

Retiree News & NOTES



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

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

A promise

IT'S UNDENIABLE that the COVID-19 pandemic has turned our world on its head, creating uncertainty as to how we will move forward. However, there is one thing of which you can be certain: no matter what, our highest and first priority is to pay you your monthly pension benefit without fail. That's a promise.

The Maryland State Retirement and Pension System has weath-

See Promise, page 2

Eligible retirees to receive 1.812% COLA in July

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.

This year's COLA rate is 1.812%.

The increased monthly benefit will be shown on the Automatic Deposit Advice 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 been retired at least one year as of July 1, 2020 qualifies for this year's COLA. Those who retired after July 2019 (August 2019 or later) will receive their first COLA increase in July 2021.

See COLA, page 2

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Promise, from page 1

ered economic downturns in the past, most notably the Great Recession just over a decade ago, and not once was a pension payment ever missed. Your System is resilient and solvent.



*R. Dean Kenderdine,
Executive Director*

Certainly, the pandemic has impacted the financial markets, including the System's assets, but the impact to our System has been mitigated by the design of its portfolio structure, which is expected to earn the required return (7.40%) over time but offers some protection in poor market environments.

The System's Board of Trustees works to create an optimal, risk-adjusted asset allocation that considers both the plan's assets and liabilities, in the context of multiple risks and economic scenarios.

To be sure, the System is not solely invested to protect against a steep market decline in the short term. The Board instead takes a longer-term approach to setting asset allocation and recognizes that investment performance can experience short-term losses in certain economic scenarios. However, these short-term negative outcomes should be viewed in the context of a much longer-term investment program and broader set of scenarios where the losses are more than offset by investment gains.

Finally, I would like to address a misconception that rears its

head at times like these: the fear that the state is going to "raid" the pension fund. Be assured that the System's assets are not the state's piggybank. The assets of your System are held in trust for the exclusive purpose of providing benefits to the members and their beneficiaries. As a result, the state is not permitted to use System trust assets for other purposes. The trust is secure, and the assets are there to provide benefits to those who have earned them.

The Maryland State Retirement and Pension System is here to pay benefits on time and in the correct amount, and to continue serving you, our participants, as it has done unflinchingly for nearly a century.

COLA, from page 1

The COLA does not apply to retired Maryland legislators, judges or governors. Those retirees receive adjustments based on the specific terms of their plans.

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 rate or a simple rate. For retirees receiving the compound rate, the COLA increase is based on their current allowance, allowing COLAs to compound over time. Under the simple rate, the

increase is based on the retiree's initial retirement allowance.

The compound rate 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 COLA rate determined?*

A. The COLA rate is calculated using a formula provided in state law and is based on the

change in the Consumer Price Index (CPI) for the most recent calendar year ending December 31, compared to the CPI for the prior calendar year.

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. This year, the COLA rate does not exceed any of the rate caps that apply to retirees of the various state systems, so the COLA for each eligible retiree will be based on the COLA rate of 1.812%.

Pension fund riding out coronavirus storm thanks to diversification, steady management

THE INVESTMENT FUND of the Maryland State Retirement and Pension System has withstood recent market swings better than many other US plans, Chief Investment Officer Andrew C. Palmer reported in April, crediting the fund's well-diversified portfolio and consistent management by the System's Board.

While the economic effects of the global COVID-19 pandemic have roiled Wall Street, the Maryland plan's lower volatility portfolio has set the fund on a better course to weather the storm.

"We're doing better than plans with a larger exposure in the equity markets," said Palmer, who is in his fifth year at the helm of the trust fund. The fund is responsible for helping to pay \$3.7 billion in annual benefits to 165,000 retirees and beneficiaries and generating growth in assets to finance the benefit payments for future retirees. "Starting with the Board's diversified asset allocation, we decided we didn't want to have too much of our portfolio in any one market. As a result, the fund is in pretty good shape."

Palmer's team of two dozen investment professionals have been working remotely since the beginning of the State of Emergency but have maintained their normal level of teamwork and collaboration.

"Through the end of March the System assets were about \$51.1 billion," Palmer told the

plan's Board of Trustees on April 21. "That's down from \$54.2 billion at the end of the fiscal year and down from \$54.8 billion at the end of February. Fiscal year to date the System is down about 3.5%.

"Our well-balanced portfolio, under the steady leadership of the System Board, has insulated us from some of the more dramatic losses experienced by other plans."

Palmer emphasized that the System's assets have experienced volatile markets in the past and such periods are anticipated in the plan design and method for funding the System.

The Board's Investment Committee met again in June. For investment updates, go to sra.maryland.gov and click on **Investments & Financials**.

Services, payments continuing during state of emergency

ACCOUNT SERVICES FOR RETIREES of the Maryland State Retirement and Pension System — including retirement counseling, payment of benefits and sign-ups for direct deposit — are continuing during the state of emergency declared March 5 by Governor Lawrence J. Hogan, Jr..

The System's Board of Trustees and Investment Division staff also are monitoring and making adjustments to protect the plan's investment fund during this period of market volatility. (See Pension fund, this page.)

Maryland State Retirement Agency staff are taking precautions to ensure the health and safety of plan participants and each other. As this situation evolves, the agency will con-

tinue to follow guidance from state and federal authorities.

Services update

While in-person appointments and walk-in counseling sessions have been suspended, other resources are available.

Counseling is now being offered via one-hour telephone appointments. Use the **Contact** menu at sra.maryland.gov to schedule your retirement counseling session Tuesday to Friday between 9 a.m. and 3:30 p.m. At the time you specify, a retirement benefits specialist will call you.

Call 410-625-5555 or toll-free 1-800-492-5909 to speak with a specialist weekdays from 8:30 a.m. to 4:30 p.m.

See Services, page 4

Answers to retirees' frequently asked questions

HAVE QUESTIONS about your Maryland pension? The Maryland State Retirement Agency has answers.

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

A. To change the electronic payment of your monthly benefit, complete a *Direct Deposit — Electronic Funds Transfer Sign-Up Form* (Form 85). A representative of your financial institution will verify your information in Section I of the form and complete Section II. Retirees attempting to social distance during the COVID-19 State of Emergency may wish to consider performing this transaction at their bank's drive-through window.

Submit the completed Form 85 to the Retirement Agency and wait 30 to 45 days for the changes to take effect.

Q. *How can I confirm that my payment was deposited in my*

bank account and that proper deductions were made?

A. An Automatic Deposit Advice will be mailed to you the first time a deposit is made in your bank account. This document shows the gross amount of your benefit; the value of any deductions for health insurance, tax withholding or other payments; and the net amount of the deposit.

After this first deposit, an advice slip will be mailed to you only in January and July. In addition to these twice-yearly notifications, a Deposit Advice will be mailed to you any time the amount of your deposit changes.

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

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.

Q. *Are forms available online?*

A. Yes. You may print Retirement Agency forms at sra.maryland.gov.

Services, from page 3

Email your questions to sra@sra.state.md.us. Please avoid including personal information, such as your Social Security number.

Mail completed forms and documents to: Maryland State Retirement Agency, 120 East Baltimore St., Baltimore, MD 21202-6700

Monthly benefit payments

There has been no impact to monthly benefit payments. These payments are continuing on time and in the correct amount.

Certain deadlines extended amid COVID-19 State of Emergency

TO ASSIST RETIREES performing account transactions during the COVID-19 pandemic, the Maryland State Retirement and Pension System has extended certain filing deadlines. The extended deadlines include the following:

Changes of optional form of allowance:

For members who retire during the State of Emergency, the deadline to submit a written request to change payment options is extended until the later of the date the first payment becomes due, or 30 days after the State of Emergency expires.

Domestic relations orders:

Retirees who wish to dispute the method of payment under a

domestic relations order also may be eligible for a time extension. Contact the Retirement Agency for more information.

The System's Board of Trustees issued the new deadlines on March 30. They follow Governor Lawrence J. Hogan, Jr.'s, executive order authorizing extensions of certain time requirements during the State of Emergency he declared earlier in the month.

To review the full list of extended deadlines, go to sra.maryland.gov and click on **News**.

Hamilton, Stafford, Brandt tapped for Board

THREE FINANCIAL PROFESSIONALS with broad experience in investments and finance were named in February to serve on the Board of Trustees of the Maryland State Retirement and Pension System.

Incumbent Trustees David B. Hamilton and Michael J. Stafford, Jr., and newcomer Thomas M. Brandt were appointed to four-year Board terms by Governor Lawrence J. Hogan, Jr.

The 15-member Board is responsible for investment of the pension fund and administration of the Maryland State Retirement Agency.

Trustee Hamilton is Chairman of the Board's Audit and Securities Litigation Committees and is a member of the Investment Committee. He is the Managing Partner of the Baltimore office of

Womble Carlyle Sandridge & Rice, LLP. He helped establish the office in 2007, expanding Womble Carlyle's footprint into Maryland. Mr. Hamilton was appointed Trustee in 2016 after previously serving on the SRPS Board from 2003 to 2007.

Trustee Stafford has served since 2017 on the Board, where he sits on the Investment Committee and Audit and Securities Litigation Committees. Mr. Stafford is Managing Director and Director of Fixed Income Investments for ASB Investment Management and is a member of the ASB Fixed Income Council. He has 30 years of experience in the institutional fixed income business, and previously served as Chief Investment Officer of The St. Paul's (now Travelers) life insurance subsidiary.

Trustee Brandt, a new addition to the Board of Trustees, is a retired corporate financial professional and board member. He was Chief Financial Officer and a Board member for TeleCommunication Systems, a \$400-million public Annapolis-based wireless communications technology company, from 1997 until its sale to Comtech TeleCommunications in 2016. Mr. Brandt has served on the Boards of Osiris Therapeutics and Antenna Research Associates, and in 2016 was appointed by Gov. Hogan to the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans.

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

Will your survivors know how to file for benefits?

IN THE EVENT OF YOUR DEATH, will your loved ones know whom to contact to initiate any survivor benefits that may be payable?

Although it's something we don't like to think about, planning ahead will help your beneficiaries avoid confusion and unnecessary delays.

Make sure your survivors know to take the following steps at your death:

1. Contact the Maryland State Retirement Agency at 410-625-5555 or 1-800-492-5909 and follow the prompts to report the

death of a retiree. A Retirement Agency staff member will ask for the name and Social Security number of the deceased retiree.

After a retiree's death is reported, the Retirement Agency determines what survivor benefit, if any, is payable to the retiree's beneficiary or beneficiaries.

2. If a benefit is payable: The designated beneficiary will be mailed a claim packet containing written instructions and forms to complete to initiate the benefit.

If a benefit is not payable: The designated beneficiary will receive written notice by mail.

3. If the beneficiary is eligible for continued health insurance through the State of Maryland, necessary forms will be included in the claim packet issued by the Retirement Agency. If the deceased retiree retired from a county government, board of education or other participating municipality, survivors should contact that employer to determine if continuing health benefits are available.

Beware of scams

THE MARYLAND State Retirement Agency does not initiate contact with members, retirees or beneficiaries by email, text message or social media channels. Even an unsolicited telephone call from someone claiming to be an employee of the Retirement Agency should be met with caution.

In most cases, if there is a question about your account or benefit payment, the Retirement Agency will first contact you in writing at your home address via the US Postal Service.

And, the Retirement Agency does not:

- Call, text or email to demand immediate payment of some amount that you allegedly owe, or threaten to involve law enforcement if you don't pay.
- Require that you make a repayment of an owed amount by prepaid debit cards, gift cards, wire transfer or by asking for your bank account information.
- Call, text or email to ask for any of your personally identifiable information, such as your Social Security number.

If you receive a suspicious email, text message or unsolicited phone call from someone claiming to be a representative of the Retirement Agency, please immediately call 410-625-5586.

Is your address up to date?

FROM YOUR ANNUAL TAX STATEMENT to this newsletter, the Maryland State Retirement Agency keeps you informed throughout your retirement. Please help maintain this important communication link by informing us of address changes. If you've experienced a move, please complete and submit a *Retiree Change of Address* (Form 77) available at sra.maryland.gov.

Maryland Charity Campaign slated

PLEASE CHECK YOUR MAILBOX THIS FALL for information about the 2020 Maryland Charity Campaign (MCC), a workplace charitable giving program that offers retirees the opportunity to donate to vetted, pre-approved charities.

For more information, please visit <http://mcc.maryland.gov/> or contact MCC Administrator Lori Parks at 410-260-3857.

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

Open enrollment set for state retiree health benefits

THE MARYLAND DEPARTMENT of Budget and Management is busily preparing for the state's Fall Open Enrollment for health benefits for calendar year 2021. Actual dates are to be determined.

The Employee Benefits Division is pleased to continue offering State of Maryland retirees both the ability to use the State Personnel System web enrollment OR paper enrollment forms.

Friendly reminders

- Be sure to update your address with the Employee Benefits Division.

- Open Enrollment packets will be distributed in September and include instructions with deadlines for responding. Packets are mailed to each retiree's home address.
- If you are not making changes, do nothing.

Note: For information about health benefits for state retirees, contact the Employee Benefits Division at 410-767-4775 or 1-800-30-STATE. The Maryland State Retirement Agency does not administer and staff cannot answer questions about health benefits.

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120 East Baltimore Street
Baltimore, MD 21202-6700
410-625-5555
1-800-492-5909
sra.maryland.gov

EDITOR:
Benjamin Robb

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