

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

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

Clip and save your 2016 pension payment dates — See page 4

## Former Trustee Hill reelected to System Board

**SHEILA HILL**, a retired correctional officer who previously represented active members of the Employees' Systems on the Board of Trustees of the Maryland State Retirement and Pension System for nearly a decade, was again elected to the Board this spring as a representative of retired employees.



Sheila Hill

The returning Trustee's four year term began August 1, 2015.

Originally elected by members and retirees of the Employees' Systems in 2004, Ms. Hill was ineligible to return to that post following her retirement as a correctional officer in 2012. As a

See Hill, page 5

## Understanding your 1099-R

*Internal Revenue Service tax Form 1099-R will be mailed to all Maryland State Retirement and Pension System payees by the end of January 2016.*

**FORM 1099-R PROVIDES 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 2015 will receive a separate 1099-R tax form for any additional refunds they received, such as a refund of voluntary annuity contributions.

Additionally, retirees who turned age 59 ½ in calendar year 2015 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.

The following key describes some of the most important components of your 1099-R tax form.

### **BLOCK 1: Gross Distribution**

This is the total amount of pension benefits paid to you by the Maryland State Retirement Agency during the 2015 calendar year.

### **BLOCK 2A: Taxable Amount**

This is the taxable amount of your pension benefit. 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.

See 1099-R, page 4

# Annual report released for fiscal year 2015

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) for fiscal year 2015 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**, select **Reports and Updates**.

## Statement of Plan Net Assets by System for the Fiscal Year Ended June 30, 2015

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Total
Cash & Cash Equivalents	\$ 607,530	\$ 467,710	\$ 45,497	\$ (18,751)	\$ 32,350	\$ 1,134,336
Investments, at Fair Value	28,348,428	15,447,947	1,253,810	444,538	786,320	46,281,043
Other Assets	613,954	400,785	34,085	8,477	17,760	1,075,061
<b>Total Assets</b>	<b>29,569,912</b>	<b>16,316,442</b>	<b>1,333,392</b>	<b>434,264</b>	<b>836,430</b>	<b>48,490,440</b>
<b>Total Liabilities</b>	<b>1,805,599</b>	<b>806,020</b>	<b>30,532</b>	<b>21,731</b>	<b>36,718</b>	<b>2,700,600</b>
<b>Total Plan Net Assets</b>	<b>\$ 27,764,313</b>	<b>\$ 15,510,422</b>	<b>\$ 1,302,860</b>	<b>\$ 412,533</b>	<b>\$ 799,712</b>	<b>\$ 45,789,840</b>

## Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2015

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Total
<b>Additions</b>						
Employer Contributions	\$ 1,063,763	\$ 643,219	\$ 76,056	\$ 19,028	\$ 56,546	\$ 1,858,612
Member Contributions	454,770	280,133	7,205	2,813	10,523	755,444
Investment Income	727,858	405,846	33,035	10,759	20,173	1,197,671
<b>Total Additions</b>	<b>2,246,391</b>	<b>1,329,198</b>	<b>116,296</b>	<b>32,600</b>	<b>87,242</b>	<b>3,811,727</b>
<b>Deductions</b>						
Benefit Payments	1,933,456	1,147,453	119,468	28,874	55,299	3,284,550
Refunds	24,636	22,663	336	25	585	48,245
Administrative Expenses	15,426	13,305	202	52	95	29,080
<b>Total Deductions</b>	<b>1,973,518</b>	<b>1,183,421</b>	<b>120,006</b>	<b>28,951</b>	<b>55,979</b>	<b>3,361,875</b>
<b>Net System Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Plan Net Assets</b>	<b>272,873</b>	<b>145,777</b>	<b>(3,710)</b>	<b>3,649</b>	<b>31,263</b>	<b>449,852</b>
<b>Net Assets at Beginning of Fiscal Year</b>	<b>27,491,055</b>	<b>15,365,014</b>	<b>1,306,547</b>	<b>408,883</b>	<b>768,489</b>	<b>45,339,988</b>
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 27,763,928</b>	<b>\$ 15,510,791</b>	<b>\$ 1,302,837</b>	<b>\$ 412,532</b>	<b>\$ 799,752</b>	<b>\$ 45,789,840</b>

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

## Actuarial Funded Status for the Fiscal Year Ended June 30, 2015

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Municipal Correctional Officers' Retirement System	Total
Actuarial Accrued Liability	38,934,459,136	23,402,850,436	2,103,134,384	511,390,449	1,308,633,034	21,313,441	66,281,780,880
Actuarial Value of Assets	27,995,476,456	15,615,326,568	1,314,315,006	416,546,609	808,435,955	20,523,472	46,170,624,066
<b>Unfunded Actuarial Accrued Liability</b>	<b>10,938,982,680</b>	<b>7,787,523,868</b>	<b>788,819,378</b>	<b>94,843,840</b>	<b>500,197,079</b>	<b>789,969</b>	<b>20,111,156,814</b>
<b>Funded Ratio</b>	<b>71.9%</b>	<b>66.7%</b>	<b>62.5%</b>	<b>81.5%</b>	<b>61.8%</b>	<b>96.3%</b>	<b>69.7%</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 2 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 2015?**

For members who ended active employment and retired in 2015, 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 2015. This state pick-up amount serves as an addition to state income for 2015. Enter this figure on line 3 of your Maryland tax return (Form 502).

# FAQ's

## Retirees' frequently asked questions

**HAVE QUESTIONS?** The Maryland State Retirement Agency has answers.

**Q.** *What is my PIN number and what is it used for?*

**A.** Your PIN, or Personal Identification Number, is your key to the Retirement Agency's automated phone system. With your PIN and Social Security number you can access your retirement account data. Your four-digit PIN is composed of the two-digit month and two-digit year of your retirement. For example, if you retired in July 2010, your PIN would be 0710.

**Q.** *How can I check my beneficiaries on file?*

**A.** You can confirm your beneficiary information by calling the Retirement Agency at 410-625-5555 or toll-free 1-800-492-5909 and using the agency's automated phone system. To access this information you must enter your Social Security number and PIN.

**Q.** *If members or retirees are unable to sign forms themselves, can a third party sign for them?*

**A.** Yes. The legal guardian or attorney-in-fact under a power of attorney can sign and submit documents on behalf of a retiree. The power of attorney or guardianship order must be submitted to the Retirement Agency for review and approval. A copy will be kept on file. In cases of guardianship, the original guardianship order must be submitted.



1099-R, from page 1

#### **BLOCK 4: Federal Income Tax Withheld**

This block shows any federal income tax deducted from your monthly pension benefits. To change the amount of federal income tax being withheld, complete a tax withholding request form (Form 766). See instructions on page 6.

#### **BLOCK 5: Employee Contributions**

This is the amount of your contributions that were recovered, tax free, during 2015. The dollar figure in this box does NOT represent the amount of any health insurance premiums withheld from your pension benefit.

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

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

#### **BLOCK 9B: Total Employee Contributions**

For retirees who received their first pension benefit in 2015, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2015 and made pension contributions will see a value in this block. For members who retired prior to 2015, a zero will be printed in the block.

#### **BLOCK 12: State Income Tax Withheld**

Any Maryland State income tax deducted from your monthly benefit is shown in this block. To change the amount of Maryland state income tax being withheld,

## Payment dates noted for 2016

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2016 has been announced by the Maryland State Retirement Agency. For retirees with an approved waiver, mailed check delivery dates also are listed.

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

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

#### **Date post office begins to deliver retirement checks**

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

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.

complete a tax withholding request form (Form 766). See instructions on page 6.

#### **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 obtain a duplicate of your 1099-R tax form on or after February 12.

To receive a reprinted 1099-R by mail, call the Maryland State Retirement Agency on or after February 12 at 410-625-5555 or 1-800-492-5909.

If you do not receive your 1099-R by mail, you may access a printable version online. Go to [sra.maryland.gov](http://sra.maryland.gov) on or after February 12 and follow the hyperlink "Form 1099-R/Personal Statement of Benefits (PSB) Reprints" to print your 2015 tax statement.

# Pension fund returns 2.68% in FY 2015

**EARNINGS** on the Maryland State Retirement and Pension System's \$45.8 billion investment portfolio were 2.68% for the fiscal year ending June 30, 2015. Although the fund did not meet its 7.65% actuarial return target for this year, it exceeded the plan's policy benchmark of 0.86% by 1.82 percentage points. The policy benchmark is a weighted average of the overall market performance of the underlying asset class indices.

"Investment returns moderated over fiscal year 2015 relative to recent years, particularly in foreign equities, as the strong dollar and concerns relating to global growth and the Greek debt situation weighed on performance," said Andrew C. Palmer, Chief Investment Officer. "While absolute performance did not meet the actuarial target for the fiscal year, we are very pleased with the performance of our active management program, which continues to add significant value over the overall plan benchmark. For the fiscal year, active management added roughly \$800 million in excess of the benchmark."

## Fiscal year 2015 returns by asset class

	Asset Allocation	Return	Benchmark	Difference
Public Equity	37.63%	3.65%	0.60%	3.06%
Private Equity	8.02%	13.17%	7.62%	5.54%
Fixed Income	12.94%	1.96%	1.93%	0.03%
Credit	9.73%	-0.81%	-3.05%	2.24%
Real Return	13.17%	-5.18%	-6.61%	1.43%
Real Estate	7.36%	12.12%	10.40%	1.71%
Absolute Return	10.65%	0.74%	2.63%	-1.90%
Cash	0.49%	2.10%	0.02%	2.08%
<b>Total</b>	<b>100.00%</b>	<b>2.68%</b>	<b>0.86%</b>	<b>1.82%</b>

"While earnings for this one year fell short of our expected rate of return, the Board continues to focus on long-term performance," said State Treasurer Nancy K. Kopp, Chair of the System's Board of Trustees. "Over the last five years our average return has been close to 9.4%, a much more relevant measure of the overall health of our investment portfolio. Although this has been

a challenging year for most institutional investors, the wisdom of the Board's decision some time ago to diversify its portfolio has been borne out by its long term positive returns."

Mr. Palmer, former Deputy CIO of the Tennessee Office of the Treasurer, assumed the post of Maryland State Retirement and Pension System CIO on July 22, 2015.

*Hill, from page 1*

retiree, she was eligible to run for the position vacated by John W. Douglass, who did not seek reelection as the retirees' representative.

"I look forward to working with the Board again," said Trustee Hill. "I am humbled and grateful

for the support of state employees and retirees in allowing me to represent their interest in the oversight of the \$45 billion fund."

She received 6,702 votes (75%) of the 8,911 votes cast in the spring 2015 election.

The 15-member Board of Trustees is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency, headquartered in Baltimore.

## Update your tax withholdings using Form 766

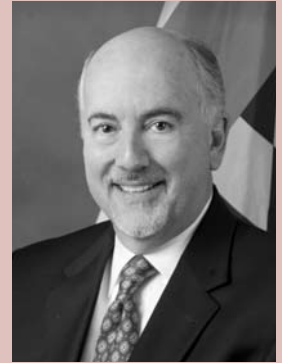
**RETIREES WHO WISH TO UPDATE THEIR TAX WITHHOLDING ELECTION** must file a combined *Federal and Maryland State Tax Withholding Request* (Form 766) covering both federal and state taxes. For your convenience, Form 766 is available online at [sra.maryland.gov](http://sra.maryland.gov) or by calling or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

## Maryland SRPS chief leads national pension organization

**R. DEAN KENDERDINE**, Executive Director of the Maryland State Retirement and Pension System, has assumed the office of President of the National Association of State Retirement Administrators, a non-profit association whose members are the directors of the nation's state, territorial and largest statewide public retirement systems. He will serve in this post until August 2016.



R. Dean Kenderdine

NASRA members oversee retirement systems that hold more than two-thirds of the \$3.8 trillion held in trust for 15 million working and 8 million retired employees of state and local government.

Founded in 1955, the organization works to sustain public employee retirement systems through research, education and collaboration.

Mr. Kenderdine has served as SRPS Executive Director since January 2007.

## Maryland state health department seeking volunteers for various boards

**THE MARYLAND DEPARTMENT OF HEALTH AND MENTAL HYGIENE's** Office of Appointments and Executive Nominations (OAEN) is seeking Maryland residents to serve as members of the Health Occupation Boards and more than 50 additional commissions, councils and task forces. A partial list of boards may be viewed at <http://dhmh.maryland.gov/SitePages/boards.aspx>. Persons interested in serving on a board should contact OAEN Administrator Kim Bennardi at 410-767-4049 or [kim.bennardi@maryland.gov](mailto:kim.bennardi@maryland.gov) for additional information.

Maryland State Retirement Agency staff cannot answer questions about health department board service.

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