investments, at Fair Value	25,070,340	13,918,809	343,119	1,208,039	657,437	41,197,744
Other Assets	839,433	537,662	11,734	43,566	22,881	1,455,276
<b>Total Assets</b>	<b>27,121,367</b>	<b>15,175,771</b>	<b>399,357</b>	<b>1,317,854</b>	<b>723,757</b>	<b>44,738,106</b>
Total Liabilities	2,651,742	1,488,897	37,025	129,291	67,934	4,374,889
<b>Total Plan Net Assets</b>	<b>\$ 24,469,625</b>	<b>\$ 13,686,874</b>	<b>\$ 362,332</b>	<b>\$ 1,188,563</b>	<b>\$ 655,823</b>	<b>\$ 40,363,217</b>

## Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2013

<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
<b>Additions</b>						
Employer Contributions	\$ 981,004	\$ 531,433	\$ 24,062	\$ 51,330	\$ 55,272	\$ 1,643,101
Member Contributions	432,215	260,201	2,452	6,429	9,559	710,856
Investment Income	2,329,791	1,310,508	32,527	113,068	59,901	3,845,795
<b>Total Additions</b>	<b>3,743,010</b>	<b>2,102,142</b>	<b>59,041</b>	<b>170,827</b>	<b>124,732</b>	<b>6,199,752</b>
<b>Deductions</b>						
Benefit Payments	1,741,745	1,027,510	25,964	109,055	46,426	2,950,700
Refunds	20,542	16,977	29	245	488	38,281
Administrative Expenses	13,781	11,701	38	349	411	26,280
<b>Total Deductions</b>	<b>1,776,068</b>	<b>1,056,188</b>	<b>26,031</b>	<b>109,649</b>	<b>47,325</b>	<b>3,015,261</b>
Net System Transfers	1,150	(1,323)	-	1	172	-
<b>Net Change in Plan Net Assets</b>	<b>1,968,092</b>	<b>1,044,631</b>	<b>33,010</b>	<b>61,179</b>	<b>77,579</b>	<b>3,184,491</b>
Net Assets at Beginning of Fiscal Year	22,501,533	12,642,243	329,322	1,127,384	578,244	37,178,726
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 24,469,625</b>	<b>\$ 13,686,874</b>	<b>\$ 362,332</b>	<b>\$ 1,188,563</b>	<b>\$ 655,823</b>	<b>\$ 40,363,217</b>

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

## Actuarial Funded Status for the Fiscal Year Ended June 30, 2013

<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	35,530,441	21,046,733	438,836	1,882,501	1,143,154	18,426	60,060,091
Actuarial Value of Assets	23,845,618	13,326,586	354,900	1,164,217	642,678	16,971	39,350,969
Unfunded Actuarial Accrued Liability	11,684,823	7,720,147	83,937	718,284	500,476	1,456	20,709,122
<b>Funded Ratio</b>	<b>67.1%</b>	<b>63.3%</b>	<b>80.9%</b>	<b>61.8%</b>	<b>56.2%</b>	<b>92.1%</b>	<b>65.5%</b>

# State Retirement Pick-up and your taxes

**FOR ELIGIBLE RETIREES**, Block 17 of the 1099-R Form contains the amount of your tax deferred contributions made under the State Retirement Pick-up Program. This figure is important for Maryland State income tax preparation.

The State Pick-up Program is concerned with the employee pension plan contributions made while working. It provides for the deferral of federal taxes when the contributions are made, but makes them taxable when received in the pension. Since this program only defers federal taxes at the time the contributions are made, state income taxes were deducted. The consequence in retirement is that the state income tax is deferred until the pick-up contributions are recovered.

While most members participated in the pick-up program, your participation was determined by whether your employer elected to participate and by whether your pension plan required you to make employee contributions.

## Federal taxes

Since eligible members did not pay any federal taxes on their pick-up contributions during employment, taxes must be paid during retirement.

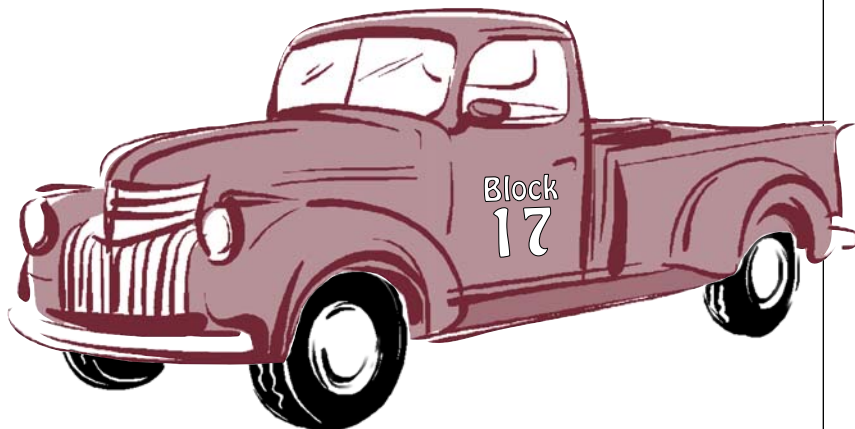
You do not need to make any special entries on your federal tax form – the retirement agency has included your pick-up contributions when computing the taxable amount of your pension for federal tax purposes.

## Maryland state taxes

You have already paid Maryland State taxes on the pick-up contributions listed on your 1099-R. To avoid paying taxes twice, you must subtract the pick-up amount from your federal adjusted gross income shown on page 1 of your Maryland tax return (Form 502) as follows:

Enter your pick-up amount on line r of Form 502SU. Enter the sum of all subtractions from Form 502SU on line 13 of Form 502. Enter code letter "r" in the code letter box of Form 502. Please attach the Form 502SU to the Form 502. This serves as a subtraction from your income which will reduce your taxable net income on line 20 (Form 502).

The subtraction is limited to the amount of pick-up contribution stated on the 1099-R or the taxable pension, whichever is less. The remainder of the pick-up amount is carried over to next year's taxes. When the pick-up amount reaches zero, "EP used" will be printed in the pick-up block on your 1099-R. This usually occurs within a few years after the date of retirement.



## Did you retire in 2013?

For members who ended active employment and retired in 2013, the W-2 form you receive from your former employer will show 1) your annual wages earned prior to retirement and 2) any state pick-up contributions made in 2013. This state pick-up amount serves as an addition to state income for 2013. Enter this figure on line 3 of your Maryland tax return (Form 502).

# Understanding your 1099-R tax form

INTERNAL REVENUE SERVICE TAX FORM 1099-R will be distributed to all Maryland State Retirement and Pension System payees by the end of January 2014. The forms provide each payee with detailed information on his or her pension income for the previous year.

Most payees receive only one 1099-R tax form each year. However, persons who retired in 2013 will receive a separate 1099-R tax form for any additional refunds they received, such as a refund of voluntary annuity contributions.

A key to the content of your 1099-R form is provided below.

## **IMPORTANT: Changes to Block 7 (Distribution Code(s)) for calendar year 2013**

Retirees who turned age 59 ½ in calendar year 2013 will receive two 1099-R forms. These retirees will receive a 1099-R form for annuity payments distributed in the calendar year prior to reaching age 59 ½ with a distribution code 2. They also will receive a separate 1099-R form for annuity payments distributed in the calendar year on or after they reached age 59 ½ with a distribution code 7.

Other Form 1099-R distribution code changes include:

- Reporting of beneficiaries of disability retirees with a distribution code 4 (death) instead of 3 (disability)
- Reporting of alternate payees awarded a portion of a retiree's annuity under a court directed Eligible Domestic Relations Order with a distribution code 2

## KEY TO YOUR 1099-R

### **BLOCK 1. (Gross Distribution)**

This is the total amount of pension benefits paid to you by the Maryland State Retirement Agency during the 2013 calendar year.

### **BLOCK 2A. (Taxable Amount)**

This is the taxable amount of your pension. Depending on your retirement date, retirement type and whether you contributed to your plan, you may not be taxed on the total amount of benefits paid to you. If this is the case, the amount shown in this block will differ from the amount in Block 1.

### **BLOCK 4. (Federal Income Tax Withheld)**

This block shows any federal income tax deducted from your monthly retirement payments. To change the amount of federal income tax being withheld, complete a tax withholding request form (Form 766), available through the retirement agency.

### **BLOCK 5. (Employee Contributions)**

This is the amount of your contributions that were recovered, tax free, during 2013. The dollar figure

in this box does NOT represent the amount of any health insurance premiums withheld from your benefit payment.

### **BLOCK 7. (Distribution Code(s))**

IRS codes are explained on the back of the 1099-R form.

### **BLOCK 9B. (Total Employee Contributions)**

For retirees who received their first benefit payments in 2013, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2013 and made pension contributions will see a value in this block. For members who retired prior to 2013, a zero will be printed in the block.

### **BLOCK 12. (State Income Tax Withheld)**

Any Maryland State income tax deducted from your monthly checks is shown in this block. To

*See 1099-R form, page 5*



## 2014 payment dates noted

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2014 has been announced by the Maryland State Retirement Agency. For retirees with an approved waiver, mailed check delivery dates also are listed.

Following a retiree's month of retirement, deposit advice slips are distributed only in January and July or when a retiree's benefit amount changes. Retirees may obtain their payment information any time using the retirement agency's automated telephone system at 410-625-5555 or 1-800-492-5909

### Date direct deposit is credited to retirees' accounts

- Friday, January 31
- Friday, February 28
- Monday, March 31
- Wednesday, April 30
- Friday, May 30
- Monday, June 30
- Thursday, July 31
- Friday, August 29
- Tuesday, September 30
- Friday, October 31
- Friday, November 28
- Wednesday, December 31

### Date post office begins to deliver retirement checks

- Friday, January 31
- Friday, February 28
- Monday, March 31
- Wednesday, April 30
- Saturday, May 31
- Monday, June 30
- Thursday, July 31
- Saturday, August 30
- Tuesday, September 30
- Friday, October 31
- Saturday, November 29
- Wednesday, December 31

## Online appointment scheduling is easy, quick and convenient

RETIREES wishing to sit down and have their pension questions answered by a highly-trained retirement benefits specialist can now choose their own meeting date and time using the Maryland State Retirement Agency's new appointment scheduling Website.

Simply visit [sra.maryland.gov](http://sra.maryland.gov) and click on **Schedule an Appointment**.

Counseling sessions may be slated in Baltimore or at regional locations across the state.



### 1099-R form, from page 4

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		\$		2013		
		2a Taxable amount				Copy C For Recipient's Records
		\$				
		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>		17 Pick-Up Contrib's
PAYER'S federal identification number		3 Capital gain (included in box 2a)		4 Federal income tax withheld		
RECIPIENT'S name		\$		\$		15 Local tax withheld
		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		
		\$		\$		13 State/Payer's state no.
		7 Distribution code(s)		8 Other		
		IRA/SEP/SIMPLE <input type="checkbox"/>		%		11 1st year of desig. Roth contrib.
		9a Your percentage of total distribution		9b Total employee contributions		
		%		\$		Account number (see instructions)
		15 Local tax withheld		16 Name of locality		
		\$		\$		www.irs.gov/form1099r
				Department of the Treasury - Internal Revenue Service		

change the amount being withheld, complete a tax withholding request form (Form 766).

### BLOCK 17. (Pick-Up Contributions)

This figure applies to members whose employers participated in the State Pick-up Program. For an explanation of pick-up contributions, see "State Retirement Pick-up and your taxes" on page 3.

### Need a duplicate?

You may request a duplicate of your 1099-R tax form on or after February 14 by calling the State Retirement Agency at 410-625-5555 or 1-800-492-5909. Retirement agency staff cannot issue a replacement form before this date.

# Keep your tax withholdings up to date

RETIREES WHO WISH TO UPDATE THEIR TAX WITHHOLDING ELECTION must file a combined *Federal and Maryland State Tax Withholding Request* (Form 766) covering both federal and state taxes. For your convenience, Form 766 is available online at [sra.maryland.gov](http://sra.maryland.gov) or by calling or writing to the Maryland State Retirement Agency.

Current Internal Revenue Service (IRS) tax regulations require your federal tax withholding to be calculated using IRS tax withholding tables. You can no longer designate only a specific dollar amount to be withheld for federal tax. You must first designate your marital status and number of allowances on line 2 of the form. Then you can designate an additional amount to be withheld on Part I, line 3 of Form 766.

Form 766 revokes all prior federal and state tax withholding elections. For example, if you



THE MARYLAND STATE RETIREMENT AGENCY will begin using the new 2014 federal tax withholding tables beginning with your January benefit payment. The new tables, issued by the Internal Revenue Service, became effective January 1, 2014, and may result in an increased amount of federal taxes being withheld from your benefit payment. Maryland state tax withholding is unaffected. For more information go to [sra.maryland.gov](http://sra.maryland.gov).

previously requested federal and state tax withholdings and now submit a new request indicating only state tax, your federal tax withholdings will be

cancelled. You must fill out **both** sections of the form *even if you wish to update only one portion of your withholdings*.

## Trustees, from page 1

managing the investment programs for the county's defined benefit, defined contribution and deferred compensation plans.

Prior to joining Montgomery County, Ms. Herman worked for 26 years for the Washington

Suburban Sanitary Commission (WSSC), including seven years as Manager of Retirement and Investments. In that position, she was responsible for overseeing the administration and investment programs for the WSSC's pension plan and its

\$1.5 billion short-term cash investment portfolio.

Ms. Herman holds a Bachelor of Science degree in accounting from the University of Maryland. She is a resident of Bethesda.

*Retiree News* is published by The Maryland State Retirement Agency  
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Baltimore, MD 21202-6700  
410-625-5555  
1-800-492-5909  
[sra.maryland.gov](http://sra.maryland.gov)

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