

# Retiree News & Notes



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

JANUARY 2017  
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2017  
Pay Dates  
Inside!



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

## Updating your withholdings

RETIREEES ARE NOT REQUIRED to update their tax withholding elections each year. However, those retirees who choose to update their withholdings must file a combined *Federal and Maryland State Tax Withholding Request (Form 766)* covering both federal and state taxes.

Internal Revenue Service (IRS) tax regulations require your fed-

See *Withholdings*, page 4

## Your 1099-R form provides important tax information

INTERNAL REVENUE SERVICE TAX FORM 1099-R will be mailed to all Maryland State Retirement and Pension System payees by the end of January 2017.

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 2016 will receive a separate 1099-R tax form for any additional refunds they received, such as a refund of voluntary annuity contributions.

See *1099-R*, page 3

## New delivery method for *Retiree News*

BEGINNING with this edition, your *Retiree News & Notes* newsletter will be mailed separately from your January and July deposit advice.

[sra.maryland.gov](http://sra.maryland.gov)

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Retiree News & Notes

# Annual report released for fiscal year 2016

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) for fiscal year 2016 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, 2016

<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	\$ 842,844	\$ 423,044	\$ 48,678	\$ 16,336	\$ 35,253	\$ 1,366,155
Investments, at Fair Value	28,461,760	15,863,900	1,306,073	418,011	826,564	46,876,308
Other Assets	310,770	220,881	15,495	4,586	8,808	560,540
<b>Total Assets</b>	<b>29,615,374</b>	<b>16,507,825</b>	<b>1,370,246</b>	<b>438,933</b>	<b>870,625</b>	<b>48,803,003</b>
Total Liabilities	2,084,961	1,164,572	96,114	31,271	60,159	3,437,077
<b>Total Plan Net Assets</b>	<b>\$ 27,530,413</b>	<b>\$ 15,343,253</b>	<b>\$ 1,274,132</b>	<b>\$ 407,662</b>	<b>\$ 810,466</b>	<b>\$ 45,365,926</b>

## Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2016

<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	\$ 1,084,049	\$ 640,943	\$ 72,320	\$ 18,384	\$ 54,959	\$ 1,870,655
Member Contributions	464,470	278,944	7,251	2,863	10,886	764,414
Investment Income	301,774	168,775	13,806	4,415	8,761	497,531
<b>Total Additions</b>	<b>1,850,293</b>	<b>1,088,662</b>	<b>93,377</b>	<b>25,662</b>	<b>74,606</b>	<b>3,132,600</b>
<b>Deductions</b>						
Benefit Payments	2,028,004	1,226,291	121,534	30,487	63,177	3,469,493
Refunds	28,252	29,067	383	-	660	58,362
Administrative Expenses	15,752	12,642	165	45	55	28,659
<b>Total Deductions</b>	<b>2,072,008</b>	<b>1,268,000</b>	<b>122,082</b>	<b>30,532</b>	<b>63,892</b>	<b>3,556,514</b>
Net System Transfers	-	-	-	-	-	-
<b>Net Change in Plan Net Assets</b>	<b>(221,715)</b>	<b>(179,338)</b>	<b>(28,705)</b>	<b>(4,870)</b>	<b>10,714</b>	<b>(423,914)</b>
Net Assets at Beginning of Fiscal Year	27,763,928	15,510,791	1,302,837	412,532	799,752	45,789,840
<b>Net Assets at End of Fiscal Year</b>	<b>\$ 27,542,213</b>	<b>\$ 15,331,453</b>	<b>\$ 1,274,132</b>	<b>\$ 407,662</b>	<b>\$ 810,466</b>	<b>\$ 45,365,926</b>

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

## Actuarial Funded Status for the Fiscal Year Ended June 30, 2016

	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	39,934,125,374	23,817,251,395	2,124,785,749	523,928,519	1,359,431,930	22,401,138	67,781,924,105
Actuarial Value of Assets	29,020,809,180	16,130,437,566	1,344,162,518	430,563,204	855,997,433	21,709,395	47,803,679,296
Unfunded Actuarial Accrued Liability	10,913,316,194	7,686,813,829	780,623,231	93,365,315	503,434,497	691,743	19,978,244,809
Funded Ratio	72.67%	67.73%	63.26%	82.18%	62.97%	96.91%	70.53%

# Fiscal year 2016 investment returns noted

**THE BOARD OF TRUSTEES** of the Maryland State Retirement and Pension System announced that net earnings after fees on the \$45.5 billion investment portfolio were 1.16% for the fiscal year ending June 30, 2016. While performing better than several other major funds, this year's return was significantly below the plan's long-term actuarial target of 7.55%.

"FY 2016 was a second difficult year for investors," said Andrew C. Palmer, CFA, Chief Investment Officer of the Maryland State Retirement Agency. "Unlike FY 2015 where asset returns were broadly low, FY 2016 had returns that were low on average but displayed much larger variability among asset classes. MSRA's balanced asset allocation helped us earn modest positive returns."

"While this is a very disappointing one-year return," noted State Treasurer Nancy K. Kopp, Chairman of the System's Board of Trustees, "it's important to remember that we are long-term investors, meaning

we should not be distracted by a single-year's performance, whether the earnings are high or low. Over the last 30 years, including both good years and bad, the fund has earned an average return of 8%."

## Performance by asset class

Asset Class	Allocation	Return
Public Equity	37.4%	-4.31%
Private Equity	9.2%	9.94%
Rate Sensitive	22.7%	9.34%
Credit/Debt	9.4%	2.23%
Real Assets	12.7%	-1.66%
Absolute Return	8.6%	-3.01%
Total	100%	1.16%

### 1099-R, from page 1

Additionally, retirees who turned age 59 ½ in calendar year 2016 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 the date 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 2016 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.

#### **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 page 1.**

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

This is the amount of your contributions that were recovered, tax free, during 2016. 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.

See 1099-R, page 4

## Bd. of Trustees election slated

**RETIREES AND ACTIVE MEMBERS** of the Maryland State Retirement and Pension System will elect two actively-employed representatives to the System's Board of Trustees in an election slated for the spring/summer of 2017.

Candidates for these Board seats must be active members of either the Employees' or Teachers' Systems. Incumbent Trustees James A. Bush, Jr., and Kenneth B. Haines represent active members of these systems, respectively.

The Employees' Systems include the Correctional Officers' Retirement System, Employees' Retirement and Pension Systems, Judges' Retirement System, Legislative Pension Plan, Local Fire and Police System and Law Enforcement Officers' Pension System. The Teachers' Systems include the Teachers' Retirement and Pension Systems.

The two successful candidates will serve terms in office from August 1, 2017, through July 31, 2021.

Both retirees and active members of the respective plans will be eligible to vote. Election materials, including candidate biographies, will be mailed in May of 2017 to all eligible voters.

Visit [sra.maryland.gov/Agency/Board](http://sra.maryland.gov/Agency/Board) for more on the Board of Trustees, including trustee biographies and committee assignments.

*Withholdings, from page 1*

eral tax withholding to be calculated using IRS tax withholding tables. You cannot 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*.

*1099-R, from page 3*

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

For retirees who received their first pension benefit in 2016, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2016 and made pension contributions will see a value in this block. For members who retired prior to 2016, 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, complete a tax withholding request form (Form 766). **See page 1.**

### **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 6.

### **Need a duplicate 1099-R?**

For convenient access to your replacement form, go to [sra.maryland.gov](http://sra.maryland.gov) and follow the hyperlink **1099-R Duplicate** to print your 2016 tax statement. Forms will be available for reprint by no later than February 10, 2017.

To receive a reprinted 1099-R by mail, call the Maryland State Retirement Agency on or after February 10, 2017, at 410-625-5555 or toll-free 1-800-492-5909.

## Access your account information securely with your PIN

**YOUR PERSONAL IDENTIFICATION NUMBER**, or PIN, 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 2016, your PIN would be 0716.

Through this automated system, you can confirm your monthly payment date, verify your gross and net payment amounts and review other account information.

Dial 410-625-5555 or toll-free 1-800-492-5909 and follow the prompts.

# FAQ's

 clip and save

## Retirees' frequently asked questions

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

**Q.** How do I change my address in Retirement Agency files?

**A.** For your security, the Maryland State Retirement Agency requires that your signature accompany any request to alter your address. You may submit the information by the following means:

1) Print *Change of Address Form for Payees* (Form 77) from Retirement Agency website, complete the form and return it to the address provided.

2) Request your change of address in writing. Include the last four digits of your Social Security number or 11 digit identification number (printed on your advice slip).

3) Make changes on your payment advice statement. Sign and date the statement and mail it to the Retirement Agency.

4) Contact the Retirement Agency and request Form 77.

**Q.** How do I update my direct deposit?

**A.** To change the electronic payment of your monthly benefit, complete *Direct Deposit — Electronic Funds Transfer Sign-Up Form* (Form 85). You will complete Section I and your financial institution will complete Section II. Submit the completed form to the Retirement Agency and wait 30 to 45 days for the changes to take effect.

## Payment dates noted for 2017

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2017 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

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

### Date post office begins to deliver retirement checks

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

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.

## Consumer Protection volunteers sought

THE MARYLAND ATTORNEY GENERAL'S Consumer Protection Division is seeking volunteers to mediate consumer complaints against businesses, healthcare providers and health insurance companies.

Volunteers work two days per week, five hours per day, for at least six months. As a volunteer, you would learn consumer pro-

tection law, mediate consumer complaints by phone and letter, and be trained to answer the Division's consumer hotline. Offices are located in Baltimore and Largo. Volunteers receive a stipend of \$9 per day for transportation.

For more information, call 410-576-6358 or email [volunteer@oag.state.md.us](mailto:volunteer@oag.state.md.us).

**Note:** Maryland State Retirement Agency staff cannot answer questions about this volunteer opportunity.

# 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 2016?

For members who ended active employment and retired in 2016, 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 2016. This state pick-up amount serves as an addition to state income for 2016. Enter this figure on line 3 of your Maryland tax return (Form 502).



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