



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Popular Annual Financial Report

Maryland State Retirement and Pension System
A Pension Trust Fund for the State of Maryland
For the Year Ended June 30, 2022

2022



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Maryland State Retirement and Pension System

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Mission Statement

The Board of Trustees of the Maryland State Retirement and Pension System (System) is charged with the fiduciary responsibility for administering the survivor, disability and retirement benefits of the System's participants and to ensure that sufficient assets are available to fund the benefits when due. To accomplish this mission the System has established the following key goals:

- To prudently invest System assets in a well diversified manner to optimize long-term returns, while controlling risk through excellence in execution of the investment objectives and strategies of the System.
 - To effectively communicate with all retirement plan participants to inform them about the benefits provided by the System, and to educate them about planning and preparing for all aspects of their future retirement.
 - To accurately and timely pay retirement allowances provided by State pension law to the System's retirees and their beneficiaries.
 - To implement an automated, comprehensive and integrated pension administration and electronic document management system.
 - To efficiently collect the required employer and member contributions necessary to fund the System.
-

A Message from our Executive Director

It is my pleasure to present to you the sixth edition of the Popular Annual Financial Report (PAFR) for the Maryland State Retirement and Pension System (System). In the following pages, you will find a condensed version of the lengthier—and more technical—Annual Comprehensive Financial Report, which is published each year and can be found on our website at sra.maryland.gov. The PAFR presents the operating results for the fiscal year that ended June 30, 2022, in an easy-to-digest format for anyone who wants to quickly review the status of the retirement fund.

The System generated a modestly negative return of -2.97%, net of fees, for the fiscal year ending June 30, 2022, beating its policy benchmark of -3.48%. The policy benchmark is a standard for comparing a portfolio's performance in the market from which the manager selects securities. The System's diversified and risk-balanced asset allocation, designed to weather extremes in market volatility, performed significantly better than a traditional 60/40 allocation to publicly traded stocks and bonds, saving more than \$5 billion on its investments for the fiscal year that ended June 30, 2022.

The fiscal year 2022 returns reflect the impact of the ongoing volatility of global financial markets impacted by inflation, rising interest rates, the COVID-19 pandemic, and the war in Ukraine. Recent market activity has been marked by a reversal in the long-term relationship between stocks and bonds. Typically, bond returns have provided a cushion to offset weak stock performance. In fiscal year 2022, stocks and bonds were both down more than ten percent.

The performance of the fund over 10-year, 5-year, and 3-year periods are all above the 7.4% return assumption at 7.8%, 7.9%, and 8.4%, respectively.

The MSRPS is responsible for properly administering retirement, disability, and death benefits for state employees, teachers, law enforcement officers, legislators, judges, as well as local government employees and correctional personnel whose employers have elected to participate in the System. The System provides monthly allowances to more than 172,000 retirees and beneficiaries and is an essential element of the future financial security for over 194,000 active participating members.

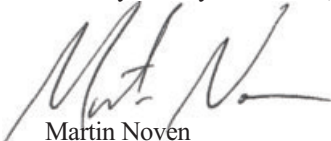
Participants and beneficiaries of the plan can be assured that the Board of Trustees is discharging its fiduciary responsibilities in a prudent and thoughtful manner. In carrying out its investment responsibilities, the Board's focus is on maximizing returns while minimizing risk. Therefore, the System's asset allocation, set by the Board is balanced and diversified, designed to navigate a middle path through periods of highs and lows in the market, putting it on a steady upward trajectory to full funding of the System.

It is important to note that the pension reforms enacted by the Maryland General Assembly in 2011 continue to display positive results on the System and, in fact, continue to exceed earlier projections. Required employer contributions for the coming fiscal year of 2024 are projected to be 17.88% of payroll, significantly lower than the 20.15% predicted at the time of the 2011 reforms. As of June 30, 2022, the System's funded ratio is 76.6%, slightly less than the 77.3% predicted at the same time, and higher than 73.6% reported last year. The System remains on track to be 80% funded by 2026; 85% funded by 2030; and 100% funded by 2039.

This Popular Annual Financial Report is derived from information contained in the System's 2022 Annual Comprehensive Financial Report, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report, please refer to the System's 2022 Annual Comprehensive Financial Report, which is prepared in conformity with GAAP and may be obtained by visiting our website.

I hope you will find this publication useful and informative.

Thank you for your interest,



Martin Noven



Table of Contents

Members at a glance.....	1
Teachers	
Employees	
Law Enforcement Officers	
Correctional Officers	
State Police	
Judges	
Legislators	
Retirees at a glance	3
Number of retirements by fiscal year	
How benefits are funded	
Local economic impact of Maryland pensions	5
Where else do retirees live?	
Investments.....	6
Portfolio return and benchmarks	
2011 Benefit Reform Scorecard	
Plan net position	
Changes in plan net position	
Where are plan assets invested?	
Assets/Liabilities	
State Contributions Rate	
Interested in learning more?	9

Members at a glance

Total membership	413,948
Active members	194,210
Benefit recipients	172,235
Inactive members	47,503

Teachers	Retirement System	Pension System
Total Membership		
Active vested	150	60,079
Active non-vested	0	50,751
Vested former members	85	23,527
Retired members	21,904	60,980
Active Members		
Number	150	110,830
Average age	71.7	45.2
Average years of service	45.9	12.1
Average annual salary	\$118,704	\$71,828
Retirees and Beneficiaries		
Number	21,904	60,980
Average age	79.8	72.3
Average monthly benefit	\$3,741	\$2,164

Employees	Retirement System	Pension System
Total Membership		
Active vested	4,616	33,742
Active non-vested	3,161	37,177
Vested former members	750	22,742
Retired members	18,382	65,463
Active Members		
Number	7,777	70,919
Average age	46.0	48.9
Average years of service	13.0	11.4
Average annual salary	\$56,616	\$60,925
Retirees and Beneficiaries		
Number	18,382	65,463
Average age	73.6	71.7
Average monthly benefit	\$2,303	\$1,477

Law Enforcement Officers

Total Membership

Active vested	1,357
Active non-vested	1,379
Vested former members	295
Retired members	2,393

Active Members

Number	2,736
Average age	40.9
Average years of service	10.7
Average annual salary	\$75,601

Retirees and Beneficiaries

Number	2,393
Average age	62.5
Average monthly benefit	\$3,207

Correctional Officers

Total Membership

Active vested	4,465
Active non-vested	3,099
Vested former members	637
Retired members	6,756

Active Members

Number	7,564
Average age	44.8
Average years of service	12.4
Average annual salary	\$57,342

Retirees and Beneficiaries

Number	6,756
Average age	63.3
Average monthly benefit	\$2,099

State Police

Total Membership

Active vested	765
Active non-vested	591
Vested former members	86
Retired members	2,597

Active Members

Number	1,356
Average age	36.4
Average years of service	12.1
Average annual salary	\$90,363

Retirees and Beneficiaries

Number	2,597
Average age	65.6
Average monthly benefit	\$4,676

Judges

Total Membership

Active vested	209
Active non-vested	108
Vested former members	10
Retired members	463

Active Members

Number	317
Average age	57.3
Average years of service	8.0
Average annual salary	\$169,921

Retirees and Beneficiaries

Number	463
Average age	77.9
Average monthly benefit	\$7,727

Legislators

Total Membership

Active vested	68
Active non-vested	121
Vested former members	39
Retired members	311

Active Members

Number	189
Average age	55.1
Average years of service	9.0
Average annual salary	\$49,877

Retirees and Beneficiaries

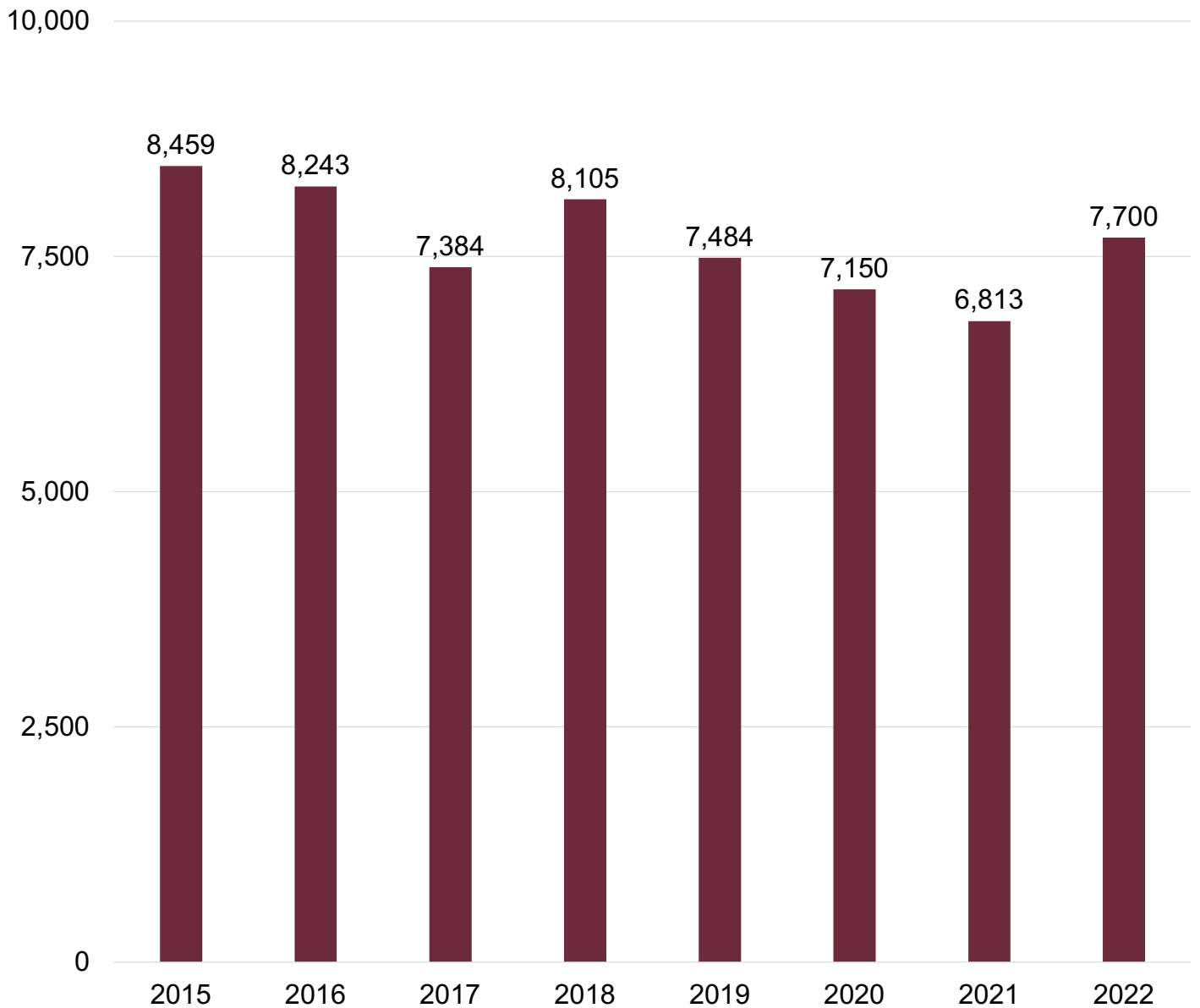
Number	311
Average age	76.6
Average monthly benefit	\$1,524

Retirees at a glance

The average MSRPS retiree:

- Had accrued 22.8 years of service at retirement
- Earned an average final salary before retirement of \$54,220
- Retired at age 61.0
- Is presently 72.9 years old
- Lives in Maryland
- Receives \$26,220 each year in MSRPS benefits

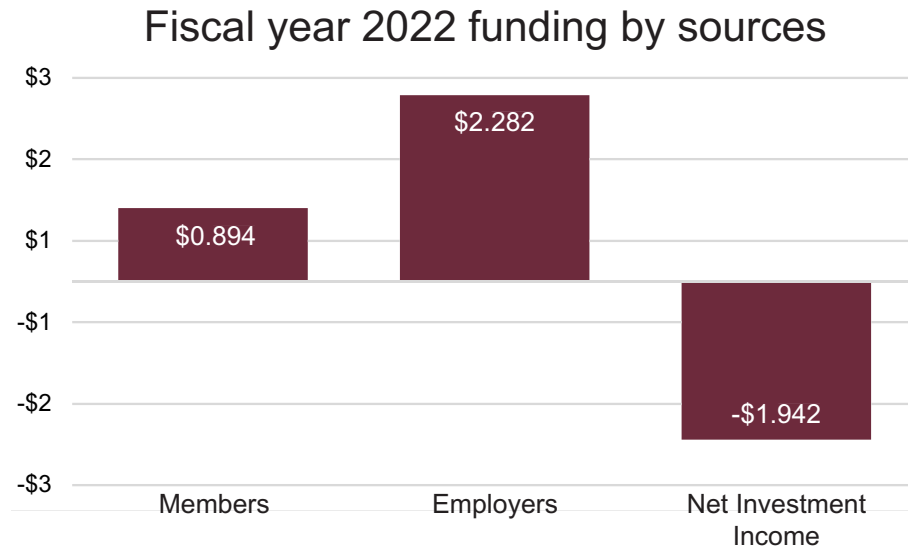
Number of retirements by fiscal year



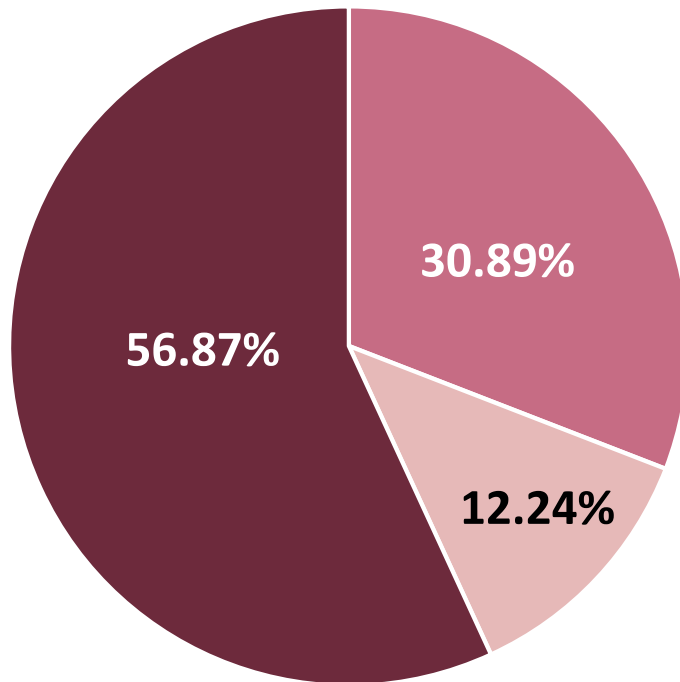
How benefits are funded

Retirement benefits are funded primarily by investment returns with the remainder coming from a combination of member and employer contributions. Dollar amounts are shown in millions.

The reserves necessary to finance retirement allowances and other benefits are accumulated through **investment earnings** and the collection of **employer and member contributions**.



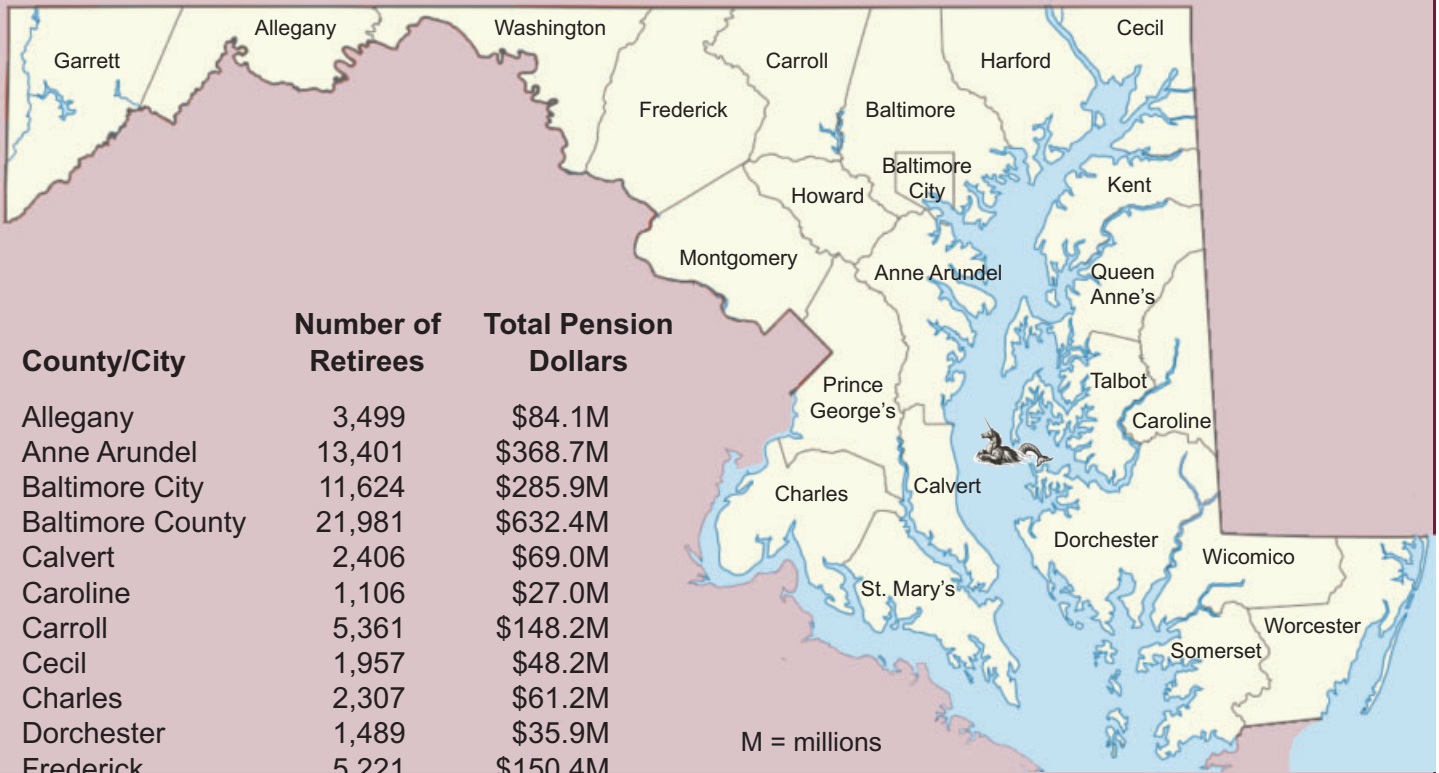
Twenty-Year Average in Contributions (As of June 30, 2022)



- Employer Contributions
- Member Contributions
- Investment Income

Local economic impact of Maryland pensions

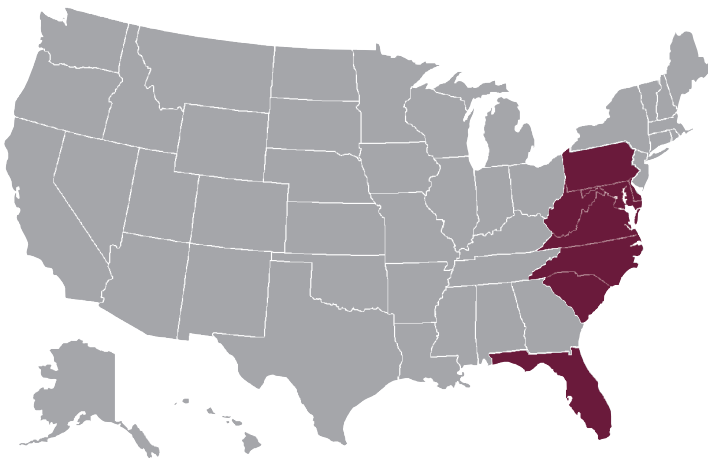
More than **\$3.40 billion** in annual pension payments stay in Maryland.



County/City	Number of Retirees	Total Pension Dollars
Allegany	3,499	\$84.1M
Anne Arundel	13,401	\$368.7M
Baltimore City	11,624	\$285.9M
Baltimore County	21,981	\$632.4M
Calvert	2,406	\$69.0M
Caroline	1,106	\$27.0M
Carroll	5,361	\$148.2M
Cecil	1,957	\$48.2M
Charles	2,307	\$61.2M
Dorchester	1,489	\$35.9M
Frederick	5,221	\$150.4M
Garrett	1,277	\$31.2M
Harford	7,226	\$200.8M
Howard	6,703	\$210.0M
Kent	750	\$19.4M
Montgomery	9,447	\$317.0M
Prince George's	10,772	\$269.9M
Queen Anne's	2,002	\$56.4M
Saint Mary's	2,193	\$54.5M

County/City	Number of Retirees	Total Pension Dollars
Somerset	1,247	\$28.1M
Talbot	1,444	\$37.6M
Washington	4,695	\$116.9M
Wicomico	3,510	\$90.8M
Worcester	2,225	\$56.6M

Where else do retirees live?



Maryland	74.6%
Florida	4.7%
Pennsylvania	3.6%
Virginia	2.6%
Delaware	2.4%
North Carolina	2.2%
South Carolina	1.5%
West Virginia	1.4%

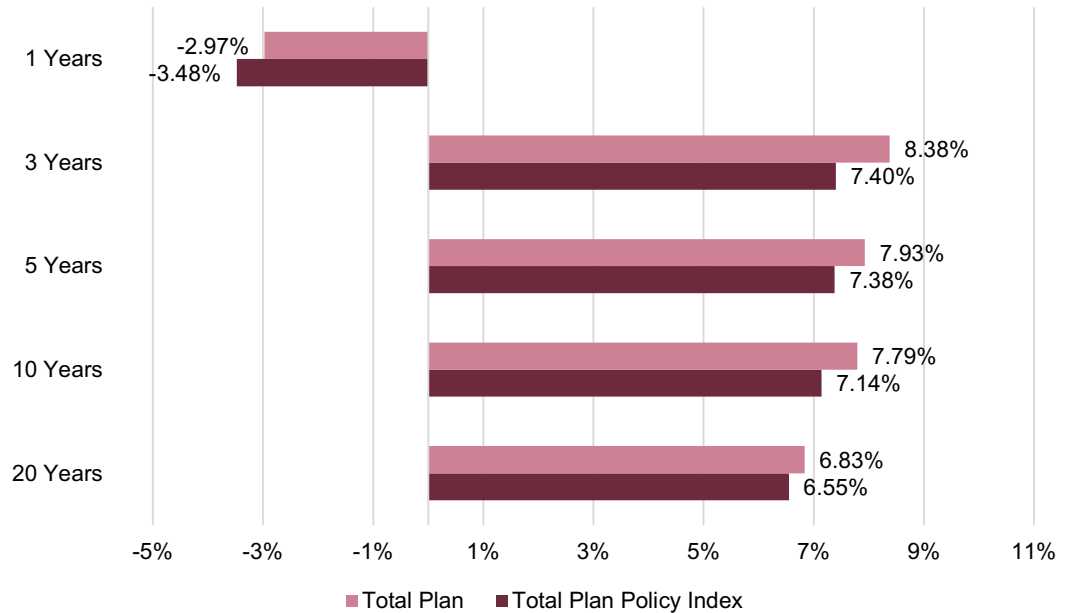
No other state is home to more than 1% of our payees.

Investments

The System generated a modestly negative return of -2.97%, net of fees, for the fiscal year ending June 30, 2022, beating its policy benchmark of -3.48%.

Portfolio Return and Benchmarks

(all based on end of fiscal year, June 30)



2011 Benefit Reform Scorecard

Reforms enacted by the Maryland General Assembly in 2011 and in subsequent years continue to show positive results for the System and, in fact, continue to exceed earlier projections (see chart below). The System is on track to be 80% funded by 2026, 85% funded by 2030 and 100% funded by 2039. The following projected June 30, 2022, results are based on the June 30, 2010, valuation.

	Before Reforms	After Reforms	Actuarial Results 2022 Valuation
Fiscal Year 2024 Contribution Rates No Reinvestment (% of Pay)			
ECS (State)	24.70%	20.29%	21.13%
TCS	22.47%	18.46%	14.86%
All State Plans	24.37%	20.15%	17.88%
June 30, 2022 Funded Ratio No Reinvestment			
All State Plans	72.6%	72.4%	72.4%
June 30, 2022 Funded Ratio Reinvestment			
All State Plans	72.6%	77.3%	76.6%

The 2010 valuation was the basis for the original estimates and projections related to potential effects of the 2011 reforms. Certain changes since implementation of reforms affect the comparability of the figures:

1. Systems are now receiving Actuarially Determined Contributions based on 25-year closed amortization of unfunded actuarial accrued liability (UAAL) ending in FY 2039. Elimination of the corridor funding method resulted in a large contribution increase for the Employees' Combined System (ECS). The change was very small for the Teachers' Combined System (TCS).
2. The General Assembly lowered reinvested savings to \$75 million from the original \$300 million in two steps beginning in FY 2014.
3. Both demographic and economic assumptions have changed since 2010 acting to increase contributions and decrease funded ratios.
4. There was an overall favorable experience since 2010 (except ECS) which decreased actuarial contribution rates and increased funded ratios.

Plan Net Position

For the Years Ended
June 30, 2022 and 2021

Amounts
expressed in
thousands

Assets	2022	Increase/ (Decrease)	2021	Increase/ (Decrease)	2020
Cash and cash equivalents and receivables	\$3,319,852	\$(116,216)	\$3,436,068	\$902,619	\$2,533,449
Collateral for securities loaned	\$4,414,793	\$(330,402)	\$4,745,195	\$603,047	4,142,148
Total investments, at fair value	\$66,429,205	\$(4,150,971)	\$70,580,176	\$12,667,037	57,913,139
Total assets	\$69,749,057	\$(4,267,187)	\$74,016,244	\$13,569,656	60,446,588
Liabilities					
Accounts payable and accrued expenses	\$65,402	\$(953)	\$66,355	\$1,790	64,565
Investment commitments payable	\$957,871	\$(642,323)	\$1,600,194	\$(53,644)	1,653,838
Obligation for collateral for loaned securities	\$4,414,793	\$(330,402)	\$4,745,195	\$603,047	4,142,148
Total liabilities	\$5,438,066	\$(973,678)	\$6,411,744	\$551,193	5,860,551
Net Position Restricted for Pensions	\$64,310,991	\$(3,293,589)	\$67,604,500	\$13,018,463	\$54,586,037

Changes in Plan Net Position

For the Years Ended
June 30, 2022 and 2021

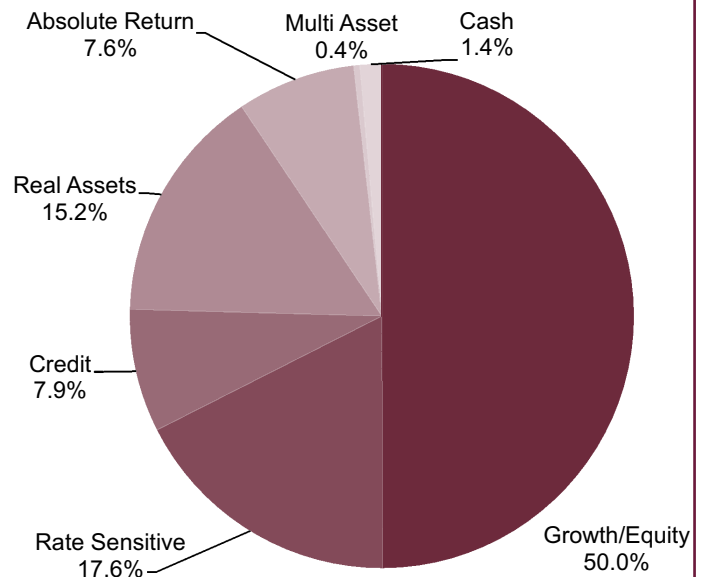
Amounts
expressed in
thousands

Additions	2022	Increase/ (Decrease)	2021	Increase/ (Decrease)	2020
Employer contributions	\$1,489,076	\$52,208	\$1,436,868	\$76,954	\$1,359,914
Employee contributions	\$894,267	\$28,529	\$865,738	\$15,440	\$850,298
State contributions on behalf of local governments	\$793,227	\$26,571	\$766,656	\$(17,493)	\$784,149
Contribution interest	-	-	-	\$(207)	\$207
Net investment income	(\$1,942,133)	\$(16,257,895)	\$14,315,762	\$12,449,123	\$1,866,639
Total additions	\$1,234,437	\$(16,150,587)	\$17,385,024	\$12,523,817	\$4,861,207
Deductions					
Benefit payments	\$4,394,350	\$141,303	\$4,253,047	\$144,555	\$4,108,492
Refunds	\$91,535	\$26,761	\$64,774	\$(3,978)	\$68,752
Administrative expenses	\$42,061	\$(6,679)	\$48,740	\$7,394	\$41,346
Total deductions	\$4,527,946	\$161,385	\$4,366,561	\$147,971	\$4,218,590
Net increase (decrease) in plan position	(\$3,293,509)	\$(16,311,972)	\$13,018,463	\$12,375,846	\$642,617
Beginning plan net position	\$67,604,500	\$13,018,463	\$54,586,037	\$642,617	\$53,943,420
Ending plan net position restricted for pensions	\$64,310,991	\$(3,293,509)	\$67,604,500	\$13,018,463	\$54,586,037

Where are plan assets invested?

Asset Allocation

	Target	June 30, 2022
Growth Equity	50% (+/-7%)	50%
Rate Sensitive	21% (+/-5%)	17.6%
Credit	8% (+/-4%)	7.9%
Real Assets	15% (+/-4%)	15.2%
Absolute Return	6% (+/-4%)	7.6%
Multi Asset	0% (0%)	0.4%
Cash	0%	1.4%



GROWTH/EQUITY includes U.S. Equity, International Developed Markets Equity, International Emerging Markets Equity, and Private Equity.

RATE SENSITIVE includes Long-Term Government Bonds, Securitized & Corporate Bonds, and Inflation-Linked Bonds.

CREDIT includes High Yield Bonds & Bank Loans and Emerging Markets Debt.

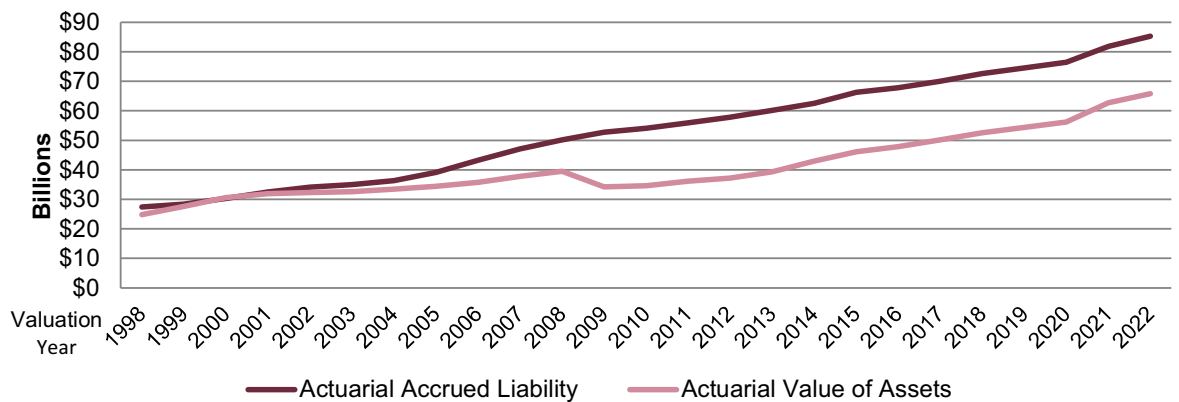
REAL ASSETS includes Real Estate, Commodities, Natural Resources and Infrastructure

ABSOLUTE RETURN includes those investments whose performance is expected to deliver absolute returns in any market conditions. The System's program may include strategies such as hedge fund of funds, multi-strategy, global tactical asset allo-

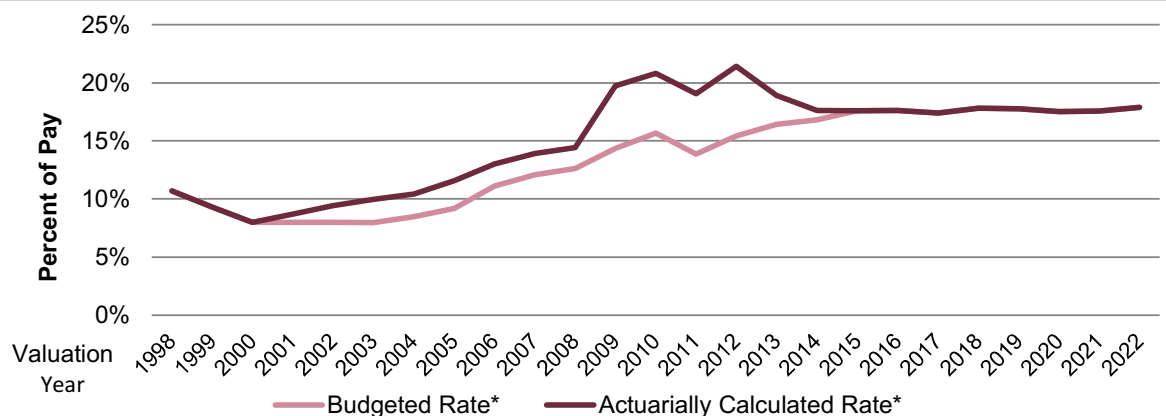
cation, event driven, relative value, macro, insurance and equity hedged.

MULTI ASSET includes a combination of different strategies that do not fall within the description of only one asset class and are expected to have performance characteristics similar to the plan.

Assets/Liabilities



State Contributions Rate



* Excludes reinvested savings in valuation years 2010. 2010 rates are prior to the 2011 General Assembly reforms.

Interested in learning more?

The Maryland State Retirement Agency provides several resources to keep members, retirees and other stakeholders informed about the financial management of the State's \$67.9 billion pension fund.

- The full 174-page Annual Comprehensive Financial Report, along with reports for prior years, are available on the Maryland State Retirement Agency website at sra.maryland.gov. From the homepage, simply click on **Investments & Financials**, then **Annual Financial Reports**.

This webpage also offers links to the Agency business plan, actuarial valuation reports and the Board of Trustees' open meeting minutes. You may review the Agency's investment policy manual and download quarterly investment performance updates.

- A dedicated email address is available for your inquiries about the Agency's investment program. Submit your questions to invest-info@sra.state.md.us. Note: Our investment staff cannot provide advice about your personal investment portfolio.
- If you prefer corresponding by mail, address your letter to the Maryland State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202-6700
- The Retirement Agency may be reached by telephone at 410-625-5555 or toll-free 1-800-492-5909.

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