

Retiree News & Notes



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

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

Board election slated for May

CANDIDATES for Employees' System and Teachers' System seats on the Board of Trustees of the Maryland State Retirement and Pension System will vie in an election slated to run May through June 2019.

Nomination petitions submitted by potential candidates are currently under review. Candidate names and biographies will be

See Election, page 6

Fund bests assumed rate with 8.06% return in fiscal 2018

THE INVESTMENT PORTFOLIO of the Maryland State Retirement and Pension System returned 8.06%, net of fees, on investments for the fiscal year that ended June 30, 2018—exceeding the 7.50% assumed actuarial return rate. The fund's performance raised the System's assets to \$51.9 billion, an increase of \$2.8 billion over last year.

"The System's returns were supported by strong results in both

public and private markets," said Andrew C. Palmer, Chief Investment Officer. "Private equity provided 19.6% net of all fees and expenses and continues to be the best performing asset class for the System. Public equities provided 10.6% return, closely followed by private real estate at 9.5%. At the other end of the spectrum the rate sensitive portfolio provided modest positive

See Fund, page 6

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Your Form 1099-R makes tax time less taxing

INTERNAL REVENUE SERVICE TAX FORM

1099-R will be mailed to all Maryland State Retirement and Pension System payees by the end of January 2019.

Form 1099-R provides detailed information on your pension income for the previous year.

Most payees receive only one 1099-R tax form each year. However, persons who retired in 2018 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 2018 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.

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

The following key describes some of the most 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 2018 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 benefit. You may change the amount of federal income tax being withheld by completing a tax withholding request form (Form 766). See page 3.

BLOCK 5: Employee Contributions

This is the amount of your contributions that were recovered, tax free, during 2018. 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 2018, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2018 and made pension contributions will see a value in this block. For members who retired prior to 2018, a zero will be printed in the block.

BLOCK 12: State Income Tax Withheld

Any Maryland State income tax deducted from your monthly

pension benefit is shown in this block. You may change the amount of Maryland state income tax being withheld by completing a tax withholding request form (Form 766). See page 3.

BLOCK 17: Pick-Up Contributions

This figure applies to members whose employers participated in the State Pick-up Program. See page 3.

Need a duplicate 1099-R?

For convenient access to your replacement form, go to sra.maryland.gov and follow the instructions provided to print your 2018 tax statement. Forms will be available for reprint no later than February 1, 2019.

To receive a reprinted 1099-R by mail, call the Maryland State Retirement Agency on or after February 11, 2019, at 410-625-5555 or toll-free 1-800-492-5909.

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 defers only federal taxes at the time the contributions are made, state income taxes were deducted. The consequence in retirement is that the Maryland State income tax is deferred until the pick-up contributions are recovered.

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 2018?

For members who ended active employment and retired in 2018, 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 2018. This state pick-up amount serves as an addition to state income for 2018. Enter this figure on line 3 of your Maryland tax return (Form 502).

Need to update your tax withholdings? Use 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 or by calling

or writing to the Maryland State Retirement Agency.

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 fed-

eral 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*.

Who is your beneficiary on file with the Retirement Agency?

WHEN YOU RETIRED, you were asked to complete a form naming the person or persons you would like to receive any available benefits payable after your death. Depending on the benefit option you chose at retirement, this could be a monthly payment for the lifetime of one beneficiary or a lump sum payable to one or more persons at your death.

If you've experienced a marriage, divorce or the birth or death of a loved one since you retired, you may wish to change the beneficiary you named at retirement.

Who are my beneficiaries?

Contact the Maryland State Retirement Agency to inquire whose name is on file as your designated beneficiary.

How do I update my beneficiary designation?

If you've experienced a marriage, divorce or the birth or death of a loved one since you retired, you may wish to change the beneficiary you named at retirement.

The process to change your beneficiary varies depending on the benefit option you chose at retirement. Your option selection is listed on the Notice of Retirement Allowance you received upon retirement.

Single-Life Annuities (Basic Allowance, Option 1 or Option 4)

If you selected a single-life annuity, simply complete and submit to the Maryland State Retirement Agency the appropriate *Designation of Beneficiary* form for your plan. Retired employees, teachers and correctional officers use Form 4. Retired judges and legislators use Form 4.1 and Form 55, respectively.

If you are receiving a single-life annuity, naming a new beneficiary will not affect your monthly payment amount. Forms must be received by the Retirement Agency to be valid.

Dual-Life Annuities (Options 2, 3, 5 or 6)

If you are receiving a dual-life annuity, naming a new beneficiary will affect your monthly payment amount. Often your monthly payment will be reduced. Before changing your beneficiary, complete and submit a *Request for Calculation of Joint Survivorship by a Retiree Considering Changing a Beneficiary* (Form 66A). The Retirement Agency will respond by mail with your projected new monthly payment amount. This mailing will include an *Application by a Retiree Under a Joint Survivorship Annuity (Option 2, 3 5 or 6) to Change a Beneficiary* (Form 67). If your new payment amount is acceptable to you, fill out and submit the Form 67 to complete the beneficiary change. Forms must be received by the Retirement Agency to be valid.

Fiscal '18 annual report now online

THE MARYLAND STATE

Retirement and Pension System's award winning comprehensive annual financial report (CAFR) has been posted on the Retirement Agency website.

The CAFR for fiscal year 2018 can be accessed at sra.maryland.gov.

Volunteers sought by Consumer Protection Division

THE CONSUMER PROTECTION DIVISION of the Office of the Maryland Attorney General is seeking volunteers to mediate consumer complaints against businesses, healthcare providers and health insurance companies.

Volunteers learn consumer protection law, mediate consumer complaints by phone and letter, and are trained to answer a consumer hotline. Volunteers work two days per week, five hours per day, and a commitment for at least a six-months is requested.

Offices are located in downtown Baltimore and Largo. A stipend of \$9 per day is provided to help defray transportation expenses. For more information, please call 410-576-6358 or email volunteer@oag.state.md.us.

To receive account info, keep your home address up to date

IF YOU ARE PLANNING A MOVE, make sure you continue to receive important retirement documents, such as your annual 1099-R tax form, by keeping your mailing address up to date with the Maryland State Retirement Agency. For your security, you must submit your new address in writing.

Hometown Heroes Act extended to correctional officers

RETIRED CORRECTIONAL OFFICERS can lock up extra tax savings through legislation passed by the Maryland General Assembly and signed into law by Governor Lawrence J. Hogan, Jr., in 2018.

Originally enacted in 2017, the Hometown Heroes Act exempts retired law enforcement, fire, rescue and emergency response personnel from state taxes on up to \$15,000 of retirement income. This year's legislation (Senate Bill 299/House Bill 296) extends the exemption to eligible retired correctional officers.

Retirement income qualifies for the state pension exclusion if the retiree is a Maryland resident between the ages of 55 and 64 years old on the last day of the taxable year and previously served as a correctional officer, law enforcement officer or as fire, rescue or emergency services personnel (emergency medical technicians and para-

Clip & Save: 2019 Payment dates

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2019 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

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

Date post office begins to deliver retirement checks

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

medics) of the United States, Maryland, or a political subdivision of Maryland. The maximum exclusion in the tax year is limited to \$15,000. The bills took effect July 1, 2018, and apply to tax year 2018 and beyond.

The pension exclusion remains unchanged by the 2017 and 2018 legislation; it applies to Maryland residents who are at least 65 years or older on the last day of the taxable year or residents who are totally disabled or whose spouse is totally disabled. The current pension exclusion allows a subtraction modification for qualifying indi-

viduals. Additional income tax relief is provided to senior citizens regardless of the source of their income. Each individual age 65 and older is allowed a \$1,000 personal exemption in addition to the regular personal exemption allowed for all individuals.

For more information on Maryland taxes and for answers to frequently asked tax questions, visit www.marylandtaxes.com. Taxpayers in need of no-cost state tax assistance can call the Comptroller's taxpayer services line from 8:30 a.m. to 4:30 p.m. at 1-800-MD TAXES, or 410-260-7980.

Trustee Harkins retires from Board

Election, from page 1

TRUSTEE JAMES M. HARKINS, a gubernatorial appointee to the Maryland State Retirement and Pension System Board of Trustees, retired in December 2018 after 14 years of Board service.

A former police officer, Maryland State Delegate, Harford County Executive and Director of the Maryland Environmental Service, Mr. Harkins was chairman of the Board's Administrative Committee.

More information on the Board of Trustees, including member biographies, is available online at sra.maryland.gov.



Trustee James M. Harkins is thanked for his Board service by Maryland Treasurer Nancy K. Kopp, Board Chairman

included in election materials mailed to retired and active employees and teachers in mid-May 2019. Voting by telephone and internet will occur May 20 through June 20, with election results to be announced in July.

The two Board seats are currently held by Employees' System representative Sheila Hill and Teacher's System representative Theresa Lochte. Trustee Lochte, who was first elected in 2007, has announced her intention not to seek a fourth term on the Board.

Fund, from page 1

returns despite ten-year U.S. Treasury yields rising more than 0.5% for the year."

"The Board is focused on its obligation to pay member pension benefits in full and on time," said State Treasurer Nancy K. Kopp, Chairman of the System's Board of Trustees. "Investment returns this past year are consistent with the long term expectations for our diversified asset allocation and the Board is pleased that, as a result of its oversight and the diligent work of the System's Investment Division, this asset growth helps to ensure the sustainability of our Plan."

Quarterly investment reports and updates, the Investment Committee's proxy voting record and

the System's Investment Policy Manual are available online at sra.maryland.gov.

Performance by asset class

Asset Class	Asset Allocation	Return
Private Equity	12.5%	19.64%
Public Equity	37.5%	10.66%
Real Assets	11.9%	8.16%
Absolute Return	8.4%	3.26%
Credit/Debt Related Strategies	8.0%	2.31%
Rate Sensitive	19.9%	0.55%
Cash, Equivalents and Equitization	1.8%	8.8%
Total	100.0%	8.06%

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