

Retiree News & NOTES



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

JULY 2009
VOL. 27 NO. 2

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

Two candidates qualify for seats on Board

TWO CANDIDATES FOR THE BOARD OF TRUSTEES OF THE STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND were successful in collecting the 500 required signatures to vie for seats on the Board this spring.

As the only qualified candidates, incumbent teachers' representative William D. Brown and incumbent employees' representative Sheila Hill will retain their Board seats.

Because Mr. Brown and Ms. Hill are unchallenged, a trustee election will not be conducted. The two incumbents will continue to serve on the Board and will begin new four-year terms beginning August 1, 2009. Mr. Brown has served on the Board since 1997 and Ms. Hill since 2004.

The Board of Trustees is charged with the fiduciary responsibility for properly administering the retirement and pension allowances of more than 115,000 retirees and beneficiaries as well as the future benefits for more than 197,000 active members. These groups include state government employees, teachers, law enforcement personnel, legislators, judges, local government employees and fire fighters whose employers have elected to participate in the System.

Retirees' COLA for July 2009 is 3.839%; Pension System retirees' COLA capped at 3%

ELIGIBLE RETIREES WILL RECEIVE A SLIGHTLY LARGER RETIREMENT PAYMENT in July as the annual cost-of-living adjustment (COLA) takes effect.

This year's adjustment has been set at 3.839%. This COLA rate exceeds the system limit or cap in place for retirees of the Pension Systems (see below for details).

Answers to retirees' most common COLA questions are provided below.

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, 2009, qualifies for this year's COLA. Those who retired after July 2008 (August 2008 or later) will receive their first COLA increase in July 2010.

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

Q. Which payment shows the new COLA increase?

A. Qualifying retirees will see the adjustment in their July 31, 2009 benefit payments.

Q. Does my system limit its COLA?

A. Certain State Retirement and Pension System plans limit the COLA rate a retiree may receive. Although the rate for 2009 is 3.839%, retirement law caps the COLA at 3% for Pension System retirees. Review the following list to determine if your COLA will be capped this year.

- Employees' and Teachers' Alternate Contributory, Contributory and Non-Contributory Pension System - 3.0% cap
- Employees' and Teachers' Retirement System
 - Plan A - No cap
 - Plan B - 5.0% cap
 - Plan C - A dual calculation applies: no cap or a 5.0% cap on funds paid out under the retirement system and a 3.0% cap on the portion paid out under the pension system.
- State Police Retirement System
 - No cap
- Correctional Officers' Retirement System
 - No cap
- Law Enforcement Officers' Pension System (LEOPS)
 - 3.0% cap (LEOPS retirees who transferred from Plan A or Plan B of the Employees' Retirement System and did not elect the

How employment affects your retirement check

FOR RETIREES OF THE STATE RETIREMENT AND PENSION SYSTEM (SRPS), certain types of employment are subject to an earnings limit. Reemployment rules discussed here apply for most retirees. Special rules apply for retired judges, legislators, State Police and law enforcement officers. Contact the Retirement Agency for details.

Earnings Limits

If your compensation from employment after retirement exceeds your earnings limit, your benefit may be reduced. Prior to accepting work with *any* participating employer, 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 an earnings limit?

All service retirees, returning to work for the same employer, 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 the same employer. All units of Maryland State government, including the University of Maryland, are considered to be one employer.

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.

Service retirees are exempt from earnings limits after nine full calendar years of retirement. (This exemption does not apply to retired judges or legislators.)

Special Exemption for teachers and principals

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 retiree's performance must be satisfactory.

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

Special exemption for health care practitioners

Retirees from the Employees' Systems who are receiving a service retirement benefit are exempt from an earnings limit if employed by the Department of Health and Mental Hygiene as contractual health care practitioners in certain state facilities or local health departments.

Special exemption for correctional officers

Retirees from the Correctional Officers' Retirement System who are receiving a service retirement benefit are exempt from an earnings limit if employed on a contractual basis for not more than four years by the Division of Corrections, the Division of Pretrial Detention and Services, or the Patuxent Institution as correctional officers in correctional facilities defined in §1-101 of the Correctional Services Article.

Special exemption for State Police

Retirees from the State Police Retirement System who are receiving a service retirement benefit and are under age 60 are exempt from an earnings limit if employed on a contractual basis with the State Police as a Trooper First Class for not more than four years. The legislation also extends survivor and special disability benefits for these retirees.

See How employment affects your retirement, page 3

2009 Maryland Charity Campaign: “We Care”

ONCE AGAIN, THE MARYLAND CHARITY CAMPAIGN HAD A BANNER YEAR. The 2008 Campaign raised an incredible \$4,054,145! And Maryland State retirees played an important part in making this possible. Because of your generosity, we raised \$237,868.60!

The 2009 Maryland Charity Campaign is about to begin. This year’s theme, “We Care,” is particularly appropriate when we think of the many people who are being affected by today’s economy. Because “We Care,” the Campaign is committed to providing support for families, friends and neighbors who need our help and the means to build stronger and healthier communities across the state.

You can make a difference – particularly at this time when charities are being stretched because of increasing demands for services. You have an opportunity to direct your donation to those nonprofits that have a special place in your heart. Your gift can help furnish food for the hungry, shelter for victims of domestic violence, energy assistance for the elderly, scholarships for promising students, homes for abused animals, tools for cleaning the environment or critical advances in medicine.

Imagine the impact of your gift. For example, \$5 per week or \$260 per year can provide daily transportation to and from a senior center for one senior, or one year of school-based services for a child victimized by

abuse. A Leadership Gift of \$500 can supply one ton – 2,000 pounds – of food. That translates to 1,612 meals for hungry Marylanders across the state!

The campaign kicks off in September 2009, so be on the lookout for your pledge card to arrive in the mail. With over 900 participating charities, your donation can help ensure that their services remain available. It’s never been more important to give. If you do not receive a pledge card, please contact Andrea Hill at andrea.hill@uwcm.org or 410-895-1493 or visit our Web site www.mdcharity.org to download a pledge form.

How employment affects your retirement, continued from page 2

Reemployment rules for disability retirees

Earnings limit

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.

Note: 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.

Additional reemployment rules

If you are considering reemployment with the *same employer* from whom you retired, you should also be aware of the following important information.

There can be significant consequences to you and the 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 this penalty, a bona fide separation must occur.

While the IRS has not specifically defined what constitutes a bona fide separation from service, it is clear that the more differences 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 from service.

If after retirement you consider reemployment with your former employer, you may wish to review and discuss this information with the employer and your tax advisor. Failure to do so could result in a significant tax penalty on your income.

Marylanders go all-out for complete count in Census 2010

WITH BILLIONS OF DOLLARS OF FEDERAL FUNDING AT STAKE, Marylanders from Oakland to Ocean City are busy making preparations for Census Day, April 1, 2010.

The importance of the U.S. Census cannot be overstated. By answering the Census, services and programs like job training, education, health care and transit improvements will serve Maryland communities for years to come. An undercount of as little as 1.7%, or 100,000 of Maryland's 5.8 million residents, translates to a loss of \$1 billion in federal revenue over the decade and considerably more in state funds distribution.

To achieve the goal of a complete count of every Marylander, Governor Martin O'Malley has launched an active outreach plan to be implemented under the leadership of the Maryland Department of Planning, the official state partner to the U.S. Census Bureau, along with the Office of the Secretary of State and the Governor's Office of Community Initiatives.

The 2010 Census will have one of the shortest Census questionnaires in the history of the United States, dating back to the nation's first Census in 1790. The 2010 Census will ask for name, gender, age, race, ethnicity, relationship and whether the householder owns or rents his or her home. The Census form will take only about 10 minutes on average to complete, and answers are protected by law and strictly confidential.

Why is the Census so important?

- The federal government uses Census numbers to allocate more than \$300 billion in federal

funds annually for community programs and services, such as education, housing and community development, health care services for the elderly, job training and more. In fiscal year 2007, Maryland received more than \$5.8 billion in federal formula-based grants. That's \$1,000 for every Maryland resident!

- State, local and tribal governments use Census information for planning and allocating funds for new school construction, libraries and other public buildings, highway safety and public transportation systems, new roads and bridges, location of police and fire departments, and many other projects.
- Community organizations use Census information to develop social service programs, community action projects, senior lunch programs and child-care centers.
- The numbers help businesses identify where to locate factories, shopping centers, movie theaters, banks and offices — activities that often lead to new jobs.
- The Census totals are used to determine how many seats each state will have in the U.S. House of Representatives. In addition, states use the numbers to allocate seats in their state legislatures.

How can I help?

At the center of achieving a complete count is the creation of Complete Count Committees. These teams are commissioned by state and local government and community leaders to:



- Motivate volunteers to get involved
- Urge participation in the Census
- Conduct targeted outreach within neighborhoods and communities identified as "hard to count"
- Give true expression to the campaign theme "The Success of the Census, It's in Our Hands Maryland!"
- Ignite community participation in the 2010 Census. For information about forming a Complete Count Committee, contact a Census Bureau Regional Office at www.census.gov/field/www

You also may apply for short-term employment with the Census. Peak hiring will occur from February 2009 through May 2010, with most jobs lasting five to 10 weeks. By the end of the 2010 Census, the Census Bureau will have employed about 1.4 million temporary workers in communities across the U.S.

To apply for a Census job, call toll free 1-866-861-2010.

More information about the 2010 Census can be found at www.mdp.state.md.us/msdc/Census2010.htm or www.census.gov/2010census

American Recovery and Reinvestment Act affects payees' monthly benefit payments

RETIREES AND BENEFICIARIES WHO RECEIVE A MONTHLY RETIREMENT PAYMENT from the Maryland State Retirement Agency may have noticed a recent change in the amount of their net benefit payments. With the passage of the federal American Recovery and Reinvestment Act of 2009, the Internal Revenue Service issued new tax withholding tables that apply to all taxpayers, including retirees. The new tax withholding tables were changed to reflect a new tax credit, the "Making Work Pay Credit," and a one-time stimulus payment, the "Economic Recovery Payment," provided by this piece of federal legislation.

The State Retirement Agency began using the new tax withholding tables in March and sent out advice slips

and an enclosed letter to retirees for whom we withhold federal taxes to make them aware of the change. Generally, the new withholding tables result in less federal taxes being withheld. In April, we sent out a follow up letter to these retirees along with a Federal and Maryland State Tax Withholding Request form and advised them to meet with their tax professional to determine if any changes needed to be made to the amount of federal taxes being deducted. So far, we have received thousands of new Federal and Maryland State Tax Withholding Request forms from our retirees as a result of the recent changes and our communications.

We continue to encourage all retirees to speak with their tax professional to ensure that the amount of federal taxes being withheld from

their monthly retirement payments is appropriate for their individual situations. Not having enough taxes withheld from your monthly retirement payment can result in your owing additional taxes and even penalties and interest when you complete your yearly tax return.

If you need a new *Federal and Maryland State Tax Withholding Request* form (Form 766) to make a change to your federal tax withholdings, please download the form from our Web site at www.sra.state.md.us or call a Retirement Benefits Specialist at 410-625-5555 or 1-800-492-5909. We are happy to assist you with any questions about the form or your account in general, but please remember that we cannot provide you with tax advice.

Need to change your tax withholdings?

RETIREES WHO WISH TO UPDATE THEIR TAX WITHHOLDING ELECTIONS MUST 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 www.sra.state.md.us or by calling or writing to the State Retirement Agency.

Current Internal Revenue Service (IRS) tax regulations require your federal tax withholding to be calculated using IRS tax withholding tables. You can no longer designate only a specific dollar amount to be withheld for federal tax. You must first designate your marital status and number of allowances on line 2 of the form. Then you can designate an additional amount to be withheld on Part I, line 3 of Form 766.

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 prior 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.**

STATE RETIREMENT AGENCY
120 EAST BALTIMORE STREET
BALTIMORE, MARYLAND 21202-6700

FEDERAL AND MARYLAND STATE TAX WITHHOLDING REQUEST

You must file one combined form covering both your Federal and State tax withholding elections. This form 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, the SRA shall delete your prior Federal tax withholdings.

PART I - FEDERAL TAX WITHHOLDING CERTIFICATE

If you want federal income tax to be withheld, you cannot only designate a specific dollar amount to be withheld. However, you can designate an additional amount to be withheld on line 3 below. If you do not want any federal income tax withheld from your periodic payments, check the box on line 1 of Form W-4P. If you do not submit Form W-4P, the Agency must withhold periodic payments as if you are married claiming 3 exemptions.

Form **W-4P**

Department of the Treasury
Internal Revenue Service

Type or print your full name and middle initial: _____ Last name: _____

Home address number and street or rural route: _____ City or town, state, and ZIP code: _____ Your social security number: **20** _____

Complete the following applicable lines:

1. Check here if you do not want any federal income tax withheld from your pension or annuity. (Do not complete lines 2 or 3.)

2. Total number of allowances and marital status you are claiming for withholding from each periodic pension or annuity payment. (You may also designate an additional dollar amount on line 3.)

Marital status: Single Married Married, but withheld at higher "single" rate

3. Additional amount, if any, you want withheld from each pension or annuity payment. (Note: For periodic payments, you should enter an amount, not a percentage. Do not include the number, including level, of allowances on line 2.) \$ _____

Your signature: _____ Date: _____

PART II - MARYLAND STATE INCOME TAX WITHHOLDING REQUEST

Please check the appropriate block indicating your election. Check only one.

1. I am NOT a Maryland resident. Do not withhold Maryland income tax.

2. I AM a Maryland resident. Do not withhold Maryland income tax.

3. Withhold Maryland income tax from each monthly pension payment the following whole dollar amount: \$ _____

Return this form to the State Retirement Agency of Maryland at the address above.

Signature: _____ Daytime Phone #: () _____ Date: _____

IT IS IMPORTANT THAT YOU CAREFULLY READ THE REVERSE SIDE OF THIS FORM.

FORM 766 (Rev. 3/2009)

Legislative update

THE 2009 MARYLAND GENERAL ASSEMBLY ENACTED SEVERAL BILLS OF SPECIAL INTEREST to retirees of the State Retirement and Pension System (SRPS). The new legislation was signed into law by Governor Martin O'Malley and became effective July 1.

Chapter 561, Acts of 2009: Compliance with Federal Tax Provisions (SB 592)

Synopsis: Brings state retirement law into compliance with federal regulations so that 1) benefits forfeited by a member or former member are used only to reduce employer contributions and

2) eligible beneficiaries may rollover their benefit into qualified retirement plans. The legislation also permits benefit rollovers by a member's spouse or former spouse who is an alternate payee under an eligible domestic relations order.

Chapter 473, Acts of 2009: Reemployment of Retirees – Health Care Practitioners (HB 1513)

Synopsis: Waives the earnings limit indefinitely for retirees of the Employees' Systems who return to work on a contractual basis as health care practitioners. Previous law limited the waiver to four years.

Chapter 644, Acts of 2009: State Police Retirement System – Reemployment of Retirees (HB 1495)

Synopsis: Waives the earnings limit and extends survivor and special disability benefits for up to four years for retired State troopers who are under age 60 and return to contractual employment with the State Police as a Trooper First Class. Also extends survivor and special disability benefits to retired State troopers rehired as helicopter pilots for the Maryland State Police Aviation Command.

COLA, continued from page 1

contributory Law Enforcement Officers' Modified Pension Benefit have either no cap [Plan A] or a 5% cap [Plan B].)

- Judges' Retirement System Retired judges receive a COLA based on increases received by sitting (active) judges.
- Local Fire and Police System 3% cap (Retirees who transferred into this plan from the Employees' Retirement System are not subject to a cap.)

Q. How is the annual COLA increase calculated?

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 the following systems:

- Employees' and Teachers' Alternate Contributory Pension Selection
- Employees' and Teachers' Contributory Pension System
- Employees' and Teachers' Retirement System
- State Police Retirement System
- Correctional Officers' Retirement System
- Law Enforcement Officers' Pension System

The **simple rate** applies for eligible retirees of the following systems:

- Employees' Non-Contributory Pension System
- Local Fire and Police System (For retirees who transferred into this plan from the Employees' Retirement System, the compound rate applies.)

Q. How is the COLA rate determined?

A. The COLA rate is based on the Consumer Price Index (all urban consumers – United States city average – all items) as published by the United States Department of Labor, Bureau of Labor Statistics. Under Maryland law, the COLA rate is determined "by dividing the Consumer Price Index for the calendar year ending December 31 in the preceding fiscal year by the Consumer Price Index for the calendar year ending December 31 in the second preceding fiscal year."

Retiree News is published by
The State Retirement Agency
120 East Baltimore Street
Baltimore, MD 21202-6700
410-625-5555
1-800-492-5909
www.sra.state.md.us

EDITOR:
Benjamin Robb

BOARD OF TRUSTEES

Nancy K. Kopp
CHAIRMAN

Peter Franchot
VICE CHAIRMAN

R. Dean Kenderdine
SECRETARY

David S. Blitzstein
William D. Brown
John W. Douglass
T. Eloise Foster
James M. Harkins
Sheila Hill

F. Patrick Hughes
Morris L. Krome
Theresa Lochte
Robert W. Schaefer
Harold Zirkin
Thurman W. Zollicoffer, Jr.