

Retiree News & Notes



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

JANUARY 2022

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Inside:
Payment
dates for
2022

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

Investment returns top 26%

Fund grows more than \$13B to nearly \$68B

THE MARYLAND State Retirement and Pension System portfolio returned a record-setting 26.7%, net of fees, on investments for the fiscal year that ended June 30, 2021. The fiscal year earnings far exceeded the System's 7.40% actuarial assumed rate of return and surpassed its policy benchmark of

Earns, page 5

Historic earnings move plan close to 80% funded

ACTUARIES for the Maryland State Retirement and Pension System have valued the plan at nearly 77% funded.

The System's independent actuary, Gabriel Roeder Smith & Co., reported that due to the System's extraordinary earnings of 26.7% for the fiscal year which ended June 30, 2021, its funded ratio has increased to 76.9%, up from 73.6% reported the previous fiscal year. The

System is on track to be 80% funded by 2026; 85% funded by 2030; and 100% funded by 2039.

Based on the actuarial valuation, the System's Board of Trustees is required to certify to the Governor and the Secretary of the Department of Budget and Management, prior to the upcoming legislative session, the rates to be used to deter-

Funded, page 6

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Retiree News & Notes

Your 1099-R form makes tax time less taxing

INTERNAL REVENUE SERVICE TAX FORM

1099-R will be mailed to all Maryland State Retirement and Pension System payees by the end of January 2022.

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 2021 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 2021

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 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.

PAYER'S name, street address, city or town, state or province, county, ZIP or foreign postal code, and telephone no.		1 Gross distribution \$		OMB No. 1545-0119 2021 Form 1099-R		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		2a Taxable amount \$		Total distribution <input type="checkbox"/>		Copy 1 For State, City, or Local Tax Department	
PAYER'S TIN 52-6104406		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$			
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, county, and ZIP or foreign postal code		5 Employee contributions/ Designated Roth contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$			
RECIPIENT'S TIN		7 Distribution code(s) IRA/SEP/SIMPLE <input type="checkbox"/>		8 OTHER \$ %			
10 Amount allocable to IRR within 5 years \$		11 1st year of desig. Roth contrib.		12 FATCA filing requirement <input type="checkbox"/>		9a Your percentage of total distribution %	
13 Date of payment		14 State tax withheld \$		15 State/Payer's state no. MARYLAND 52-6104406		9b Total employee contributions \$	
17 Local tax withheld \$		18 Name of locality		16 State distribution \$		19 Pick-up Contributions \$	

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Some 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 2021 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 2021. 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 2021, this

block contains the value of any contributions made during employment that can be recovered tax-free. Only members who retired in 2021 and made pension contributions will see a value in this block. For members who retired prior to 2021, 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.

State Employer 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 deter-

mined 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 2021?

For members who ended active employment and retired in 2021, 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 2021. This state pick-up amount serves as an addition to state income for 2021. Enter this figure on line 3 of your Maryland tax return (Form 502).

*Why wait on the phone? Use **mySRPS!***

**Print your 1099-R form,
access account info online**

FOR CONVENIENT ACCESS to a replacement 1099-R form, log on to the Maryland State Retirement Agency's new secure website, **mySRPS**.

How to access mySRPS

- Enter this URL into your browser
<https://mysrps.sra.maryland.gov>.
- Go to **sra.maryland.gov** and click **mySRPS** in the top-right corner of the homepage.
- Scan the QR code in this article.

In addition to accessing your 1099-R form, you can use **mySRPS** to update your tax withholdings and print up to five years of retirement payment records.



To ensure you receive important information such as deposit advice notices, annual 1099-R forms and this newsletter by mail, you also can use **mySRPS** to update your home address.

Kopp retires from Board, leaves fund secure

NANCY K. KOPP, who led the Maryland State Retirement and Pension System during nearly two decades of unprecedented change and growth, was feted at the Maryland State Retirement Agency on her retirement after four decades of public service.

As Chair of the Board of Trustees, the six-term Maryland State Treasurer helped navigate two historic endeavors: the replacement of an antiquated computer mainframe with a state-of-the-art pension administration system and the passage of the most extensive legislative pension reform in the plan's his-

tory. These landmark achievements set the System on course for a secure future.

Chair Kopp, who previously served 27 years in the Maryland General Assembly, leaves the System ahead of schedule in funding and on track to be fully funded by 2039.

A Board resolution presented to the lifelong public servant described her as “a master of consensus-building and collaboration, encouraging all trustees and professional staff to contribute to important discussions and considering all viewpoints before rendering her...decision.”



Trustee David R. Brinkley, State Budget Secretary, presented retiring Board Chair Nancy K. Kopp with a citation from Governor Lawrence J. Hogan, Jr.

Several changes on Board of Trustees noted

THE SECOND HALF of 2021 witnessed a flurry of personnel changes on the Board of Trustees of the Maryland State Retirement and Pension System.

New Treasurer joins Board

Dereck E. Davis became the newest member of the Board with his election as State Treasurer by the Maryland General Assembly in December 2021. He succeeds retiring Treasurer and Board Chair Nancy K. Kopp.

Treasurer Davis, a member of the House of Delegates since January 1995 and Chair of the Economic Matters Committee for nearly two decades, brings a wealth of financial and governmental experience to his role as an ex officio member of the Board. He was elected Vice Chair of the Board by his fellow Trustees at their December meeting.

Trustee Davis is employed by Prince George's County as Deputy Director for the Office of Community Relations. He holds bachelor's and master's degrees from the University of Maryland, College Park, in political science and public policy, respectively.

Appointees conclude service

Three gubernatorial appointees to the Board stepped down in December 2021 after more than 20 combined years of service.

Trustees Eric D. Brotman, David B. Hamilton and Linda A. Herman served six, six and eight years, respectively, providing consistent and dedicated leadership. Their valued service was recognized by their fellow Trustees with resolutions thanking them for their contributions to the plan.

Trustee Craddock reelected

Trustee Jamaal R. A. Craddock, who has served as Employees' Systems representative on the Board since 2018, was re-elected to a second four-year term by members and retirees of the System. His new term began August 1, 2021.

State Police election slated

Maryland State Troopers will elect a representative to the Board in an election slated for this spring.

Both retired and active members of the Maryland State Police Retirement System may vote. Election materials will be mailed to eligible voters on May 20, 2022. The successful candidate will serve a term in office from August 1, 2022, through July 31, 2026.

Board votes to reduce assumed rate

THE BOARD OF TRUSTEES OF the Maryland State Retirement and Pension System voted last summer to lower the fund's actuarial assumed rate of return on investments from 7.40% to 6.80% effective July 1, 2022 for fiscal year 2023. The Board

based its decision upon an analysis by its actuary.

"The Board is committed to improving the strength of our retirement System and sustaining the State's promise of a secure retirement for its members," noted State Treasurer

Nancy K. Kopp, Board Chair. "The Board has taken this action in recognition of ongoing changes in the financial markets, even as the System continues to achieve the investment returns required over the long term."

Earns, from page 1

24.41 by 230 basis points. The fund's performance raised the System's assets to \$67.9 billion, an increase of \$13.3 billion over the prior fiscal year.

The performance of the fund over 10-year, 5-year, 3-year and 1-year periods are all above the 7.4% return assumption at 8.2%, 10.7%, 11.8% and 26.7%, respectively.

"It was an extraordinary year for the performance of System assets, the best in 35 years," said Andrew C. Palmer, Chief Investment Officer. "The attractive investment opportunities provided by the pandemic and subsequent monetary and fiscal policy responses are apparent in the rearview mirror but were not always clear in real time. Fortunately, working with the Board and the investment staff, the System was able to fully participate in the very strong returns available in most markets. Importantly, the System maintained its moderate risk posture and portfolio implementation, resulting in impressive risk-adjusted returns as well."

"The Board of Trustees has carefully designed a well-balanced portfolio of investments to meet its obligations to benefici-

Asset Performance for Fiscal Year 2021

Asset Class	Asset Allocation	Return	Benchmark	Excess
Private Equity	17.1%	51.85%	53.13%	-1.28%
Public Equity	35.6%	44.54%	40.52%	4.02%
Real Assets	11.2%	14.81%	16.30%	-1.49%
Absolute Return	8.7%	15.51%	15.72%	-0.21%
Credit	9.2%	14.36%	12.82%	1.53%
Rate Sensitive	15.9%	-2.53%	-3.91%	1.37%
Multi Asset	1.0%	24.11%	24.41%	-0.31%
Cash	1.4%	0.13%	0.08%	0.05%
Total	100.0%	26.69%	24.42%	2.27%

aries," said State Treasurer Nancy K. Kopp, Chair of the System's Board of Trustees. "The last two years have demonstrated the overall effectiveness of the Board's investment strategy, preserving value during the volatile market environment resulting from the COVID-19 pandemic and fully participating in the strong growth as economies rebounded. It's important to remember that we are long-term

investors who need to balance the liquidity requirements to meet current benefit payments with the objective of generating returns for future benefit payments over an investment horizon that stretches across decades. Over the last 10 years, investment returns have averaged 8.2%, exceeding the plan's expected rate of return and consistent with the Board's investment policy."

Working retirees may have an earnings limit

RETIREES WHO RETURN to the workforce may wish to pursue a new career, stay active or simply earn extra income. Whatever the reason, retirees receiving a monthly benefit from the Maryland State Retirement and Pension System should be aware of state and federal laws governing reemployment. In some situations, Maryland state law limits the amount you can earn without incurring a reduction of your pension.

Know the rules

An explanation of reemployment regulations is available online. Go to sra.maryland.gov and click on **Retirees**, then **Reemployment After Retirement**.

These regulations also are described in the forms you completed at retirement.

Clip & Save: 2022 Payment dates

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2022 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

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

Date post office begins to deliver retirement checks

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

Following a retiree's month of retirement, deposit advice slips are mailed only in January and July or when a benefit change occurs. Retirees may obtain their payment information at any time by accessing our secure website, **mySRPS**, at <https://mysrps.sra.maryland.gov>.

Funded, from page 1

mine the amounts to be paid to the System by the state. The average state contribution rate increased by only 0.05% of payroll this year. The Board certified the fiscal year 2021 actuarial valuation in October 2021.

Reforms enacted by the Maryland General Assembly in 2011 and in subsequent years continue to show positive results for the System and continue to match or, in fact, exceed projections made at the time of the

reforms. Required employer contributions for fiscal year 2023 are projected to be 17.55% of payroll, significantly lower than the 20.03% predicted at the time of the 2011 reforms.

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