

Retiree News & NOTES



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

Retirees' July benefit to reflect COLA increase

THOUSANDS OF RETIRED Maryland teachers, State Police, correctional officers and government employees will enjoy an increase to their monthly retirement benefit in July as the annual cost-of-living adjustment (COLA) takes effect.

To receive the COLA, eligible retirees must have been retired at least one full year as of July 1, 2015.

For persons who retired under the Employees' or Teachers' Retirement System OR who retired on or before July 1, 2011, the COLA rate is 1.622%.

For persons who retired after July 2011 under the Employees' or Teachers' Pension System, Law Enforcement Officers' Pension System, Maryland State Police Retirement System or Correctional Officers' Retirement System, a two-part COLA applies. In accordance with the 2011 pension reforms, the COLA rate is 1.622% for service credit earned prior to July 1,

See COLA, page 2

Andrew C. Palmer named Chief Investment Officer

FOLLOWING A NATIONWIDE SEARCH, the Board of Trustees of the Maryland State Retirement and Pension System has announced that Andrew C. Palmer has been selected as the System's Chief Investment Officer (CIO). Mr. Palmer currently serves as the Deputy CIO of the Tennessee Office of the Treasurer, which has primary investment responsibility for that state's \$43 billion Tennessee Consolidated Retirement System, similar in size to Maryland's \$46 billion System. He is scheduled to assume his new post on July 22.

"I am thankful for the opportunity to work with the Trustees and staff of MSRPS on the important work of helping to ensure retirement preparedness and security for the plan's more than 388,000 participants," said Mr. Palmer. "Every plan has its own set of circumstances and there are multiple ways to effectively address them. I am excited to work with the stakeholders to examine the existing investment program and together find ways

to enhance and strengthen the plan's ability to continue to meet the needs of its participants in the future."



Andrew C. Palmer

Mr. Palmer has extensive experience in the public and private sectors. His private sector experience began in 1985 at Bethesda, Maryland-based, ASB Capital Management. In this role, he progressed from Credit Analyst to Director of Fixed Income and developed his investment process and philosophy that produced top quartile investment products. This role also afforded him the opportunity to interact with a broad range of customers with

See CIO, page 6

Trustee Douglass retires after 11 years of Board service

TRUSTEE JOHN W. DOUGLASS, who provided important leadership during the development of the Maryland State Retirement Agency's new benefits administration computer system, has retired from the Board of Trustees of the Maryland State Retirement and Pension System after more than a decade of dedicated service.



John W. Douglass

First elected to the Board in 2004 to represent members and

retirees of the Employees' Systems, Trustee Douglass was Vice Chairman of the Audit Committee and a member of both the Investment and Administrative Committees.

Before his election to the Board, Trustee Douglass was a member of the Maryland House of Delegates from 1971 to 1994 where he served as Chairman of the Joint Budget and Audit Committee for 13 years. During his tenure in the General Assembly, he authored the state's constitutional amendment mandating a balanced budget.

On the Board, Mr. Douglass helped oversee the design and development of the Maryland Pension Administration System

(MPAS), which replaced the Retirement Agency's aging computer infrastructure.

Mr. Douglass will be succeeded on the Board of Trustees by the winner of a trustee election conducted this spring.

Trustee election results online

WHILE NOT AVAILABLE AT PRESS TIME, results of this spring's trustee election will be posted online as soon as they become available. Go to sra.maryland.gov.

COLA, from page 1

2011 and 1% for service credit earned on or after July 1, 2011.

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

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, 2015 qualifies for

this year's COLA. Those who retired after July 2014 (August 2014 or later) will receive their first COLA increase in July 2016.

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

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 Local Fire and Police System from the Employees' Retirement System, the compound rate applies.)

Legislative update

New law waives earnings limit for some teachers

A BILL OF SPECIAL INTEREST to retired teachers of the Maryland State Retirement and Pension System was enacted during the 2015 session of the Maryland General Assembly and signed into law by Governor Lawrence J. Hogan, Jr.

Senate Bill 639: Teachers' Retirement and Pension Systems – Reemployment of Retirees – Exemptions

Synopsis: This bill provides that up to five retirees, total, from the Teachers' Retirement and Pension Systems may be hired by each local school system and the Maryland School for the Deaf in any position, teaching at any school in the district, and not be subject to a reemployment earnings limitation.

For more information on earning limits, see pages 4-5.

Make sure your beneficiaries know how to file for survivor benefits

IN THE EVENT OF YOUR DEATH, will your loved ones know whom to contact to initiate any survivor benefits that may be payable?

Although it's something we don't like to think about, planning ahead will help your beneficiaries avoid confusion and unnecessary delays.

Make sure your survivors know to take the following steps at your death:

1. Contact the Maryland State Retirement Agency at 410-625-5555 or 1-800-492-5909 and follow the prompts to report the death of a retiree. A Retirement Agency staff member will ask for the name and Social Security number of the deceased retiree.

After a retiree's death is reported, the Retirement Agency determines what survivor benefit, if any, is payable to the retiree's beneficiary or beneficiaries.

2. If a benefit is payable: The designated beneficiary will be mailed a claim packet containing written instructions and

forms to complete to initiate the benefit.

If a benefit is not payable: The designated beneficiary will receive written notice by mail.

3. If the beneficiary is eligible for continued health insurance through the State of Maryland, necessary forms will be included in the claim packet issued by the Retirement Agency. If the deceased retiree retired from a county government, board of education or other participating municipality, survivors should contact that employer to determine if continuing health benefits are available.

As a retiree, you can help your loved ones avoid future confusion by keeping your beneficiary selection up to date. Remember, for most retirees, the designation of your spouse as beneficiary is not automatic. If you've experienced a marriage, divorce, the death of a spouse or the addition of a new family member since you retired, you may wish to update your beneficiary selection using the appropriate form available from the Retirement Agency.

State of Maryland health benefits open enrollment slated for fall 2015

OPEN ENROLLMENT PACKETS for retired state government employees will be mailed late September 2015 and will include information for the new web-based enrollment system. All current benefits will rollover to the new plan year starting January 1, 2016, if no open enrollment changes are made.

Visit the Employee Benefits Division website at www.dbm.maryland.gov/benefits for more information or call 410-767-4775 or 1-800-307-8283 after September 1, 2015.

Charity campaign slated

by Meredith Lonberger, Campaign Manager

THANK YOU to all the Maryland state retirees who helped our communities by contributing through the 2014 Maryland Charity Campaign! Nearly 720 of you generously gave more than \$152,000.

Please look for our 2015 pledge packet in early fall. If you do not receive one by November, contact Shawtair Thompson at Shawtair.Thompson@uwcm.org or 410-895-1493 or download a pledge card at www.mdcharity.org.

Are you subject to an earnings limit?

LIKE MANY RETIREES of the Maryland State Retirement and Pension System, you may choose to continue working during your retirement. If you do, you should be aware that certain types of employment are subject to an earnings limit.

The reemployment rules discussed here and on the following page 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 limit basics

Prior to accepting work with any participating employer — that is, any employer that offers Maryland SRPS benefits to its employees — 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 a limit?

All service retirees, returning to work for the same employer, are subject to an earnings limit.

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.

There must be at least 45 days between your last day on payroll and the date you are rehired by any participating employer. This rule applies even if you retired from an employer that has withdrawn from the SRPS. Please note that all units of Maryland state government, including the Uni-

versity System of Maryland, are considered one employer.

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.

All service retirees from the Employees', Teachers', Correctional Officers' and State Police Systems are exempt from earnings limits after five full calendar years of retirement.

Reemployment may cause significant tax consequences

UNDER NO CIRCUMSTANCES should your decision to retire be conditioned upon an offer of reemployment, and in fact, no offers of reemployment should be discussed by you and your employer prior to your retirement. If, however, after retirement you are considering reemployment with the same employer from which you retired, in addition to Maryland law regarding reemployment, there can be significant tax consequences to you and the Maryland 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 a tax penalty on your income there must be a bona fide 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 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 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.

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

Do you qualify for an earnings limit exemption?

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,
 - 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 principal's performance must be satisfactory.

Eligible teachers who retired from the Maryland School for the Deaf, and then return to work for that school, will receive this earnings limit exemption.

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

Retired teachers: See page 3 for information on new reemployment exemptions enacted this year.

Retirees from other plans

Earnings limit exemptions also apply for some other retirees. Contact the Retirement Agency for more information.

Disability retirees may be subject to an earnings limit, benefit suspension

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.

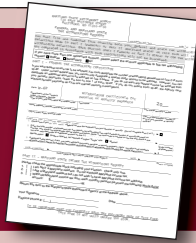
Suspension rules

An ordinary or accidental disability retiree's monthly allowance shall be temporarily suspended if the retiree:

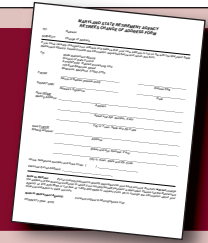
- Retired on or after July 1, 1998,
- Is not eligible to receive a normal service retirement and
- Is employed by a participating employer at an annual compensation at least equal to his or her average final compensation at time of retirement.

Important: 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.

To change your
tax withholdings,
use Form 766



To change your
home address,
use Form 77



RETIREES WHO WISH TO CHANGE THEIR INCOME TAX WITHHOLDINGS OR MAILING ADDRESS should file *Federal and Maryland State Tax Withholding Request* (Form 766) or *Retiree Change of Address* (Form 77), respectively.

Once filed with the Maryland State Retirement Agency, 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*.

If you are planning a move, make sure you continue to receive important retirement documents, such as your annual 1099-R tax form, by keeping your mailing address up to date with the Retirement Agency. Submit your address change in a **signed** letter to the Agency or use *Retirees Change of Address* (Form 77).

Both forms are available online at sra.maryland.gov or by calling or writing to the Retirement Agency.

CIO, from page 1

varying investment objectives and risk tolerances. In 2006, Mr. Palmer was appointed Director of Fixed Income with the Tennessee Treasury Department and named Deputy CIO in 2008. In these roles, he continued his strong direct investment performance, engaged external investment advisors and became immersed in the particular environment of public pension oversight.

"The State Retirement and Pension System is extremely pleased with the selection of Andy Palmer to become Chief Investment Officer," said State Treasurer Nancy K. Kopp, who

chairs the Maryland State Retirement and Pension System Board of Trustees. "He comes to Maryland with an exceptional depth of experience in managing assets for a large public pension plan such as ours. He has a strong track record of success as a portfolio manager, and with it, a vision for what is necessary for Maryland's investment program going forward. We look forward to his leadership of our highly skilled and dedicated investment team and the results their efforts will bring."

Originally from New York, Mr. Palmer was a Maryland resident

for more than three decades before heading to Tennessee. He received a BA and MA in economics from the University of Maryland at College Park. He is married and the father of three.

Mr. Palmer replaces A. Melissa Moye, Ph.D., who left the Maryland State Retirement Agency in August, 2014, to take a position with the Office of State and Local Finance at the U.S. Treasury Department in Washington, D.C. Deputy CIO Robert Burd has served as Acting CIO during the interim.

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120 East Baltimore Street
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410-625-5555
1-800-492-5909
sra.maryland.gov

EDITOR:
Benjamin Robb

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