

Retiree News & NOTES



MARYLAND STATE RETIREMENT and PENSION SYSTEM

FEBRUARY 2023

VOL. 41 NO. 1



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

Direct deposit sign-up made quicker, easier

FOR YEARS, retirees receiving a monthly benefit from the Maryland State Retirement and Pension System had to visit their bank to sign up for direct deposit. *No more!*

A new process launched in November 2022 provides

See Deposit, page 5

Your 1099-R Form is a valuable resource for income tax prep

INTERNAL REVENUE SERVICE Form 1099-R was mailed to all Maryland State Retirement and Pension System payees in January.

Form 1099-R provides detailed information on the payments you received from the Maryland State Retirement Agency during calendar year 2022. It is an

important tool for completing your annual income taxes.

Most payees will receive only one 1099-R tax form each year. However, members who retired in 2022 will also receive a 1099-R tax form for any additional payments, such as a refund of any excess member contributions.

See Statement, page 2

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Download your tax statement with mySRPS

NEED A REPLACEMENT

1099-R form? In addition to the paper form mailed to you, an electronic copy of your Form 1099-R for 2022 is available for viewing and printing in your **mySRPS** account.

mySRPS, the Maryland State Retirement Agency's secure website, is a powerful tool for managing your pension account. Use **mySRPS** to access and print tax statements for 2022 and the past four years. You also can use **mySRPS** to change your tax withholdings (see page 6), sign up for direct

deposit (see page 1) and change your address on file with the Retirement Agency.

Print your 1099-R

Access and print your 1099-R tax statement in three easy steps:

1. Log into your **mySRPS** account.
2. Click on the **My Documents** tab in the upper right-hand corner of the screen.
3. Select **View** next to the tax form that you wish to access.

Not yet a registered **mySRPS** user? Signing up is easy. Visit the Maryland State Retirement Agency online at sra.maryland.gov, click on **mySRPS Login**, then **Register**. Follow the prompts to receive a registration packet in the mail.

Statement, from page 1

Retirees who turned age 59½ in calendar year 2022 will receive two 1099-R tax forms. These retirees will receive a 1099-R tax form for pension payments distributed in the calendar year prior to reaching age 59½ with a distribution code 2. They also will receive a separate 1099-R tax form for pension payments distributed in the calendar year on or after the date they reached age 59½ with a distribution code 7.

For your security, your 1099-R tax form lists only the last four digits of your Social Security number.

Some important components of your 1099-R form

BLOCK 1: Gross Distribution

This is the total amount of pension benefits paid to you by the Maryland State Retirement Agency during the 2022 calendar year.

BLOCK 2A: Taxable Amount

This is the taxable amount of the pension benefits paid to you. Depending on when you retired, your retirement type and whether you contributed to help fund your benefits, you may not be taxed on the total amount of pension 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 is the total amount of federal income tax deducted from your monthly pension benefits.

BLOCK 5: Employee Contributions

This is the amount of your contributions that were recovered, tax free, during 2022. 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)

This is the IRS distribution code; they are explained on the back of the 1099-R form.

BLOCK 9B: Total Employee Contributions

This is the value of any of your member contributions made during employment that can be recovered tax-free in retirement. Only if you retired in 2022 and made member contributions that can be recovered tax-free will you see a value in this block. If you retired prior to 2022, a zero will be printed in the block.

BLOCK 14: State Tax Withheld

This is the total amount of Maryland State income tax deducted from your monthly pension benefits.

BLOCK 19: Pick-Up Contributions

This amount applies to you if your employer participated in the State Pick-up Program. See page 5 for more information.

Diversified allocation, successful implementation help protect asset values in challenging fiscal year

THE MARYLAND STATE

Retirement and Pension 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 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 fiscal year 2022.

The year's 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 10%. The System's asset allocation generated outperformance representing over \$5 billion in savings compared to a 60/40 implementation.

"It was a difficult fiscal year for public markets with both bond and stock prices falling," said Chief Investment Officer Andrew C. Palmer. "The Board's diversified asset allocation policy anticipates unusual markets such as these and includes stabilizing assets classes to protect value. For fiscal year 2022, alternative

Asset Performance for Fiscal Year 2022

| Asset Class | Asset Allocation* | Return | Benchmark | Excess |
|-----------------|-------------------|---------------|---------------|--------------|
| Private Equity | 21.5% | 24.53% | 24.00% | 0.53% |
| Public Equity | 28.5% | -19.38% | -18.05% | -1.33% |
| Real Assets | 15.2% | 25.70% | 19.88% | 5.82% |
| Absolute Return | 7.6% | 1.40% | 2.99% | -1.59% |
| Credit | 7.9% | -4.54% | -12.57% | 8.03% |
| Rate Sensitive | 17.6% | -15.28% | -13.70% | -1.58% |
| Multi Asset | 0.4% | -19.04% | -3.48% | -15.56% |
| Cash | 1.4% | 0.25% | 0.19% | 0.06% |
| Total | 100.0% | -2.97% | -3.48% | 0.51% |

*June 30, 2022

assets were able to produce positive returns and help the System outperform its benchmark, further preserving value. While the fiscal year did not achieve the assumed actuarial rate of 6.8%, the three-, five- and 10-year returns of 8.4%, 7.9% and 7.8%, respectively, exceeded expectations and, along with consistent contributions from the sponsors, have significantly improved the funded status of the System."

"As you would expect, given recent market conditions, investment returns are down from last year," said State Comptroller Peter Franchot, Chair of the Maryland State Retirement and Pension System Board of Trustees. "However, the System's assets have held up better than most public plan peers. For the one-year ending June 30, 2022, the System's net return of -2.97% ranked in the 14th percentile among a universe of 64 peer plans, meaning the System outperformed 86% of the group."

Keep up with plan performance year-round

Visit the Maryland State Retirement Agency website any time at sra.maryland.gov to review annual financial reports, quarterly investment updates, ESG Risk Committee reports, proxy vote records and actuarial valuations* of your retirement plan. Questions or concerns about the investment program may be submitted at sra.maryland.gov/agency-investment-contact.

Board of Trustees Update

Franchot, Brinkley feted; Lierman, Grady join Board

THE NEW YEAR brought a change of leadership to two ex officio posts on the Board of Trustees of the Maryland State Retirement and Pension System.

Franchot, Brinkley conclude service on Board

Peter Franchot and David R. Brinkley stepped down from the Board of Trustees in December 2022 following a combined 25 years of service to members and retirees of the plan.

Mr. Franchot, Comptroller of Maryland, and Mr. Brinkley, Maryland Secretary of Budget and Management, served as ex officio members of the 15-seat Board. (The third ex officio trustee is Maryland State Treasurer Dereck E. Davis.)

At their last meeting, Trustees Franchot and Brinkley were presented with Board resolutions thanking them for their service.

Comptroller Lierman seated

Less than 24 hours after her inauguration as Maryland's 34th Comptroller, Brooke Lierman attended her first meeting of the SRPS Board of Trustees. Trustee Lierman was elected Board Vice-Chair by her fellow Trustees.

Before her election as Comptroller, Trustee Lierman, a civil rights and disability rights attorney, served two terms in the Maryland House of Delegates representing the 46th Legislative District. She also

served as the House Chair for the General Assembly's Joint Committee on Pensions.

Budget Secretary is Trustee

With her appointment as State Budget Secretary, Helene Grady succeeded Sec. Brinkley as an ex officio member of the Board.

Sec. Grady worked at Johns Hopkins University since 2010, most recently serving as Vice President, Chief Financial Officer and Treasurer, managing the university's financial functions and overseeing the management of the investment program for JHU's endowment and other assets.

Governor taps two to serve on Board of Trustees

AN INVESTMENT ENTREPRENEUR AND A COUNTY FINANCE OFFICIAL are serving as members of the Board of Trustees of the Maryland State Retirement and Pension System. Michael J. Howard and Robert F. Sandlass, Jr., were appointed to the Board in

June 2022 by then-Governor Lawrence J. Hogan, Jr.

Trustee Howard is the founder of MJH Group, a private investment and management consulting firm. He previously worked with the U.S. Securities and Exchange Commission in the Division of Corporation Finance.

Trustee Sandlass has served as Harford County Treasurer since 2014. He also chairs the Boards of Trustees for the Harford County Sheriff's Office Pension Plan for correctional officers and Length of Service Award Program for volunteer firefighters.

Trustee election slated for retired teacher, employee reps

RETIREES AND MEMBERS of the Maryland State Retirement and Pension System will elect two trustees to the \$62 billion plan's Board of Trustees in an election slated for mid-May 2023.

Two elections will be conducted. Voters will choose a retired Teachers' Systems representa-

tive and a retired Employees' Systems representative to the Board. While only retirees are eligible to vie in these elections, both active members and retirees of the respective plans may cast ballots.

Current retiree representatives for the Teachers' and

Employees' Systems are Trustees Kenneth B. Haines and Sheila Hill, respectively.

Election packets mailed to the homes of eligible voters will include instructions for voting by mail, telephone or internet.

Your 1099-R form and Box 19: Understanding how Employer Pick-up may affect your taxes

FOR ELIGIBLE RETIREES, Block 19 of the 1099-R form contains the amount of your tax-deferred contributions made under the Employer Pick-up Program. This figure is important for Maryland State income tax preparation.

The Employer 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 defers only federal taxes at the time the contributions are made, state income taxes were deducted.

Most members participated in the Employer 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 Maryland State 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 con-

tributions 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 2022?

For members who ended active employment and retired in 2022, 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 2022. This state pick-up amount serves as an addition to state income for 2022. Enter this figure on line 3 of your Maryland tax return (Form 502).

Need assistance?

For more information on Maryland State income tax, visit the Comptroller of Maryland at www.marylandtaxes.gov.

Deposit, from page 1

payees with two convenient options to register for direct deposit of their monthly benefit:

- Payees may register online using the Maryland State Retirement Agency's secure website, **mySRPS**.
- Payees who prefer using a paper form may print — and complete for themselves — the new *Direct Deposit Authorization* (Form 85). No banker needed!

The new process is quicker and includes multiple safeguards to protect retirees' personal bank information. Best of all, retirees and beneficiaries no longer have to travel to their financial institution and ask a bank employee to complete a paper form.

To access **mySRPS** or to print *Direct Deposit Authorization* (Form 85), visit the Maryland State Retirement Agency online at sra.maryland.gov.

Online or on paper, know the steps to change tax withholdings

CHANGING THE AMOUNTS

of federal or Maryland State taxes withheld from your monthly pension payment can be done online or by using paper forms. It's up to you.

The fastest and easiest way to update your tax withholdings is through **mySRPS**, the Maryland State Retirement Agency's secure website. Log into your **mySRPS** account and click on **Update Tax Withholding**. Follow the prompts to start or stop tax withholdings or to increase or decrease the amounts.

Not yet a registered **mySRPS** user? Signing up is easy. Visit the Retirement Agency online as sra.maryland.gov, click on **mySRPS Login**, then **Register**. Follow the prompts to receive a registration packet in the mail.

If you prefer to use paper forms, there are two new forms for federal and Maryland state tax withholding. Submit a *Withholding Certificate for Periodic Pension or Annuity Payments* (IRS Form W-4P) for changes to your federal tax withholdings. Submit a *Maryland State Tax*

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120 East Baltimore Street
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410-625-5555
1-800-492-5909
sra.maryland.gov

EDITOR:
Benjamin Robb

Clip & Save: 2023 Payment dates

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2023 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 mailed only in January and July or when a benefit change occurs. Retirees may obtain their payment information at any time by accessing our secure website, **mySRPS**, at <https://mysrps.sra.maryland.gov>.

Withholding Request (Form 766.11) for changes to your Maryland State tax withholdings. Both forms are available at sra.maryland.gov/retiree-forms or by calling 410-625-5555 or toll-free 1-800-492-5909.

The Maryland State Retirement Agency does not withhold taxes for any state other than Maryland. Withholding changes made on or after the 15th of the month may not be effective until your next month's pension benefit payment.

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