

Retiree News & NOTES



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

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

Richard Norman to represent State Police on Board

RETIRED MARYLAND STATE
TROOPER RICHARD E.

NORMAN will join the Board of Trustees of the Maryland State Retirement and Pension System as State Police representative August 1.



Richard E. Norman

Trustee-elect Norman, a Certified Public Accountant who currently serves as director of administration and finance for the Comptroller of Maryland, will succeed Trustee Morris L. Krome, who will

See Norman, page 6

Are you working?

IF YOUR COMPENSATION from employment after retirement exceeds your earnings limit, your benefit may be reduced. See pages 3-4 for rules.

Cost-of-living adjustment set at 1.465% for eligible retirees

ELIGIBLE RETIREES AND BENEFICIARIES of the Maryland State Retirement and Pension System will receive a 1.465% increase in their retirement payment in July 2014 as the annual cost-of-living adjustment (COLA) takes effect.

Since this year's COLA rate does not exceed the cap in place for some plans, all eligible retirees will receive the full COLA applied to their July 31 benefit.

Retirees must have been retired at least one full year as of July 1, 2014 to receive the COLA.

The COLA does not apply to most legislative and judicial retirees. Retirees from the legislative and judicial systems receive adjustments based on the increases received by active legislators and judges.

Frequently asked questions

Q. Who qualifies to receive the COLA this July?

A. A retiree who has completed at least one year of retirement as of July 1, 2014 qualifies for this year's COLA. Those who retired

See COLA, page 6

Major Morris L. Krome concludes 16 years on Board of Trustees

THE LONGEST CURRENTLY SERVING MEMBER of the Maryland State Retirement and Pension System (SRPS) Board of Trustees will retire this month after 16 years of dedicated service to retirees and members of the system.

"I thoroughly enjoyed it," said Major Morris L. Krome, who

served four elected terms on the panel which oversees the management of the Maryland State Retirement Agency and the allocation of the system's \$44 billion investment fund. "In the good times and the bad times I was able to contribute."

"It's been an honor and real pleasure serving on the Board of

See Krome, page 5

Legislative update



Photo courtesy www.VisitAnnapolis.org

TWO BILLS of special interest to retirees of the Maryland State Retirement and Pension System were enacted during the 2014 session of the Maryland General Assembly. Each of the bills described here has been signed into law by Governor Martin O'Malley.

Senate Bill 575: Code Simplification and Clarification

Synopsis: Clarifies that a retiree of the Local Fire and Police Plan or the Judges' Retirement System is only subject to a reemployment earnings limit for five full calendar years following retirement. In addition, SB575 makes clear that members of the Law Enforcement Officers' Pension System and the State Police Retirement System who participate in the Deferred Retirement Option Program (DROP) and are awarded a special or accidental disability benefit may not continue participating in the DROP. SB575 also

clarifies that former members who withdraw their member contributions forfeit any further benefit from their retirement or pension system.

Senate Bill 576: Teachers' Retirement and Pension System – Reemployment of Retirees – Penalty for Failure to Submit Certification

Synopsis: Amends the penalty assessed on school systems that fail to report reemployed retirees who are eligible to participate in the retire/rehire program. The current amount of the penalty equals the amount of the earnings offset that would have been applied if the retiree was not eligible to participate. SB 576 reduces this penalty to \$50 per month, not to exceed \$1,000, for each retiree that is eligible to participate in the program but is not reported by the school system.

Bd. of Trustees elections slated

MEMBERS AND RETIREES of the Maryland State Retirement and Pension System will elect two retiree representatives to the system's Board of Trustees in an election slated for the spring and summer of 2015.

Candidates for these board seats must be retirees of either the Teachers' Systems or Employees' Systems. The Teachers' Systems include the Teachers' Retirement and Pension Systems. The Employees' Systems include the Correctional Officers' Retirement System, the Employees' Retirement and Pension Systems, the Judges Retirement System, the Legislative Pension Plan, the Local Fire and Police System, and the Law Enforcement Officers' Pension System. The two successful candidates will serve terms in office from August 1, 2015 through July 31, 2019.

Potential candidates must obtain the signatures and dates of birth of 500 persons who are eligible to vote in this election. Official nomination petitions can be obtained September 2 through December 5, 2014 by calling Megan Myers, director of Special Projects, at 410-625-5608 or toll-free 1-800-492-5909. All completed petitions must be returned to the Maryland State Retirement Agency by 4:30 p.m. EST on January 30, 2015.

Both active members and retirees of the respective plans will be eligible to vote. Election materials, including candidate biographies, will be mailed in May 2015 to all eligible voters.

Retirees returning to the workforce

FOR RETIREES OF THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM (SRPS), certain types of employment are subject to an earnings limit. Reemployment rules discussed here apply for most retirees. Special rules apply for retired judges, legislators, State Police and law enforcement officers. Contact the Maryland State Retirement Agency for details.

When you retired, you received an explanation of the effects of employment after retirement. Each year, these rules are subject to change by the Maryland General Assembly. It is the current retirement law, and not the information you received at retirement, that governs reemployment for retirees.

Earnings limits

If your compensation from employment after retirement exceeds your earnings limit, your benefit may be reduced.

Prior to accepting work with any participating employer — that is, any employer that offers Maryland SRPS benefits to its employees — you must notify

the retirement agency in writing of your anticipated earnings. Your earnings limit is printed on the Notice of Retirement Allowance that you received upon retirement.

Who is subject to a limit?

All service retirees, returning to work for the same employer, are subject to an earnings limit. There must be at least 45 days between your last day on payroll and the date you are rehired by any participating employer. This rule applies even if you retired from an employer that has withdrawn from the SRPS. All units of Maryland state government, including the University of Maryland, are considered to be one employer.

If a service retiree returns to work for a different employer, only early service retirees within the first 12 months of retirement are subject to an earnings limit.

Retirees of the Employees', Teachers' and Correctional Officers' systems who retire with an average final compensation of \$25,000 or less and are reemployed with the same employer are exempt from an earnings limit.

All service retirees from the Employees' and Teachers' systems, State Police and Correctional Officers' Retirement Systems are exempt from earnings limits after five full calendar years of retirement.

Reemployment rules differ for disability retirees

ORDINARY DISABILITY RETIREES WHO ACCEPT EMPLOYMENT with a participating employer are subject to an earnings limit until they reach normal retirement age for their system. Ordinary disability retirees reemployed by a non-participating employer and accidental disability retirees are exempt from earnings limits.

Suspension rules

An ordinary or accidental disability retiree's monthly allowance shall be temporarily suspended if the retiree:

- Retired on or after July 1, 1998,
- Is not eligible to receive a normal service retirement and

- Is employed by a participating employer at an annual compensation at least equal to his or her average final compensation at time of retirement.

Important: Disability retirees from the State Police Retirement System, Law Enforcement Officers' Pension System, Local Fire and Police System and Employees' Retirement and Pension Systems (former law enforcement officers employed by an employer that participates in the Law Enforcement Officers' Pension System only) are exempt from the earnings limit and suspension if reemployed by a participating employer in any position other than a probationary status law enforcement officer, a law enforcement officer or chief, as defined in §3-101 of the Public Safety Article.

may be subject to an earnings limit

Exemptions may apply for retired teachers, others

A SERVICE RETIREE FROM THE TEACHERS' SYSTEMS

is exempt from earnings limits if he or she returns to work for the same employer as a classroom teacher, substitute classroom teacher or teacher mentor in a public school:

- That is not making adequate yearly progress or is a school in need of improvement as defined under the federal No Child Left Behind Act (NCLBA) of 2001, or
- Is receiving funds under NCLBA, or
- Has more than 50% of the students attending that school who are eligible for free and reduced-price meals, or
- Provides an alternative education program for adjudicated youths or students who have been expelled, suspended or identified for suspension or expulsion from public school

AND

- Teaches in an area of critical shortage, or a special education class for students with special needs, or a class for students with limited English proficiency, or
- Is hired to teach any subject or class or provide educational services under a special limited provision granted to the superintendent

AND

- Is or has been certified to teach in the state,
- Has verification of satisfactory or better performance in last assignment prior to retirement,
- Has been appointed in accordance with §4-103 of the Education Article, and
- If receiving an early retirement benefit, has been retired at least 12 months.

Earnings limits also do not apply to a retiree who was employed

as a principal within a certain period before retirement AND is rehired as a principal at a public school meeting the requirements listed here. During the period of reemployment, the retiree's performance must be satisfactory.

If you qualify for this exemption as a rehired teacher or principal, your employer must report your hiring to the State Retirement Agency and the Department of Education within 30 days.

Eligible teachers who retired from the Maryland School for the Deaf, and then return to work for that school, will receive this earnings limit exemption.

Retirees from other plans

Earnings limit exemptions also apply for some other retirees. Contact the Maryland State Retirement Agency for more information.

Consider the possible federal tax consequences

IF YOU ARE CONSIDERING REEMPLOYMENT

with the same employer from which you retired, you also should be aware of the following important information.

There can be significant tax consequences to you and the Maryland State Retirement and Pension System if you retire before the normal retirement age of your plan and/or before age 59 1/2 and you are reemployed with

the same employer without a bona fide separation from service. In order to avoid this penalty, a bona fide separation must occur.

While the IRS has not specifically defined what constitutes a bona fide separation from service, it is clear that the more differences between your last job before retirement and the job being performed upon your reemployment, and the longer the break

between the date of your retirement and the date of your reemployment, the more likely it is that there has been a bona fide separation from service.

If after retirement you consider reemployment with your former employer, you may wish to review and discuss this information with the employer and your tax advisor. Failure to do so could result in a significant tax penalty on your income.

State of Maryland health benefits open enrollment slated for fall '14

FOR RETIRED STATE EMPLOYEES, open enrollment for health benefits for 2015 will be held in the fall of 2014. Eligible retirees are advised to review their enrollment packet carefully when it arrives in the mail.

“Don't miss this annual opportunity to make any changes to your health benefits,” said a Maryland Department of Budget and Management (DBM) spokesperson.

Changes made during open enrollment will be effective January 1, 2015. Eligible retirees can find information on health benefits and open enrollment online at www.dbm.maryland.gov/benefits or by calling 410-767-4775 or 1-800-307-8283 after September 1, 2014.

Retirees from counties, boards of education, towns and other non-state agencies should contact their former employer for health benefits information. The Maryland State Retirement Agency does not administer, and cannot provide information on, retiree health benefits.

Maryland Charity Campaign thanks donors, kicks off new drive

by Meredith Longberger, MCC organizer

THE 2013 MARYLAND CHARITY CAMPAIGN raised \$3,244,258 that will benefit charities uplifting our local communities. Nearly 730 Maryland state retirees showed their generosity and compassion by donating \$149,191, a nearly \$20,000 increase from 2012. We want to take this time to thank you for your continued dedication to making our Maryland even better.

This year, we ask you to browse a record breaking 933 participating charities to find one that touches your heart.

With online giving, donating this year could not be easier. Any retiree who has donated in the past five years is able to donate online! Please visit our website and click the “Donate Now” link for information and directions.

Please look for your pledge card this fall. If you do not receive one, contact Andrea Hill at Andrea.Hill@uwcm.org or 410-895-1493 or download a pledge card at www.mdcharity.org

Krome, from page 1

Trustees with Major Krome over the past years,” said Maryland Treasurer Nancy K. Kopp, chairman of the Board of Trustees.



Major Morris L. Krome

“Mo is truly an inspiration: a voice of reason in difficult times and always steadfast in his dedication to our members and retirees,” Treasurer Kopp added. “The Major's historical perspective and passion for doing right have been a steady force guiding us for many years — a model Trustee, he has served our members well. He will be missed, but his influence will be with us for years to come.”

First elected to the board in 1998, Trustee Krome represented the interests of Maryland State Police. He lists winning the passage of “a firm, sustainable benefit for spouses on the death of a [State Police] retiree” among his proudest accomplishments on the board. Under current law, the spouse of a deceased retired State Trooper receives 80% of the trooper's monthly retirement allowance for the remainder of the spouse's life.

Major Krome also helped bring to a successful resolution a court case involving an actuarial firm's errors in performing actuarial valuations for the State Police Retirement System and two other SRPS plans over two decades. The case resulted in an approximately \$73 million award to the system.

Major Krome is hopeful the system will continue to progress toward full funding and will be maintained as a defined benefit plan.

“We're really on a good, firm path now,” he said.

Retirement staff rescues raptor



QUICK THINKING EMPLOYEES at the Maryland State Retirement Agency recently rescued an American Kestrel who had collided with their building. The bird is being treated at The Maryland Zoo in Baltimore.

COLA, from page 1

after July 2013 (August 2013 or later) will receive their first COLA increase in July 2015.

Q. Which payment shows the new COLA increase?

A. Qualifying retirees will see the adjustment in their July 31, 2014 benefit payments.

Q. How is the annual COLA increase applied?

A. A retiree's benefit system determines how the annual increase is calculated for his or her payment. Eligible retirees receive either a compound rate or a simple rate. For retirees

receiving the compound rate, the COLA increase is based on their current allowance, allowing COLAs to compound over time. Under the simple rate, the increase is based on the retiree's initial retirement allowance.

The compound rate applies for eligible retirees of all systems *except* the Employees' Non-Contributory Pension System and the Local Fire and Police System. (For retirees who transferred into the Local Fire and Police System from the Employees' Retirement System, the compound rate applies.)

Q. How is the rate determined?

A. The COLA rate is based on the Consumer Price Index (all urban consumers – United States city average – all items) as published by the United States Department of Labor, Bureau of Labor Statistics. Under Maryland law, the COLA rate is determined “by dividing the Consumer Price Index for the calendar year ending December 31 in the preceding fiscal year by the Consumer Price Index for the calendar year ending December 31 in the second preceding fiscal year.”

Norman, from page 1

retire from the board this summer after 16 years of dedicated service.

Trustee-elect Norman retired at the rank of captain from the Maryland State Police after a 28 year law enforcement career. After joining the force in 1977, Mr. Norman worked two years as a uniformed road patrol officer. He then served 18 years as a criminal investigator specializing in narcotics, white collar crime and child abuse. He also served as assistant commander of the Rockville Barrack for three years.

After earning his CPA, Mr. Norman served six years as

commander of the MSP Budget and Finance Section. Following his retirement from the MSP in 2005, Mr. Norman served eight years as director of administration for the Office of Administrative Hearings before accepting his current position at the comptroller's office.

Mr. Norman holds a Bachelor of Arts degree from Loyola College and is an associate member of the Association of Certified Fraud Examiners. He served as treasurer of the Maryland Troopers Association and is a community volunteer. A married father of three, he resides in Carroll County.

Use Form 766 to change your income tax withholdings

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.

Once filed with the Maryland State Retirement Agency, Form 766 replaces all previous withholding elections for both state and federal tax. Download Form 766 at sra.maryland.gov.

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