

Retiree News & NOTES



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

JANUARY 2011
VOL. 29 NO. 1

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

Board election slated for summer 2011

MEMBERS AND RETIREES of the Maryland State Retirement and Pension System will elect two retiree representatives to the system's board of trustees in an election slated for summer 2011.

To be eligible to vie in the election, candidates must be retirees of either the Teachers' Systems or Employees' Systems. The Teachers' Systems include the Teachers' Retirement and Pension Systems. The Employees' Systems include the Correctional Officers' Retirement System, the Employees' Pension and Retirement Systems, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire and Police System, and the Law Enforcement Officers' Pension System.

Both active members and retirees of the respective plans may cast ballots.

The two successful candidates will serve terms in office from August 1, 2011, through July 31, 2015.

Dr. A. Melissa Moyer succeeds Mansco Perry as interim CIO

A. MELISSA MOYER, PH.D., HAS BEEN NAMED INTERIM CHIEF INVESTMENT OFFICER (CIO) by the Board of Trustees of the Maryland State Retirement and Pension System.

Dr. Moyer, a former board member who currently serves as Maryland deputy treasurer for financial policy, will serve as interim CIO while a search is conducted for a permanent replacement for former CIO Mansco Perry, III, who left the agency in October to accept a similar position with Macalester College in Saint Paul, Minnesota.

"We are very fortunate to have someone with Dr. Moyer's skill

and experience who is prepared to assume the duties as interim CIO during this transition period," said State Treasurer and Board Chairman Nancy K. Kopp. "Dr. Moyer brings a wealth of knowledge and experience to this key position."

Dr. Moyer has served as deputy treasurer since 2007 and will continue in that capacity, advising Treasurer Kopp on financial policy issues deliberated on by various governmental boards and commissions.

Dr. Moyer received her B.A. from Earlham College, continued her studies at Temple University and received her Ph.D. in Economics at the University of Notre Dame.

Benefit Sustainability Commission

EDITOR'S NOTE: This newsletter was sent to press prior to the release of the Maryland Public Employees' and Retirees' Benefit Sustainability Commission's interim report. For the latest media articles on the commission, visit the Maryland State Retirement Agency's Facebook page. A convenient link is provided on the retirement agency's homepage at www.sra.state.md.us. A link to the Sustainability Commission's official website is also provided. Simply click on "Related Links" from the retirement agency homepage.



Find us on
Facebook

New annual report cites investment growth

AS DETAILED IN THE PLAN'S NEWLY-RELEASED COMPREHENSIVE ANNUAL FINANCIAL REPORT, the Maryland State Retirement and Pension System closed fiscal

year 2010 with portfolio earnings of 14.03%. The year's investment performance boosted assets to \$31.92 billion as of June 30, 2010 – an increase of \$3.3 billion over the previous year.

Growth for the fiscal year exceeded the 7.75% actuarial earnings assumption and surpassed the system's policy benchmark by 2.22%, or \$625

See annual report, page 6

Statement of Plan Net Assets by System for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Total
Cash & Cash Equivalents	\$ 989,812	\$ 517,468	\$ 20,523	\$ 79,048	\$ 23,481	\$ 1,630,332
Investments, at Fair Value	21,381,510	11,939,584	272,175	928,122	479,763	35,001,154
Other Assets	594,197	404,930	7,715	31,014	14,813	1,052,444
Total Assets	22,965,519	12,861,982	300,413	1,038,184	518,057	37,683,930
Total Liabilities	3,709,009	1,878,679	47,323	42,585	82,922	5,760,293
Total Plan Net Assets	\$ 19,256,510	\$ 10,983,303	\$ 253,090	\$ 995,599	\$ 435,135	\$ 31,923,637

Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Total
Additions						
Employer Contributions	\$ 820,867	\$ 394,878	\$ 19,955	\$ 25,465	\$ 47,756	\$ 1,308,921
Member Contributions	319,989	201,362	1,800	6,671	5,759	535,581
Investment Income	2,431,937	1,379,139	29,464	125,307	50,512	4,016,359
Transfers*	1,058	335	1	(2)	276	-
Total Additions	3,573,851	1,975,714	51,220	157,441	104,303	5,860,861
Deductions						
Benefit Payments	1,455,248	835,569	23,816	94,255	36,652	2,445,540
Refunds	17,197	15,478	-	500	356	33,531
Administrative Expenses	15,195	12,853	39	196	344	28,627
Transfers*	1,049	585	-	29	5	-
Total Deductions	1,488,689	864,485	23,855	94,980	37,357	2,507,698
Net Change in Plan Net Assets	2,085,162	1,111,229	27,365	62,461	66,946	3,353,163
Net Assets at Beginning of Fiscal Year	17,171,348	9,872,074	225,725	933,138	368,189	28,570,474
Net Assets at End of Fiscal Year	\$ 19,256,510	\$ 10,983,303	\$ 253,090	\$ 995,599	\$ 435,135	\$ 31,923,637

*Intersystem transfers have been eliminated from the total in this financial statement.

Actuarial Funded Status for the Fiscal Year Ended June 30, 2010

<i>Expressed in thousands</i>	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Municipal Correctional Officers' Retirement System	Total
Actuarial Accrued Liability	31,963,421	19,009,788	1,722,564	426,215	950,236	12,858	54,085,081
Actuarial Value of Assets	20,908,149	11,937,944	1,085,281	276,643	471,728	8,601	34,688,346
Unfunded Actuarial Accrued Liability	11,055,272	7,071,844	637,283	149,572	478,508	4,257	19,396,735
Funded Ratio	65.41%	62.80%	63.00%	64.91%	49.64%	66.89%	64.14%

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 2011. 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 2010 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 2010 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.

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		2010 Form 1099-R	
PAYER'S federal identification number 52-6104406		2a Taxable amount \$ 11,000.00			
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	
Account number (see instructions)		5 Employee contributions / Designated Roth contributions or insurance premiums \$ 1,000.00		6 Net unrealized appreciation in employer's securities \$.00	
Form 1099-R		7 Distribution code(s) 7		8 Other \$ %	
1st year design. Roth contrib.		9a Your percentage of total distribution %		9b Total employee contributions \$ 16,868.75	
10 State tax withheld \$ 250.00		11 Payer's state no. MARYLAND		12 State distribution \$.00	
13 Local tax withheld \$.00		14 Name of locality 52-6104406		15 Pick-Up Contrib's \$ 3,000.00	

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 2010. 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 2010,

this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2010 and made pension contributions will see a value in this block. For members who retired prior to 2010, 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 6.

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.

Board notes

AN UPCOMING TRUSTEE ELECTION, INVESTMENT PERFORMANCE AND THE SUCCESSFUL LAUNCH OF A NEW COMPUTER SYSTEM were among topics addressed during recent meetings of the Board of Trustees of the Maryland State Retirement and Pension System.

October 19, 2010

Current terms in office of Trustees Theresa Lochte and John W. Douglass, representatives of the Teachers' and Employees' Systems, respectively, end in August 2011. On a motion by Trustee Morris L. Krome and seconded by Trustee Sheila Hill, the board approved an election schedule in which voting materials, including candidate biographies, will be mailed to eligible voters in May 2011. Election results will be announced following the July 2011 meeting of the board of trustees. (See article, page 1).

In other business, on a motion by Trustee Hill and seconded by Comptroller and Board Vice Chairman Peter Franchot, the board ratified the appointment of A. Melissa Moye, Ph.D., as interim chief investment officer. Dr. Moye replaces former CIO Mansco Perry, III, who recently resigned from the Maryland State Retirement Agency. (See article, page 1).

In his final report to the full board, Mr. Perry stated that as of September 30, 2010, the system's trust fund totaled \$35.2 billion with a fiscal year-to-date investment return of 11.5%.

September 21, 2010

Trustee Robert W. Schaefer, chairman of the investment com-

mittee, provided a detailed overview of the system's portfolio performance during the fiscal year ended June 30, 2010. For that period, the system's overall plan performance was 14.03%. Details of Mr. Schaefer's presentation are available in the full board minutes posted online at www.sra.state.md.us.

State Treasurer and Board Chairman Nancy K. Kopp, Trustee Douglass and Maryland State Retirement Agency Executive Director R. Dean Kenderdine recognized the numerous employees who worked diligently in the planning, development and testing of the new Maryland Pension Administration System (MPAS). A multi-phase endeavor to modernize the Retirement Agency's core pension benefits administration information systems, MPAS "went live" in August and is now in use throughout the agency.

Major Krome, as part of his administrative committee report, stated that Mr. Kenderdine had introduced the agency's budget request for fiscal year 2012. Major Krome reported that it is essentially a flat budget similar in format to those presented in prior years. The workload for the agency continues to increase. Based on the year's record volume of requests for pension estimates, it can be anticipated that the system may experience a significant increase in retirees, he said.

August 17, 2010

Mr. Perry noted that the fiscal year 2010 Trust Universe Comparison Service (TUCS) report

for public pension funds greater than \$25 billion ranked the system in the 35th percentile and in the 28th percentile for public funds greater than \$1 billion.

July 20, 2010

The July meeting began with the appointment of members and officers of the board's several committees. Trustees James M. Harkins and Major Krome were named chairman and vice chairman of the administrative committee, while Trustees Schaefer and William D. Brown were appointed to those two positions, respectively, in the investment committee. Full committee rosters are available online at www.sra.state.md.us.

Mr. Kenderdine announced that Mr. Harkins had been reappointed to a new four-year term on the board by Governor Martin O'Malley. Mr. Harkins, a former Harford County Executive and a two-term member of the Maryland House of Delegates, is director of the Maryland Environmental Service and represents local government interests on the board.

Mr. Perry informed the board that the system's final investment return for fiscal year 2010 was 14.03%. This placed the system in the 35th percentile among public pension plans with assets above \$25 billion.

The 14-member board, which is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency, meets each month at the system's administrative offices in Baltimore. Full meeting minutes are available the month following the meeting at www.sra.state.md.us.

2011 direct deposit, check dates announced

THE SCHEDULE FOR DIRECT DEPOSIT OF RETIREMENT BENEFITS FOR CALENDAR YEAR 2011

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

- Monday, January 31
- Monday, February 28
- Thursday, March 31
- Friday, April 29
- Tuesday, May 31
- Thursday, June 30

- Friday, July 29
- Wednesday, August 31
- Friday, September 30
- Monday, October 31
- Wednesday, November 30
- Friday, December 30

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

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

- Monday, October 31
- Wednesday, November 30
- Saturday, December 31

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

Attention: Retired State of Maryland Employees

State of Maryland 2011-2012 Open Enrollment is right around the corner!

PLEASE WATCH THE MAIL for your annual Open Enrollment packet which will be mailed to your home in early spring. If your contact information has changed within the past year, please contact the State of Maryland Employee Benefits Division *as soon as possible* at 410-767-4775 or toll-free at 1-800-30-STATE. For the latest benefit updates go to www.dbm.maryland.gov/benefits

Are your 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 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*.

IMPORTANT: The Maryland State Retirement Agency will begin using the new 2011 federal tax withholding tables beginning with your January benefit payment. The new tables, issued by the Internal Revenue Service, became effective January 1, 2011, and may result in an increased amount of federal taxes being withheld from your benefit payment. Maryland state tax withholding is unaffected. For more information go to www.sra.state.md.us.

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 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 1 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.

ATTENTION 2010 RETIREES

For members who retired in 2010, 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 2010. This amount serves as an addition to state income for 2010. Enter this figure on line 3 of your Maryland tax return (Form 502).

Annual report, continued from page 2

million, net of fees, according to the report.

These earnings represent an impressive turnaround from last fiscal year's losses that resulted from the credit crisis and severe decline of the global economy. Regardless of the economic

events and market volatility of recent years, the system remains financially sound and committed to its long-term funding goals.

It should be noted that during the first five months of fiscal year 2011, the system

achieved a total investment return of 10.1%.

For more detailed information, the system's Comprehensive Annual Financial Report is available online at www.sra.state.md.us.

Retiree News is published by The Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, MD 21202-6700
410-625-5555
1-800-492-5909
www.sra.state.md.us

EDITOR:
Benjamin Robb

BOARD OF TRUSTEES

Nancy K. Kopp
CHAIRMAN

Peter Franchot
VICE CHAIRMAN

R. Dean Kenderdine
SECRETARY

David S. Blitzstein
William D. Brown
John W. Douglass
T. Eloise Foster
James M. Harkins
Sheila Hill

F. Patrick Hughes
Morris L. Krome
Theresa Lochte
Robert W. Schaefer
Harold Zirkin
Thurman W. Zollicoffer, Jr.