

Retiree News & NOTES



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

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

Direct deposit, check dates set for 2010

THE SCHEDULE FOR DIRECT DEPOSIT OF RETIREMENT BENEFITS FOR CALENDAR YEAR 2010 has been announced by the Maryland State Retirement Agency. For retirees with an approved waiver on file with the Agency, mailed check delivery dates are also listed.

Date direct deposit is credited to retirees' accounts

- Friday, January 29
- Friday, February 26
- Wednesday, March 31
- Friday, April 30
- Friday, May 28
- Wednesday, June 30

- Friday, July 30
- Tuesday, August 31
- Thursday, September 30
- Friday, October 29
- Tuesday, November 30
- Thursday, December 30

Date post office begins to deliver retirement checks and advice slips*

- Saturday, January 30
- Saturday, February 27
- Wednesday, March 31
- Friday, April 30
- Saturday, May 29
- Wednesday, June 30
- Saturday, July 31
- Tuesday, August 31
- Thursday, September 30

- Saturday, October 30
- Tuesday, November 30
- Thursday, December 30

*NOTE: Retirement checks are delivered to the main post office by 3 p.m. on the previous day. Checks are then distributed to local post offices for delivery.

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 Agency's automated telephone system at 410-625-5555 or 1-800-492-5909.

Trustee election slated for State Police Retirement System

ACTIVE MEMBERS AND RETIREES OF THE STATE POLICE RETIREMENT SYSTEM will elect a

representative to the Board of Trustees of the Maryland State Retirement and Pension System in an election slated for spring/summer 2010.



Candidates for this Board seat must be active members or retirees of the

See Election, page 4

Changing banks? Don't forget this important tip

IF YOU WISH TO CHANGE THE BANK, CREDIT UNION OR OTHER FINANCIAL INSTITUTION that receives the electronic fund transfer (direct deposit) of your monthly retirement benefit, please don't close your previous account too hastily.

To ensure that your monthly payment is not interrupted, you should maintain accounts at **both** financial institutions until the transition is complete. When your new financial institution receives a retirement benefit payment, the old account may be safely closed.

To change the financial institution receiving your retirement benefit, complete and submit a new *Direct Deposit Electronic Fund Transfer Sign-up Form (Form 85)*. Remember that section II of this form must be completed by a representative of your financial institution. Form 85 is available online at www.sra.state.md.us or by calling a retirement benefits specialist at 410-625-5555 or 1-800-492-5909 or writing to the Maryland State Retirement Agency.

Investment fund weathers market downturn, enters fiscal year 2010 with growth

THE GLOBAL ECONOMIC CRISIS IN FISCAL YEAR 2009 HAD A DEVASTATING IMPACT ON CAPITAL MARKETS WORLDWIDE.

As a result, the Maryland State Retirement and Pension System's investment portfolio experienced an overall negative return of 20%.

Rebounding from this market downturn, the System's investment fund has witnessed notable growth in the first quarter of fiscal year 2010. During this period, the System achieved a total return of 12.6%, with the System's domestic and international equities returning 16.4% and 19.4%, respectively.

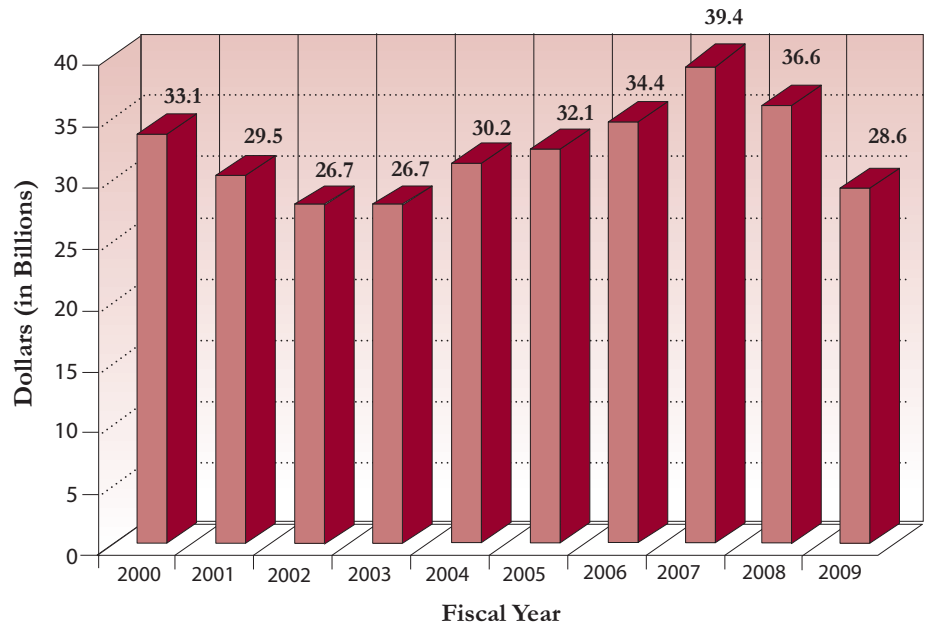
Despite fiscal year 2009's economic tumult, the System's Terra Maria small manager program continued to deliver strong performance. Transformed from an emerging manager program last year, this program has been recognized for its innovative approach to diversifying the base of investment managers utilized by the System.

The following is a summary of the System's activities for the year ending June 30, 2009. For more detailed information, the System's comprehensive annual financial report is available online at www.sra.state.md.us.

System finances: Revenues and expenses

The System is responsible for properly administering retirement, disability and death benefits for its members and retirees. The System's overall funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due.

Ten-Year Growth of Investment Portfolio



During fiscal year 2009, investment losses were \$7.4 billion, while revenues from employer and member contributions were \$1.1 billion and \$532 million, respectively. For fiscal year 2009, member contribution rates increased from 4% to 5%, while employer rates varied depending on the plan.

The System disbursed \$2.27 billion as retirement allowances to members and beneficiaries in fiscal year 2009. An additional \$22.3 million was paid as refunds to members withdrawing from the System. Expenses for management of the investment portfolio totaled \$128.9 million. Of this figure, \$113.0 million

was paid for asset management fees. The cost for administration of the System was \$27.4 million.

Despite the recent economic events and market volatility, the System is financially sound and committed to its long term funding goals.

Investments and funded status

The past fiscal year was characterized by the near collapse of the global capital and financial markets, followed by a worldwide recession. As a result, the market value of assets declined from \$36.6 billion on June 30, 2008 to \$28.6 billion on June 30, 2009.

Annualized returns for the three, five, and 10-year year periods ending June 30, 2009 were -3.8%, 1.5% and 1.9%, respectively. The

Revenues

Employer Contributions	
2009	\$1.1 billion
2008	\$1.0 billion
Employee Contributions	
2009	\$532 million
2008	\$420 million
Net Investment Income	
2009	(\$7.4 billion)
2008	(\$2.1 billion)

Expenses

Benefit Payments	
2009	\$2.2 billion
2008	\$2.1 billion
Refunds	
2009	\$22.3 million
2008	\$16 million

See Investment fund, page 5

The 2009 Maryland Charity Campaign needs your help

DURING THIS TIME OF AN UNCERTAIN ECONOMY, WE ALL HAVE CONCERNS WITH THE RISING COSTS OF SO MANY ESSENTIALS.

The same situation is putting a tremendous strain on charities' budgets at the very time so many are in need of their services. At this moment, the lines at food pantries are getting longer, the incidences of domestic violence are increasing, requests for fuel assistance are rising and animal shelters are filled to capacity as more and more family pets are abandoned. Unfortunately, we also know that, no matter what the economy, people will continue



to suffer from cancer, diabetes and heart disease.

The 2009 Maryland Charity Campaign (MCC) has set the ambitious goal of raising \$4 million. We believe that this goal is possible, even in this difficult time, because Maryland State retirees have shown extraordinary generosity in the past.

We want to thank all of you who have given to the campaign in the past and ask for your continued

support. For those of you who haven't, we ask that you consider making a gift this year. No gift is too small because, together, your dollars can make all the difference in the world to someone in need.

If you haven't received a pledge card in the mail, please contact Andrea Hill at the MCC office at 410-895-1493 or andrea.hill@uwcm.org.

We ask that you consider what Winston Churchill once said, "We make a living by what we get, but we make a life by what we give."

The 2010 Census

Counting everyone once — and only once — and in the right place

THE FOUNDATION OF OUR AMERICAN DEMOCRACY IS DEPENDENT ON FAIR AND EQUITABLE REPRESENTATION IN CONGRESS. In order to achieve an accurate assessment of the number and location of the people living within the nation's borders, the U.S. Constitution mandates a census of the population every 10 years.

The census population totals determine which states gain or lose representation in Congress. It also determines the amount of state and federal funding communities receive over the course of the decade. 2010 Census data will directly affect how more than \$4 trillion is allocated to local, state and tribal governments over the next 10 years. In order for this funding allocation to be accomplished fairly and accurately, the

goal of the decennial census is to count everybody, count them only once, and count them in the right place. The facts gathered in the census also help shape decisions for the rest of the decade about public health, neighborhood improvements, transportation, education, senior services and much more.

Recruiting census workers

By 2010, there will be an estimated 310 million people residing in the United States. Counting each person is one of the largest operations the federal government undertakes. For example, the Census Bureau will recruit nearly 3.8 million applicants for 2010 Census field operations. Of these applicants, the Census Bureau will hire about 1.4 million temporary employees. Some of these employees will be using GPS-equipped hand-held computers to update maps and



ensure there is an accurate address list for the mailing of the census questionnaires.

To apply for a Census job, call toll free 1-866-861-2010.

More information about the 2010 Census can be found at www.mdp.state.md.us/msdc/Census2010.htm or www.census.gov/2010census

Comptroller's Office has high-tech ways to serve you

THE MARYLAND STATE COMPTROLLER'S OFFICE PROVIDES SEVERAL STATE-OF-THE-ART SERVICES to assist you in filing your Maryland income taxes. Some of these helpful services are listed here.

Residents of other states should contact their appropriate tax authority for filing information.

File taxes electronically

You can file your Maryland personal tax return electronically using one of these options:

- File online for free, using iFile on the Maryland Comptroller's Web site www.marylandtaxes.com
- File from your personal computer, using approved commercial software
- File through an approved professional tax preparer

Request filing extension

If you filed for a federal extension with IRS, the Maryland extension is automatic if you do not owe additional Maryland tax. If you did not file a federal extension, but wish to request a Maryland extension and owe no additional tax, you can:

- File your request online from the Maryland Comptroller's Web site www.marylandtaxes.com
- File an extension request by telephone at 410-260-7829 from Central Maryland or 1-800-260-3664 from elsewhere

Taxpayers who owe additional state tax must file Maryland Form 502E and include payment of the tax due.

Enjoy direct deposit refunds

You can have your state income tax refund deposited directly into your bank account.

Check refund status online

You can check on the status of your Maryland income tax refund online by visiting the Comptroller's Web site www.marylandtaxes.com

You can also check on your refund status any time, 24 hours a day, by calling 410-260-7701 from Central Maryland or 1-800-218-8160 from elsewhere. Be sure to have a copy of your tax return ready to verify information.

Pay by direct debit or credit card

You can have your tax balance due deducted directly from your bank account by filing your tax return

electronically. You may also pay your taxes by credit card.

If you file electronically by the April 15 deadline, you have until April 30 to make the electronic payment (by direct debit or credit card).

Call 1-800-2PAYTAX or 1-800-272-9829.

Find free tax preparation and assistance

You can have your Maryland tax return completed for you and even filed electronically free of charge at any of the Comptroller's taxpayer service offices. The locations and directions to these offices are available on the Comptroller's Web site.

Find free tax assistance

You can E-mail your personal tax questions to the Comptroller's Office at taxhelp@comp.state.md.us

To find information about personal taxes, go to the Comptroller's Web site www.marylandtaxes.com and click on "Maryland Taxes."

Individual taxpayers can also call 410-260-7980 from Central Maryland or 1-800-MD TAXES from elsewhere, Monday through Friday, 8 a.m. to 5 p.m.

Keep your tax withholdings up to date

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 www.sra.state.md.us or by calling or writing to the Maryland State Retirement Agency.

Current Internal Revenue Service (IRS) tax regulations require your federal tax withholding to be calculated using IRS tax withholding tables. You can no longer 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 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*.

Election, continued from page 1

State Police Retirement System. The term of office for the successful candidate will be August 1, 2010 through July 31, 2014.

The Board of Trustees is charged with the fiduciary responsibility for properly administering the retirement and pension allowances of more than 116,007 retirees and beneficiaries as well as the future benefits for more than 251,571 active members.

For more information on the Board of Trustees, including member biographies, photos and committee assignments, log on to the State Retirement Agency Web site at www.sra.state.md.us and click on About SRA.

State Retirement Pick-up and your taxes

FOR ELIGIBLE RETIREES, BLOCK 15 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 partici-

pate and by whether your pension plan required you to make an employee contribution.

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 1 of your Maryland tax return (Form 502) as follows:

Enter your pick-up amount on line 14, entering code letter "r." This serves as a subtraction from your income which will reduce your taxable net income on line 22 (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.

ATTENTION 2009 RETIREES

For members who retired in 2009, 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 2009. This amount serves as an addition to State income for 2009. Enter this figure on line 3 of your Maryland tax return (Form 502).

Investment fund, continued from page 2

System's total equity investments returned -28.3%, with domestic equities returning -26.3% and international equities returning -31.4%. The System's fixed income investments returned 4.0% and real estate returned -31.6%.

As of June 30, 2009, the System's actuarial accrued liability was \$52.7 billion. With the actuarial value of assets accumulated to pay the liability at \$34.2 billion, the System now stands at 65% funded.

In analyzing the System's overall funded status, it is important to remember that a retirement system's funding plan is based on a long

time investment horizon, in which fluctuations in the market are expected.

The new fiscal year has yielded positive investment results. During the first quarter of fiscal year 2010, the System realized total equity growth of 17.9%. Fixed income investments returned 6.4% during this period and real estate holdings returned 6.7%. Looking forward, we believe that our asset allocation is well-diversified and likely to produce solid returns over the long term.

Membership

The System's rolls included 199,705 active members as of June 30, 2009, an increase of 450 from the

previous year. The System also served 116,007 retirees and beneficiaries, an increase of 3,585 over the previous year. During fiscal year 2009, the number of former members who are eligible for a future benefit (i.e., vested members) increased by 71 to a total of 51,866.

For more information...

The System's comprehensive annual financial report for fiscal year 2009 is available in its entirety online. Visit the Maryland State Retirement Agency Web site at www.sra.state.md.us to access a printable version of the report.

Understanding your 1099-R

PERSONALIZED COPIES OF INTERNAL REVENUE SERVICE FORM 1099-R

will be distributed to all State Retirement and Pension System retirees by the end of January 2010. The forms provide each retiree with detailed information on his or her pension income for the previous year. Most retirees receive only one 1099-R each year. However, members who retired in 2009 will receive a separate form 1099-R for any additional refunds they received, such as a refund of State pick-up contributions or a refund of voluntary annuity contributions.

How to Read Your 1099-R

BLOCK 1.

(Gross Distribution)

This is the total amount of pension benefits paid to you by the State Retirement Agency during the 2009 calendar year.

BLOCK 2A.

(Taxable Amount)

This is the taxable amount of your pension. Depending on your retirement date 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 2B.

(Taxable Amount Not Determined)

This block applies only to disability retirees who retired prior to January 1, 1995. These individuals should consult IRS Publication 575 before preparing their tax returns.

BLOCK 4.

(Federal Income Tax Withheld)

This block shows any federal income tax deducted from your monthly retirement payments. To change the amount of federal income tax being withheld, complete a tax withholding request form (Form 766), available through the State Retirement Agency.

BLOCK 5.

(Employee Contributions)

This is the amount of your contributions that were recovered, tax free, during 2009. This figure is the difference between the amounts in Blocks 1 and 2a. The dollar figure in this box does NOT represent the amount of any health insurance premiums withheld from your benefit payment.

BLOCK 7.

(Distribution Code(s))

IRS codes are explained on the back of the 1099-R form.

BLOCK 9B.

(Total Employee Contributions)

For retirees who received their first benefit payments in 2009, this block contains the value of any

contributions made during employment that can be recovered tax-free. Only members who retired in 2009 and made pension contributions will see a value in this block. For members who retired prior to 2009, a zero will be printed in the block.

BLOCK 10.

(State Income Tax Withheld)

Any Maryland State income tax deducted from your monthly checks is shown in this block. To change the amount being withheld, complete a tax withholding request form (Form 766).

BLOCK 15.

(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 5.

DUPLICATE 1099-R

To request a duplicate copy of your 1099-R form, please call the State Retirement Agency at 410-625-5555 or 1-800-492-5909.

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		OMB No. 1545-0119	
MARYLAND STATE RETIREMENT AGENCY 120 EAST BALTIMORE STREET BALTIMORE, MD 21202-6700		\$ 12,000.00		2009	
PAYER'S federal identification number 52-6104406		2a Taxable amount \$ 11,000.00		Form 1099-R	
RECIPIENT'S identification number 123-45-6789		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>	
MARY SMITH 123 MAIN STREET BALTIMORE, MD 21201		3 Capital gain (included in box 2a) \$.00		4 Federal income tax withheld \$ 500.00	
1st year desig. Roth contrib.		5 Employee contributions / Designated Roth contributions or insurance premiums \$ 1,000.00		6 Net unrealized appreciation in employer's securities \$.00	
Account number (see instructions)		7 Distribution code(s) 7		8 Other %	
Form 1099-R		9a Your percentage of total distribution %		9b Total employee contributions \$ 16,868.75	
Cat. No. 14436Q		10 State tax withheld \$ 250.00		11 State Payer's state no. MARYLAND 52-6104406	
Department of the Treasury - Internal Revenue Service		13 Local tax withheld \$.00		12 State distribution \$.00	
		14 Name of locality		15 Pick-Up Contrib's \$ 3,000.00	

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