

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

JANUARY 2021

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2021  
Pay Dates  
Inside!

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

Get answers,  
assistance  
during COVID

**NEED HELP?** While Maryland State Retirement Agency offices remain closed in compliance with coronavirus safeguards, services are still available to retirees. Answers to common questions about services during the pandemic are provided here.

**Q.** Can I speak with someone about my retirement account?

See Forms, page 6

## Get the most from your 1099-R tax statement

**INTERNAL REVENUE SERVICE TAX FORM 1099-R** will be mailed to all Maryland State Retirement and Pension System payees by the end of January 2021.

Form 1099-R provides detailed information on your pension income for the previous year.

Most payees receive only one 1099-R tax form each year. However, persons who retired in 2020 will receive a separate

1099-R tax form for any additional refunds they received, such as a refund of voluntary annuity contributions.

Additionally, retirees who turned age 59 ½ in calendar year 2020 will receive two 1099-R forms. These retirees will receive a 1099-R form for annuity payments distributed in the calendar year prior to reaching age

See 1099-R, page 2

[sra.maryland.gov](http://sra.maryland.gov)

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News  
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59 ½ with a distribution code 2. They also will receive a separate 1099-R form for annuity payments distributed in the calendar year on or after the date they reached age 59 ½ with a distribution code 7.

For your security, your 1099-R form lists only the last four digits of your Social Security number.

The following key describes some of the most important components of your 1099-R form.

### **BLOCK 1: Gross Distribution**

This is the total amount of pension benefits paid to you by the Maryland State Retirement Agency during the 2020 calendar year.

### **BLOCK 2A: Taxable Amount**

This is the taxable amount of your pension benefit. Depending on your retirement date, retirement type 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 4: Federal Income Tax Withheld**

This block shows any federal income tax deducted from your monthly pension benefit.

### **BLOCK 5: Employee Contributions**

This is the amount of your contributions that were recovered, tax free, during 2020. The dollar figure in this box does NOT represent the amount of any health insurance premiums withheld from your pension benefit.

### **BLOCK 7: Distribution Code(s)**

IRS distribution codes are explained on the back of the 1099-R form.

### **BLOCK 9B: Total Employee Contributions**

For retirees who received their first pension benefit in 2020, this block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2020 and made pension contributions will see a value in this block. For members

who retired prior to 2020, a zero will be printed in the block.

### **BLOCK 14: State Tax Withheld**

Any Maryland State income tax deducted from your monthly pension benefit is shown in this block.

### **BLOCK 19: Pick-Up Contributions**

This figure applies to members whose employers participated in the State Pick-up Program. See page 3.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.		1 Gross distribution		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
MARYLAND STATE RETIREMENT AGENCY 120 E BALTIMORE ST BALTIMORE MD 21202-6700 (410) 625-5555		\$	12,000.00	2020 Form 1099-R		
PAYER'S TIN 12-3456789		2a Taxable amount		Total distribution		
RECIPIENT'S TIN XXX-XX-6789		\$	11,000.00	Total distribution		
RECIPIENT'S name, Street address (including apt. no.), City or town, state or province, country, and ZIP or foreign postal code		2b Taxable amount not determined		4 Federal income tax withheld		
PRADEEP PAYEE 1001 RETIREMENT AVE BALTIMORE, MD 21203-0000		<input type="checkbox"/>		\$ 500.00		
10 Amount allocable to RRR within 5 years		3 Capital gain (included in box 2a)		5 Employee contributions/ Designated Roth contribution or insurance premiums		
Account number (see instructions) 000000000012345		\$ .00		\$ 1,000.00		
11 1st year of orig. Roth contrib.		6 Net unrealized appreciation in employer's securities		7 Distribution code(s)		
12 FATCA filing requirement		\$ .00		7 7		
<input type="checkbox"/>		8 OTHER		9a Your percentage of total distribution		
13 Date of payment		\$ .00		50 %		
14 State tax withheld		9b Total employee contributions		15 State/Payer's state no.		
\$ 250.00		\$ 16,068.51		MARYLAND 12-3456789		
17 Local tax withheld		16 State distribution		18 Name of locality		
\$ .00		\$ .00		BALTIMORE, MD		
19 Pick-up Contributions		\$ 3,000.00				

## Access a duplicate 1099-R form, update withholdings with mySRPS

**FOR CONVENIENT ACCESS** to a replacement 1099-R form, log on to the Maryland State Retirement Agency's new secure website, **mySRPS**, at <https://mysrps.sra.maryland.gov>. If you prefer, you can access the site from the Retirement Agency homepage. Go to [sra.maryland.gov](https://sra.maryland.gov) and click on **Duplicate 1099-R**.

You also may use **mySRPS** to update your tax withholdings. Go online to **mySRPS** at <https://mysrps.sra.maryland.gov> to update your tax withholding at any time.

# State Retirement Pick-up and your taxes

**FOR ELIGIBLE RETIREES,** Block 19 of the 1099-R form contains the amount of your tax-deferred contributions made under the Employer Pick-up Program. This figure is important for Maryland State income tax preparation.

The Employer 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 defers only federal taxes at the time the contributions are made, state income taxes were deducted.

Most members participated in the Employer 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

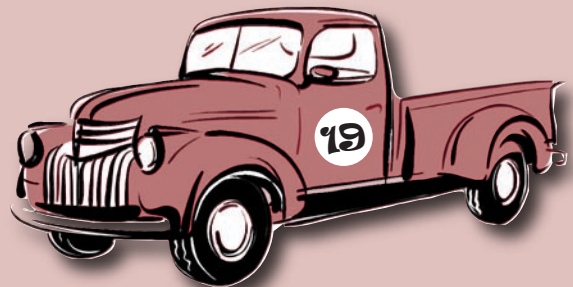
You have already paid Maryland State taxes on the pick-up contributions listed on your 1099-R. To avoid paying taxes twice, you must subtract the pick-up amount from your federal adjusted gross income shown on page 2 of your Maryland tax return (Form 502) as follows:

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.

## Did you retire in 2020?

For members who ended active employment and retired in 2020, 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 2020. This state pick-up amount serves as an addition to state income for 2020. Enter this figure on line 3 of your Maryland tax return (Form 502).



# Governor taps businessman for Board

**JAMES P. DALY, JR.**, a business leader with 40 years of investment experience, has been appointed by Governor Lawrence J. Hogan, Jr., to the Board of Trustees of the Maryland State Retirement and Pension System.

In this role, Trustee Daly will be part of the 15-member panel charged with management of the Maryland State Retirement Agency and stewardship of the System's \$57.3 billion pension fund.

Mr. Daly is founder of Brooklawn Ventures, LLC, a firm invested in Maryland-based startup companies in the healthcare, social media, life sciences, real estate and other industries. He also serves as Executive Vice President and Managing Director of Rextar, LLC, a Maryland-based

property technology startup with a mission to reduce the costs of buying and selling single family homes.

A resident of Gibson Island, Trustee Daly is President of Gibson Island Corporation where he oversees governance for island operations, employees and managers. In this volunteer position, Mr. Daly serves as chair of the Board of Directors with responsibility for island finances, land use, legal matters, facilities and resource management, safety and environmental issues, and operating policies.

Previously, Mr. Daly served 17 years as Managing Director and Director of Marketing at Legg Mason Capital Management in Baltimore where he led the firm's institutional marketing, sales and

client service efforts. Trustee Daly managed several of the firm's largest public, corporate and sovereign wealth fund client relationships and worked directly with corporation boards, fund trustees, senior investment staff and consultants.

Trustee Daly began his investment career in 1980 at Alex. Brown & Sons where he launched a new investment management group serving individual and institutional investors.

Today, Mr. Daly serves as Chair of the Advisory Board for Loyola University Maryland College of Arts and Sciences and most recently served as a member of the Maryland Health & Higher Educational Facilities Authority.

He holds a BA degree from Loyola University Maryland.

## Protect yourself from scams

**THE MARYLAND STATE RETIREMENT AGENCY** takes data security and the privacy of your personal information very seriously. It is extremely rare that you will receive an unsolicited call from us. As in all cases of an unsolicited phone call, you should not share your personal or financial information based upon that call.

Our normal office hours are Monday through Friday from 8:30 a.m. to 4:30 p.m. We do not contact customers in the evenings, on weekends, or on state holidays.

We will never call you to demand immediate repayment of an amount allegedly owed to the System. And, we will never require you to provide your bank account information so that we can directly debit your bank account, or ask you to wire transfer money to us, or to make repayment using prepaid debit, credit or gift cards.

If you are uncertain as to the legitimacy of someone representing the Maryland State Retirement Agency, please hang up and immediately contact our customer service unit at 410-625-5555 or 1-800-492-5909.

The Maryland Attorney General's Office has a booklet entitled "A Consumer Guide for Seniors" that provides valuable suggestions to help you protect your personal information. The guide can be read online at [www.oag.state.md.us/seniors.htm](http://www.oag.state.md.us/seniors.htm) or a free copy can be ordered by mail by calling 410-576-6500.

Another valuable source of information regarding the prevention of fraudulent and deceptive business practices is the Federal Trade Commission. Their article "How Not to Get Hooked by a 'Phishing' Scam" can be found at: [www.ftc.gov](http://www.ftc.gov).

# System earns 3.6% during volatile FY '20

*Fund grows \$563 million to nearly \$55 billion*

## THE MARYLAND STATE

Retirement and Pension System investment portfolio returned 3.57%, net of fees, for the fiscal year that ended June 30, 2020, reflecting the ongoing impact of the COVID-19 pandemic on global markets.

Although the fiscal year earnings fell short of the System's 7.40% assumed actuarial return rate, it exceeded the policy benchmark of 3.14% by 43 basis points. The policy benchmark is a standard for comparing a portfolio's performance in the market from which the manager selects securities. The fund's performance raised the system's assets to \$54.8 billion, an increase of \$563 million over last year.

"It was a difficult year to generate the System's long-term actuarial rate of 7.4%," said Andrew C. Palmer, Chief Investment Officer. "Of our major

asset classes, only our rate sensitive portfolio (investment grade and inflation protected bonds) generated returns above the actuarial rate. Private equity was the best performer on a relative basis, exceeding the benchmark by 4.4%. The System was fortunate to have an allocation to long duration bonds and limited exposure to sectors that struggled such as energy, commodities and retail. Active managers had an unusually large range of under and out performance, but overall were additive to the return."

"With lessons learned from the Great Recession a decade ago, the Board of Trustees has carefully designed a well-balanced portfolio of investments to mitigate against events like the COVID-19 pandemic," said



Andrew C. Palmer, Chief Investment Officer, and Treasurer Nancy K. Kopp, Board Chair

State Treasurer Nancy K. Kopp, Chair of the System's Board of Trustees. "It's important to remember that we are long-term investors who make decisions based on an investment horizon that stretches across decades. Over the last 10 years, earnings have averaged 7.6%, above the plan's expected rate of return and consistent with the Board's investment policy."

Asset Class	Allocation	Return	Benchmark	Excess
Private Equity	14.2%	2.46%	-1.94%	4.41%
Public Equity	36.1%	2.00%	0.36%	1.64%
Real Assets	11.9%	-4.43%	-2.97%	-1.45%
Absolute Return	7.8%	-2.47%	-0.12%	-2.35%
Credit	9.3%	-0.43%	-0.06%	0.37%
Rate Sensitive	18.6%	18.10%	17.15%	0.94%
Multi Asset	1.5%	2.93%	2.99%	-0.06%
Cash	0.5%	5.08%	1.56%	3.52%
<b>Total</b>	<b>100.0%</b>	<b>3.57%</b>	<b>3.14%</b>	<b>0.43%</b>

**A.** Yes! Call 410-625-5555 or toll-free 1-800-492-5909 to speak with a retirement benefits specialist weekdays from 8:30 a.m. to 4:30 p.m. If you prefer, email your questions to [sra@sra.state.md.us](mailto:sra@sra.state.md.us). Please avoid including personal information, such as your Social Security number.

**Q.** How do I access Retirement Agency forms?

**A.** Retirement forms are available online at [sra.maryland.gov](http://sra.maryland.gov) or by calling or writing to the Retirement Agency.

**Q.** Where should I submit completed forms?

**A.** Retirement Agency forms are not effective until they are received in Retirement Agency offices in Baltimore.

Some Retirement Agency forms also require notarization, as indicated in the form's printed instructions.

Mail completed forms to the Maryland State Retirement Agency, 120 East Baltimore Street, Baltimore, MD 21202-6700. If you prefer, you may fax forms to 410-468-1700.

For added security, you may wish to contact the Retirement Agency to confirm receipt of your forms or other documents.

**Q.** How do I change my income tax withholdings?

**A.** Go online to our new secure website, **mySRPS**, at

## Clip & Save: 2021 Payment dates

**THE SCHEDULE FOR DIRECT DEPOSIT** of retirement benefits for calendar year 2021 has been announced by the Maryland State Retirement Agency. For retirees with an approved waiver, mailed check delivery dates also are listed.

### Date direct deposit is credited to retirees' accounts

- Friday, January 29
- Friday, February 26
- Wednesday, March 31
- Friday, April 30
- Friday, May 28
- Wednesday, June 30
- Friday, July 30
- Tuesday, August 31
- Thursday, September 30
- Friday, October 29
- Tuesday, November 30
- Thursday, December 30

### Date post office begins to deliver retirement checks

- Saturday, January 30
- Saturday, February 27
- Wednesday, March 31
- Friday, April 30
- Saturday, May 29
- Wednesday, June 30
- Saturday, July 31
- Tuesday, August 31
- Thursday, September 30
- Saturday, October 30
- Tuesday, November 30
- Thursday, December 30

Following a retiree's month of retirement, deposit advice slips are distributed only in January and July or when a retiree's benefit. Retirees may obtain their payment information at any time by accessing our new secure website, mySRPS, at <https://mysrsp.sra.maryland.gov>, or by using our automated telephone system at 410-625-5555 or 1-800-492-5909.

<https://mysrps.sra.maryland.gov> to update your tax withholding at any time. Or, 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 [sra.maryland.gov](http://sra.maryland.gov) or by calling

or writing to the Retirement Agency.

Form 766 revokes all prior federal and state tax withholding elections. You must fill out *both* sections of the form *even if you wish to update only one portion of your withholdings*.

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