

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

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

## Current retirees not affected by pension reform

**SWEEPING PENSION REFORM LEGISLATION** proposed by Governor Martin O'Malley and enacted by the Maryland General Assembly this year left intact pension provisions for the Maryland State Retirement and Pension System's 120,000 retirees.

The reforms, which primarily impact new members hired after June 30, 2011, will enable an additional \$300 million per year to be reinvested into the pension system in fiscal year 2014 and beyond.

*See Reform, page 6*

## Board election slated for 2012

**RETIREES AND ACTIVE MEMBERS OF THE TEACHERS' RETIREMENT AND PENSION SYSTEMS** will elect a new trustee next February to represent their interests on the Board of Trustees of the Maryland State Retirement and Pension System. The successful candidate will complete the

*See Election, page 2*

## Eligible retirees will receive cost-of-living adjustment in July

*Rate of increase will be 1.284% or  
1.640% depending on retirement date*

**ELIGIBLE RETIREES AND BENEFICIARIES** of the Maryland State Retirement and Pension System will receive a COLA applied to their monthly retirement benefit in July 2011.

To avoid an unprecedented negative COLA and reduction in retirement benefits last July, Governor Martin O'Malley and the General Assembly moved to postpone last year's negative COLA and have benefits remain unchanged. It was determined that the negative cost-of-living adjustment,  $-.356\%$ , would be deducted from the expected positive COLA for July 2011. The difference would then be applied to the retirees' monthly payment beginning this July.

This action creates two different COLA's for eligible retirees — one rate for eligible retirees and beneficiaries who would have received a negative COLA in July 2010 and a different, unreduced rate for those who were not eligible for a COLA in 2010 but are in 2011.

For those retirees who were retired on or before July 1, 2009, the COLA will be  $1.284\%$  ( $1.640\% - 0.356\% = 1.284\%$ )

For those retirees who retired after July 1, 2009 and on or before July 1, 2010, the COLA will be  $1.640\%$ .

Members who retired after July 1, 2010 are not eligible for a COLA until they have been retired one full year as of July 1.

### 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, 2011, qualifies for this year's COLA. Those who retired after July 2010 (August 2010 or later) will receive their first COLA increase in July 2012.

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

*See COLA, page 6*

## Trustee Blitzstein tapped for panel

DAVID S. BLITZSTEIN, A GUBERNATORIAL APPOINTEE to the Maryland State Retirement and Pension System Board of Trustees, in June joined the Advisory Committee of the Pension Benefit Guaranty Corporation. President Barack Obama appointed Trustee Blitzstein to the PBGC post for a term that expires in 2014.

"David Blitzstein is an excellent addition to the Advisory Committee," said PBGC Director Josh Gotbaum. "His knowledge and experience help PBGC enhance retirement security."

The Pension Benefit Guaranty Corporation was created by the Employee Retirement Income Security Act of 1974 to encourage the continuation and maintenance of private-sector defined benefit pension plans.



## Trustee Douglass reelected to BOT

ONE EMPLOYEES' SYSTEMS CANDIDATE for the Board of Trustees of the Maryland State Retirement and Pension System was successful in collecting the required 500 signatures to vie for a seat on the



board this spring. As the only qualifying candidate, Trustee John W. Douglass will retain his board seat.

"John Douglass is an outstanding member of the board of trustees," said Nancy K. Kopp, state treasurer and board chairman. "He brings great intelligence, experience and enthusiasm to the Maryland State Retirement and Pension System. He played a significant role in the implementation of an updated computer system. I am so pleased he will be serving another term on the board."

Trustee Douglass has served as a trustee since 2004.

## 2011 Maryland Charity Campaign Slated

### THE 2010 MARYLAND CHARITY CAMPAIGN

raised a total of \$3,444,749 to help those in need. Maryland state retirees were among the most generous with a total donation of \$220,533! More than 1,200 retirees gave an average gift of \$173.

With over 900 organizations, there are sure to be a few that you connect with. Imagine the impact of your gift! For example, \$5 per week or \$260 per year can provide daily transportation to and from a senior center for one senior, or one year of

school-based services for a child victimized by abuse.

The 2011 theme: "We Are ALL Connected... From One To Another" is fitting in today's times, as we look around at friends, neighbors, past colleagues and family members who may have been devastated in some way by this tough economy.

If you do not receive a pledge card, please contact Andrea Hill at [andrea.hill@uwcm.org](mailto:andrea.hill@uwcm.org) or 410-895-1493 or download a pledge card at [www.mdcharity.org](http://www.mdcharity.org).

*Election, continued from page 1*

unexpired term of Trustee William D. Brown, who is retiring from the board after 14 years of dedicated service.

Candidates for this board seat must be active members of either the Teachers' Retirement or Pension System. The term of office for the successful candidate will be April 1, 2012 through July 31, 2013.

In addition to administering survivor, disability and retirement benefits, the board directs the management of a multi-billion dollar investment portfolio. For more information on the board, including member biographies and committee assignments, visit the State Retirement Agency website at [sra.maryland.gov](http://sra.maryland.gov) and click **Agency**.

## Enjoy your summer!



Looking for fun activities? Log on to [www.visitmaryland.org](http://www.visitmaryland.org)

*Assateague ponies, photo courtesy of Maryland Office of Tourism*

# How reemployment after retirement

**FOR RETIREES OF THE STATE RETIREMENT AND PENSION SYSTEM (SRPS),** certain types of employment are subject to an earnings limit. Reemployment rules discussed here apply for most retirees. Special rules apply for retired judges, legislators, State Police and law enforcement officers. Contact the Maryland State Retirement Agency for details.

## Earnings Limits

If your compensation from employment after retirement exceeds your earnings limit, your benefit may be reduced. Prior to accepting work with any participating employer, you must notify the Retirement Agency in writing of your anticipated earnings.

Your earnings limit is printed on the Notice of Retirement Allowance that you received upon retirement.

## Who is subject to an earnings limit?

All service retirees, returning to work for the same employer, are subject to an earnings limit. There must be at least 45 days between your last day on payroll and the date you are rehired by the same employer. *This rule applies even if you retired from an employer that has withdrawn from the SRPS.* All units of Maryland State government, including the University of Maryland, are considered to be one employer.

If a service retiree returns to work for a different employer, only early service retirees within the first 12 months of retirement are subject to an earnings limit.

Retirees of the Employees', Teachers' and Correctional Officers' systems who retire with an average final compensation of \$25,000 or less and are reemployed with the same employer are exempt from an earnings limit.

*Effective July 1, 2011, all service retirees from the Employees' and Teachers' systems are exempt from earnings limits after five full calendar years of retirement.*

## Special Exemption for teachers and principals

A service retiree from the Teachers' Systems is exempt from earnings limits if he or she returns to work for the same employer as a classroom teacher, substitute classroom teacher or teacher mentor in a public school:

- That is not making adequate yearly progress or is a school in need of improvement as defined under the federal No Child Left Behind Act (NCLBA) of 2001, or
- Is receiving funds under NCLBA, or
- Has more than 50% of the students attending that school who are eligible for free and reduced-price meals, or



- Provides an alternative education program for adjudicated youths or students who have been expelled, suspended or identified for suspension or expulsion from public school  
AND
- Teaches in an area of critical shortage, or a special education class for students with special needs, or a class for students with limited English proficiency, or
- Is hired to teach any subject or class or provide educational services under a special limited provision granted to the superintendent  
AND
- Is or has been certified to teach in the state,
- Has verification of satisfactory or better performance in last assignment prior to retirement,

# affects your benefit

- Has been appointed in accordance with §4-103 of the Education Article, and
- If receiving an early retirement benefit, has been retired at least 12 months.

Earnings limits also do not apply to a retiree who was employed as a principal within a certain period before retirement AND is rehired as a principal at a public school meeting the requirements listed here. During the period of reemployment, the retiree's performance must be satisfactory.

If you qualify for this exemption as a rehired teacher or principal, your employer must report your hiring to the State Retirement Agency and the Department of Education within 30 days.

## Special exemption for health care practitioners

Retirees from the Employees' Systems who are receiving a service retirement benefit are exempt from an earnings limit if employed by the Department of Health and Mental Hygiene as contractual health care practitioners in certain state facilities or local health departments. *There is no sunset provision for this exemption.*

## Special exemption for correctional officers

Retirees from the Correctional Officers' Retirement System who are receiving a service retirement benefit are exempt from an earnings limit if employed on a contractual basis for not more than four years by the Division of Corrections, the Division of Pretrial Detention and Services, or the Patuxent Institution as correctional officers in correctional facilities defined in §1-101

of the Correctional Services Article.

## Special exemption for State Police

Retirees from the State Police Retirement System who are receiving a service retirement benefit and are under age 60 are exempt from an earnings limit if employed on a contractual basis with the State Police as a Trooper First Class for not more than four years. This exemption also extends survivor and special disability benefits for these retirees.

## Special exemption for judges

Retirees from the Judges' Retirement System who are reemployed in any capacity with the State of Maryland are

exempt from an earnings limit until June 30, 2014.

## Reemployment rules for disability retirees

### Earnings limit

Ordinary disability retirees who accept employment with a participating employer are subject to an earnings limit until they reach normal retirement age for their system. Ordinary disability retirees reemployed by a non-participating employer and accidental disability retirees are exempt from earnings limits.

### Suspension rules

An ordinary or accidental disability retiree's monthly

*See Reemployment, page 5*

## Additional reemployment rules

**IF YOU ARE CONSIDERING REEMPLOYMENT** with the same employer from which you retired, you should also be aware of the following important information.

There can be significant tax consequences to you and the State Retirement and Pension System if you retire before the normal retirement age of your plan and/or before age 59 1/2 and you are reemployed with the same employer without a bona fide separation from service. In order to avoid this penalty, a bona fide separation must occur.

While the IRS has not specifically defined what constitutes a

bona fide separation from service, it is clear that the more differences between your last job before retirement and the job being performed upon your reemployment, and the longer the break between the date of your retirement and the date of your reemployment, the more likely it is that there has been a bona fide separation from service.

If after retirement you consider reemployment with your former employer, you may wish to review and discuss this information with the employer and your tax advisor. Failure to do so could result in a significant tax penalty on your income.

# Board notes

**INVESTMENT RESULTS** for the first half of fiscal year 2011 were thoroughly reviewed at the February meeting of the Board of Trustees of the Maryland State Retirement and Pension System.

Overall plan performance for the first six months of fiscal year 2011 was 14.32% compared to

the policy benchmark return of 14.96%, reported Trustee Robert W. Schaefer, chairman of the board's investment committee. For the 2010 calendar year, total plan performance was 12.17% versus 11.21% for the policy benchmark. Staff explained that the fiscal year-

to-date underperformance was caused primarily by the weakening dollar in the currency management program.

The 14-member board is responsible for establishing investment and administrative policy and overseeing the management of the system.

*The following information is provided courtesy of the U.S. Department of the Treasury. Visit [www.godirect.org](http://www.godirect.org) for more information.*

## Federal benefit payments are going all-electronic

**THE U.S. DEPARTMENT OF THE TREASURY** now requires all federal benefit and nontax payments to be paid electronically. People applying for Social Security, Veterans benefits or other federal benefits on or after May 1, 2011, will receive their payments electronically starting with their first payment. People currently receiving federal benefit checks will need to switch to an electronic payment option by March 1, 2013.

Those who do not choose an electronic payment option at the time they apply for federal benefits or those who do not switch by the deadline will receive their benefit payments via the Direct Express® Debit MasterCard® card, so they will not experience any interruption in payment. If you are already receiving benefit payments electronically you do not need to take action. You will continue to receive your payment as usual on the payment day.

Having federal benefits paid electronically by direct deposit into the bank or credit union account of your choice or into a Direct Express® card account is safer, faster and more reliable than receiving paper benefit checks. In 2010, more than 540,000 Treasury-issued checks were reported lost or stolen, and had to be reissued.

With direct deposit, the Treasury Department sends an electronic message to your bank or credit union account on your usual payment day with the exact amount of your benefit payment from Social Security, VA or other federal agency. You don't have to worry about your money being stolen out of your mailbox and there's no need to make a trip to cash or deposit a check. Plus, it's better for the environment and saves taxpayer dollars.

For more information, visit [www.godirect.org](http://www.godirect.org). Maryland State Retirement Agency staff cannot answer questions about federal benefits.

*Reemployment,  
continued from page 4*

allowance shall be temporarily suspended if the retiree:

- Retired on or after July 1, 1998,
- Is not eligible to receive a normal service retirement and
- Is employed by a participating employer at an annual compensation at least equal to his or her average final compensation at time of retirement.

Note: Disability retirees from the State Police Retirement System, Law Enforcement Officers' Pension System, Local Fire and Police System and Employees' Retirement and Pension Systems (former law enforcement officers employed by an employer that participates in the Law Enforcement Officers' Pension System only) are exempt from the earnings limit and suspension if reemployed by a participating employer in any position other than a probationary status law enforcement officer, a law enforcement officer or chief, as defined in §3-101 of the Public Safety Article.

Reform, continued from page 1

“The pension reforms enacted in this year’s Assembly session will provide further assurance that disability, retirement and survivor benefits for our public employees remain safe and secure,” said State Treasurer Nancy K. Kopp, chairman of the system’s board of trustees “The long term savings made possible by these reforms also will help the system achieve a healthy 80% funded status by 2023.”

**Legislative update**

A number of bills of special interest to retirees were enacted by the General Assembly and signed into law by Governor Martin O’Malley. The following legislation was effective July 1, 2011.

**Chapter 106, Acts of 2011: Reemployment of Retirees**

*Synopsis:* Provides that service

retirees and early service retirees from the Employees’ and Teachers’ systems are exempt from an earnings limit after being retired five full calendar years. Previously, these retirees became exempt after nine years of retirement.\*

**Chapter 591, Acts of 2011: Simplification**

*Synopsis:* Clarifies that all retirees, including those retired from employers that have withdrawn from the Maryland State Retirement and Pension System, must be retired 45 days before returning to work for the same employer.

**Chapter 599, Acts of 2011: Allowance Adjustments**

*Synopsis:* Codifies the solution for dealing with a negative Cost-of-Living Adjustment that

was approved by the General Assembly in 2010. Thus, when the consumer price index produces a negative COLA, a “zero” COLA will be applied. The negative COLA is then carried over and applied against the following year’s positive COLA. In the case of consecutive negative COLA’s, the total negative amount would be carried over and applied against the next positive year or years.

**Chapter 615, Acts of 2011: Reemployment of Retirees**

*Synopsis:* Eliminates the sunset provision to the earnings limit exemption for eligible health care practitioners.\*

\*For more information on reemployment after retirement and applicable earnings limits, see page 3.

COLA, continued from page 1

**Q.** Which payment shows the new COLA increase?

**A.** Qualifying retirees will see the adjustment in their July 31, 2011 benefit payments.

**Q.** How is the annual COLA increase calculated?

**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 LFP system from the Employees’ Retirement System, the compound rate applies.)

**Use Form 766 to change withholdings**

**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. Once filed with the Retirement Agency, Form 766 replaces all previous withholding elections for both state and federal tax. Download Form 766 at [sra.maryland.gov](http://sra.maryland.gov).

**Add our simplified web address to your Favorites list: [sra.maryland.gov](http://sra.maryland.gov)**

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