

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM



**JULY 2019**  
**VOL. 37 NO. 2**



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

**Trustees Hill  
reelected, Haines  
to return to Board,  
Lochte to retire**

**INCUMBENT** Employees' Systems representative Sheila Hill and former Teachers' Systems rep Kenneth B. Haines have been elected to new four-year terms on the Maryland State Retirement and Pension System Board of Trustees.

*See Trustees, page 6*

## Eligible retirees to receive July cost-of-living adjustment

**RETIRED MARYLAND TEACHERS, STATE AND MUNICIPAL EMPLOYEES, CORRECTIONAL OFFICERS AND POLICE** will notice an increase to their monthly retirement benefit in July as the annual cost-of-living adjustment (COLA) takes effect.

For retirees from the Employees' or Teachers' Retirement System OR persons who retired on or before July 1, 2011, the COLA rate is 2.443%.

For persons who retired after July 2011 under the Employees' or Teachers' Pension System, Law Enforcement Officers' Pension System, Maryland State Police Retirement System or Correctional Officers' Retirement System, a two-part COLA applies. These retirees will receive the full COLA of 2.443% on that portion of their retirement allowance based upon service credit earned prior to

*See Adjustment, page 2*

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## Popular report now online

**INVESTMENT RETURNS**, member demographics and expenses for fiscal year 2018 are succinctly presented in the Maryland State Retirement Agency's award-winning Popular Annual Financial Report.

Visit [sra.maryland.gov](http://sra.maryland.gov) and click on **Investments & Financials** and then **Annual Financial Reports** to access the new PAFR.

## Charitable giving campaign slated

**PLEASE CHECK YOUR MAILBOX THIS FALL** for information about the 2019 Maryland Charity Campaign (MCC), a workplace charitable giving program that offers retirees from Maryland state government agencies the opportunity to donate to vetted, pre-approved charities. The packet will include a list of participating charities, pledge form and step-by-step giving instructions.

The 2019 campaign is slated for October 8 to December 17.

The MCC adheres to the highest standards of data privacy and will contact retirees only when granted permission. For more information, please visit <http://mcc.maryland.gov/> or contact MCC Administrator Lori Parks at [loraine.parks@maryland.gov](mailto:loraine.parks@maryland.gov) or at 410-260-3857.

### *Adjustment, from page 1*

July 1, 2011. For the portion of their retirement allowance based upon service earned on or after July 1, 2011, the COLA is capped at 1%.

This cap, part of pension reforms enacted by the Maryland General Assembly in 2011, applies only to that portion of the retirement allowance based upon service credit earned on or after July 1, 2011. It limits the COLA to 2.5% if the System's investment fund meets or exceeds its assumed rate of return during the preceding year. The cap is 1% if this target is not met. The System's investment return of -1.63% for calendar year 2018 did not meet the assumed rate on December 31, 2018 of 7.45%.

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

Eligible retirees' increased monthly benefit will be shown on

the Automatic Deposit Advice or Check Statement mailed to the homes of all retirees on July 31.

### **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, 2019 qualifies for this year's COLA. Those who retired after July 2018 (August 2018 or later) will be eligible to receive their first COLA increase in July 2020.

**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 COLA or a simple COLA. For retirees receiving the compound COLA, the COLA increase is based on their current allowance, including all prior COLAs. Under the simple COLA, the increase is based only on the retiree's initial retirement allowance.

The compound COLA 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 calculated using a formula provided in state law. The formula compares the value of the Consumer Price Index for the most recent calendar year to the CPI value for the prior calendar year. The percentage difference between these two values is the COLA rate.

This rate is then compared to the maximum COLA rate allowed by state law for the various Maryland retirement plans to determine the correct adjustment to each individual retirement allowance.

## FREQUENTLY ASKED QUESTIONS



### Retirees want to know...

#### *How do I change the amount of taxes withheld from my pension benefit?*

To update your tax withholding elections, 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.

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.

#### *How do I update my direct deposit?*

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.

#### *How do I update my home address in Retirement Agency files?*

For your security, the Maryland State Retirement Agency currently 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 the 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.

#### *Who are my designated beneficiaries?*

You can confirm your beneficiary information by contacting the

See FAQ, page 4

Retirement Agency. It is vital to keep your beneficiary designation up to date, as any survivor benefits payable upon your death will be paid to the beneficiaries currently listed in Retirement Agency files.

### *How do I determine the type and amount of deductions from my monthly payment?*

Money may be deducted from your monthly retirement benefit to pay for expenses such as health insurance, life insurance, federal and Maryland state taxes, union dues or payments to a former spouse. To determine what deductions have been taken and the amounts, call the Maryland State Retirement Agency's Interactive Voice Response phone line at 410-625-5555 or 1-800-492-5909. Select option 1 and follow the prompts to access your payment information.

### *If a member or retiree is unable to sign forms, can a third party sign?*

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.

**IMPORTANT:** The following information is provided by the Maryland Department of Budget and Management for retirees of Maryland State government agencies only.

## Retiree prescription coverage update

**THE GENERAL ASSEMBLY RECENTLY PASSED** Senate Bill 946 which, subject to pending litigation, establishes three new prescription drug reimbursement programs for Medicare-eligible retirees, spouses and dependents. *Please note that the state's current prescription drug benefit program is not changing at this time.* Implementation of the new programs established by Senate Bill 946, and discontinuation of the current program, is dependent upon the resolution of *Fitch v. State of Maryland*, Case No. 1:18CV0287-PM (D. Md.), currently pending before the U.S. District Court for the District of Maryland.

According to Senate Bill 946, none of the three new programs

can take effect any earlier than January 1, 2021, and the current Medicare-eligible retiree prescription drug benefit program will remain in effect until at least January 1, 2021.

For details on the programs provided under Senate Bill 946, please refer to the Department of Budget and Management ([www.dbm.maryland.gov](http://www.dbm.maryland.gov)) or DBM Health Benefits ([www.dbm.maryland.gov/benefits](http://www.dbm.maryland.gov/benefits)) websites. Information on Senate Bill 946 also will be provided by certified mail to all current Medicare-eligible retirees, spouses and children as well as employees eligible to retire by December 31, 2019, by September 1, 2019, as required by the legislation.

## Open enrollment slated for 2020

**OPEN ENROLLMENT** for calendar year 2020 has been announced by the Maryland Department of Budget and Management

The Interactive Voice Response (IVR) system for making Open Enrollment benefit elections has been replaced by the new SPS Benefits web enrollment tool. Retirees were sent information on how to access this system at the end of April, but instructions will also be included in the Open Enrollment packets scheduled to be distributed in September. **Note:** *Retirees may use the paper enrollment form*

*to make changes during Open Enrollment – they are not required to use the web tool.*

Open Enrollment will run from October 15 through November 14, 2019. Paper enrollment forms must be received by the Employee Benefits Division no later than November 25, 2019.

Retirees are reminded that *if they do not wish to make any enrollment changes, they do not have to do anything.*

Additional details will be provided in the Open Enrollment packet mailed to retirees' homes.

**Note:** The Maryland State Retirement Agency does not administer and staff cannot answer questions about health benefits.

# Legislation affecting beneficiary changes, sick leave and fee reporting enacted in Annapolis

**A FEW BILLS OF INTEREST TO RETIREES** of the Maryland State Retirement and Pension System were enacted by the Maryland General Assembly this year and signed into law by Governor Lawrence J. Hogan Jr.

## **Senate Bill 186: Designated Beneficiary Change - Rescission (Chapter 206 of 2019)**

*Synopsis:* This legislation allows retirees of the State Retirement and Pension System to rescind a request to change their designated beneficiary before the second monthly allowance is paid (instead of before the first allowance is paid). If a retiree rescinds the change of beneficiary, the benefit payment amount for the next payment is restored to the amount paid before the change in beneficiary, but no retroactive adjustment will be made.

## **House Bill 861: Service Credit for Unused Sick Leave (Chapter 347 of 2019)**

*Synopsis:* This bill applies to members of the Correctional Officers' Retirement System who, as a result of legislation introduced during the 2016, 2017 and 2018 legislative sessions, were required to transfer from either the Employees' Retirement or Pension Systems due to a change in membership status but who did not transfer prior service credit from the Employees' Systems to CORS. House Bill 861 provides that when these members retire and earn a vested benefit from the Employees' or Correctional Systems, the members are entitled to receive, subject to current



*The Maryland State House is the oldest state capitol in continuous legislative use and is the only state house ever to have served as the United States capitol.*

statutory limits, creditable service for the total amount of unused sick leave they earned.

The legislation also provides that any individual who

- was affected by the 2016, 2017 or 2018 legislation and
- retired prior to July 1, 2019, and
- meets the criteria specified in House Bill 861 for active CORS members

shall have his or her retirement benefit adjusted to reflect the total amount of unused sick leave earned prior to retirement, subject to current statutory limits.

## **House Bill 821: Investment Management Fees (Chapter 202 of 2019)**

*Synopsis:* As amended, this legislation requires the SRPS Board to include, in its annual reporting of investment management fees to the General Assembly, the amount of carried

interest paid to the System's investment managers each year. Carried interest is the share of profits, usually around 20%, that the general partners of private equity investments retain as a performance incentive.

## **State remembers House Speaker Michael Busch**

District 30A Delegate Michael E. Bush, Maryland's longest-serving Speaker of the House, died April 7 following an illness. First elected to the General Assembly in 1987, Del. Busch previously was a teacher and football coach at his alma mater, St. Mary's High School in Annapolis. He also was an Anne Arundel County Employee for four decades. During his 32 years of service in the Assembly, Del. Busch was a consistent advocate for the retirement security of all members of the Maryland State Retirement and Pension System.

Trustee Hill started her career as a state employee in 1987 with the Department of Public Safety and Correctional Services as a correctional officer. She served as president of AFSCME Local 1319 at the Patuxent Institution from 1997 until her retirement in 2012. Ms. Hill also served on the Executive Board of AFSCME Maryland and chaired the Maryland AFSCME Corrections Steering Committee.

Ms. Hill previously represented active employees on the Board of Trustees from 2004 until her retirement from state employment in 2012. Three years later she was elected again to represent the interests of retirees. Trustee Hill is Chairman of the Corporate Governance Committee and is a member of both the Administrative and Investment Committees.

Trustee-Elect Kenneth B. Haines previously served two terms on the Board representing active educators. He was Vice Chairman of the Corporate Governance Committee and member of both the Administrative and Investment Committees.

Retired since 2016, Mr. Haines is a past president of the Prince George's County Educators' Association (PGCEA). Between 2011 and 2015, he concurrently served on the Teacher Advisory Council at the Gates Founda-

tion. He was a longtime participant in the Teacher Union Reform Network. From 1998 through 2015 he was a member of the PGCEA negotiations team and was charged with analysis of the cost implications of salary proposals and benefits packages totaling \$700-\$800 million for more than 9,000 educators.

Trustee Hill and Mr. Haines will begin their new terms August 1.

### Trustee Lochte to conclude Board service

Trustee Theresa Lochte, who represents the interests of retired teachers, will retire from the Board on July 31 after 12 years of faithful service. She will be succeeded by Trustee-Elect Haines, a fellow retired educator.

During her more than decade of Board service, Trustee Lochte was Vice Chairman of the Administrative Committee and member of the Audit and Investment Committees. On the Board she was known for her assiduous meeting preparation, studying voluminous agenda and exhibits on benefits, System finance and investments prior to each session.

While serving as a trustee, Ms. Lochte worked diligently to



Trustee Sheila Hill and Trustee-Elect Kenneth B. Haines, above, will serve four-year terms on the Board. Trustee Theresa Lochte, right, will retire after 12 years of Board service.



improve her value to the System by participating in trustee training programs sponsored by the National Education Association, the Labor and Worklife Program at Harvard Law School and The Wharton School. She also served on the Executive Committee for the National Council on Teacher Retirement.

### Your Board of Trustees

For more information on the Board, including meeting minutes, Board charters and policies, and Trustee biographies, go to [sra.maryland.gov](http://sra.maryland.gov) and click on **About**.

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