



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM



Investment fund earns 6.46% for fiscal year 2019

THE INVESTMENT PORTFOLIO for the Maryland State Retirement and Pension System returned 6.46%, net of fees, on investments for the fiscal year that ended June 30, 2019—falling short of the System’s 7.45% assumed actuarial return rate. The fund’s performance raised the System’s assets to \$54.2 billion, an increase of \$2.4 billion over last year.

“The System’s returns reflect strong performance of private equity assets and nominal fixed income assets along with positive but more modest returns in the remainder of the asset classes,” said Chief Investment Officer Andrew C. Palmer. “Private equity provided 13.7%, net of all fees and expenses, and continues to be the best performing asset class for the System. Rate sensitive investments provided 9.3% return, while all of the other asset classes contributed positive returns.”

“The Board is focused on its obligation to pay member pension benefits in full and on time,” said State Treasurer Nancy K. Kopp, Chairman of the Maryland State Retirement and Pension System Board of Trustees. “Investment returns this

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Annual benefits statements to be available electronically, not mailed

Secure website puts PSB at your fingertips

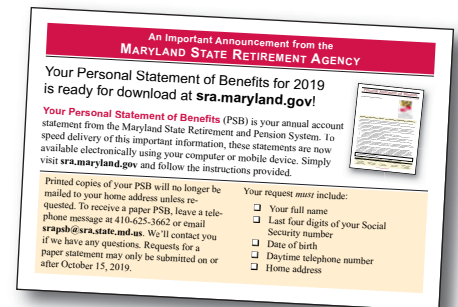
MEMBERS of the Maryland State Retirement and Pension System will access their Personal Statements of Benefits electronically in September, speeding valuable account information into the homes of teachers, employees, police and correctional officers who in the past have had to wait for delivery of paper statements by mail.

Available on a secure website, your PSB will be accessible only by you. Go to sra.maryland.gov on your computer or mobile device and, under the heading **Members**, select **Personal Statement of Benefits (PSB)**. Follow the instructions provided.

As in previous years, your PSB will include the same important account information and benefit estimates you’ve come to expect, including the estimated date you will be eligible to retire and your projected monthly benefit. Also listed are your payroll contributions to your plan, your estimated disability and death benefits, and any retirement credit added to your account for military service or purchased time.

Don’t own a computer?

Printed copies of your PSB will no longer be mailed to your home address unless requested. To receive a



Watch your mail for a postcard with instructions on how to access your 2019 benefit statement. Your PSB will not be ready until you receive your postcard in September.

paper PSB, leave a telephone message at 410-625-3662 or email srapbs@sra.state.md.us. Requests for a paper statement may only be submitted on or after October 15, 2019. Your request must include:

- Your full name
- Last four digits of your Social Security number
- Date of birth
- Daytime telephone number
- Home address

Frequently asked questions

Answers to common questions about your annual PSB are provided here.

See Statements, page 2

Statements, from page 1

Q. Where are my future retirement benefits shown?

A. Your estimated future retirement benefits can be found on page four of your PSB. Remember, the projected amounts shown are estimates only.

Q. Who will receive any available benefits at my death?

A. The names of your designated beneficiaries are listed on page two of your PSB. If, after reviewing your PSB, you wish to update your beneficiary designation, complete and submit a *Designation of Beneficiary* (Form 4) to the Retirement Agency.

Q. Why isn't early retirement listed?

A. The space under Early Service is left blank for members who reach regular service retirement age before earning the required years of service for early retirement, if applicable.

Q. Why isn't my military credit listed?

A. It's up to each eligible member to claim military service credit. Military service is not automatically credited to your account. File a Form 43, *Claim of Retirement Credit for Military Service*, to apply for military credit.

Q. What is my Personal Identification Number (PIN)?

A. Your PIN is printed at the bottom of page one of your PSB. You can use your PIN and Social Security number to access your retirement account information any time via the Retirement Agency's auto-

mated phone system. Upon retirement your PIN as an active member is no longer valid and is replaced with a retiree PIN.

Q. What about part-time employment?

A. Service credit may be overstated on the PSB if you worked part time during your membership. This is especially likely if you transferred from a Retirement System to a Pension System. The PSB assumes all future service as full time, so if you are working part time now, your benefits may be overstated.

Q. Do I need an estimate of retirement allowance since I have the PSB?

A. The PSB is not intended to serve as a substitute for an official estimate. There are other options for beneficiary coverage described in the estimate that are not included on your PSB.

New survivor benefit included in PSB

THE PERSONAL STATEMENT OF BENEFITS for 2019 provides information on the new monthly survivor benefit payable to children of eligible employees, teachers and correctional officers who die during membership.

Enacted earlier this year as Chapter 208 of 2019, the legislation applies to active members of the Employees', Teachers', or Correctional Officers' Systems who die after reaching age 55 with 15 years of service or after accruing 25 years of service regardless of age. If such a member dies and is survived by children under age 26 or disabled children at any age, but not a surviving spouse, the children shall receive 50% of what the member's monthly retirement benefit would have been, had the member been retired. A similar survivor benefit already exists for members of the State Police, Law Enforcement Officers', Judges' and Legislative Plans.

See page 3 of your PSB for survivor benefits.

Q. Why do I have a "deficiency" under contributions?

A. When, for any reason, regular contributions into an individual's account are not made, the word "deficiency" appears. The deficiency equals the amount of the missing contribution, plus interest applied at the end of each fiscal year.

To repay a contribution deficiency, contact the Retirement Agency and request to be billed for this amount. Payment made before the end of the current fiscal year carries no interest for that year. If a contribution deficiency exists when you retire, the benefit paid will be actuarially reduced.

Q. What if I have other questions about my PSB?

A. If something on your PSB doesn't seem correct, note the discrepancy, send a photocopy of your statement to the Maryland State Retirement Agency and indicate how you arrived at your conclusion.

New retirees should consider state and federal reemployment rules

RETIREES SOMETIMES RETURN TO WORK

to pursue other interests or to earn extra retirement income. For retirees from the Maryland State Retirement and Pension System (SRPS), reemployment may be subject to state and federal laws. An agreement to follow these laws is part of your retirement application paperwork. You can find a detailed description of the reemployment rules in the Application for Service or Disability Retirement (Form 13-23 for employees, teachers and correctional officers; Form 14-24 for state police; Form 98-101 for law enforcement officers.) Some key provisions of reemployment law are described below.

Wait at least 45 days

When you retire, there must be at least 45 days between your date of retirement and the date you are reemployed on any basis (permanent, temporary, or contractual) by any employer that participates in the SRPS. This rule also applies to a retiree from a withdrawn employer, if the retiree was an employee of the withdrawn governmental unit while the withdrawn governmental unit was a participating employer.

Under no circumstances should your decision to retire be conditioned upon an offer of reemployment, and you should not have any discussions before your retirement with any participating employer about potential offers of reemployment. There can be significant tax consequences to you and the SRPS if you retire before the normal retirement age of your plan



and/or before age 59 1/2 and you are reemployed with a participating employer without a *bona fide* separation from service.

What is a *bona fide* separation?

Bona fide means real or genuine. In order to avoid a tax penalty on your income there must be a *bona fide*, or genuine, separation from service between you and your former employer. While the IRS has not specifically defined what constitutes a *bona fide* separation from service, it is clear that the greater the difference between your last job before retirement and your job on reemployment, and the longer the break between the two jobs, the more likely it is that there has been a *bona fide* separation of service.

If you are reemployed to perform the same job, even if there is a reduction in your work schedule, this would not likely qualify as a *bona fide* separation of service unless there is a lengthy break in employment. Even arrangements where you are rehired as an “independent contractor” may not meet the IRS standard.

Earnings Limitation

If, however, after retirement you are considering reemployment with a participating employer, you must immediately notify the Agency of your intent to accept this position and your annual compensation. An earnings limitation or suspension of benefits may apply. The rules regarding reemployment and administration of the earnings limitation provisions with a participating employer are complex, vary depending on your type of retirement and plan of participation, and include several exemptions. Contact the Retirement Agency to discuss how these reemployment and earnings limitation provisions apply to your particular reemployment situation. Retirees from state government agencies should keep in mind that all units of Maryland state government, including the University System of Maryland, are considered to be one employer.

Before you consider reemployment with your former employer, you also may wish to review and discuss this issue with your tax advisor.

Board votes to lower actuarial assumed investment rate of return

THE BOARD OF TRUSTEES

of the Maryland State Retirement and Pension System voted in July to reduce the System's actuarial assumed rate of return on its investments from 7.45% to 7.40%. The System's lower rate will be effective beginning in fiscal year 2021.

"The Board's prudent action today is in recognition of ongoing changes in the financial markets, while continuing to achieve the in-

vestment returns required for the System over the long term," noted State Treasurer and Board Chairman Nancy K. Kopp. "Our goal is to continue to improve the strength of our retirement System and to keep our promise of a secure retirement that our members have worked so hard to earn in their years of service to the public."

The Board based its decision upon an analysis by its actuary.

Fund, from page 1

past year are within the Board's expectations of variability around the long term average for our diversified asset allocation. Our earnings

have averaged 8.6% over the last ten years, well above the plan's expected rate of return and consistent with the Board's investment policy."

Performance by asset class

Asset Class	Allocation	Return
Private Equity	14.1%	13.7%
Public Equity	36.4%	3.9%
Real Assets	13.3%	5.3%
Absolute Return	7.4%	3.0%
Credit	8.9%	6.5%
Rate Sensitive	18.1%	9.3%
Multi Asset	1.3%	4.4%
Cash	0.5%	2.34%
Total	100.0%	6.46%

To receive benefit info, keep your address up to date

BENEFIT CORRESPONDENCE

, trustee election ballots and other important announcements are mailed directly to members of the Maryland State Retirement and Pension System. That's why it is important to keep your address up to date with the Maryland State Retirement Agency.

Have you moved since you first enrolled in the system? If so, please inform your employer of your new address. Your mailing address in retirement agency files will be updated automatically at the next pay cycle.

Use barcoded forms for faster service



BARCODES have been added to all forms used by members of the Maryland State Retirement and Pension System. These codes help staff process your submitted forms more quickly. Before completing a Form 4, Form 46 or any other Retirement Agency form, please be sure it displays a barcode in the top right corner.

Member forms are available online at sra.maryland.gov.

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