# SRPS

## 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, 2017

2017

# 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 though 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

I t is my pleasure to present our first-ever Popular Annual Financial Report (PAFR) for the Maryland State Retirement and Pension System (MSRPS), summarizing what is found in the lengthier and more technical Comprehensive Annual Financial Report (CAFR) that we publish each year. The PAFR, instead, presents the operating results achieved for the fiscal year that ended June 30, 2017 in an easier to digest format for anyone who wants to review the health of the retirement fund.

Simply said, fiscal year 2017 was a good one for the System. As you'll see inside, our investment portfolio returned 10.02 percent on investments—exceeding the 7.55 percent assumed actuarial return rate and the plan's investment policy benchmark of 9.90 percent. After the payment of benefits, the market value of assets increased by roughly $3.62 billion from $45.36 billion on June 30, 2016 to $48.99 billion on June 30, 2017.

MSRPS is responsible for properly administering retirement, disability, and survivor 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 currently provides monthly allowances to more than 156,000 retirees and beneficiaries, and is an essential element of the future financial security for nearly 193,000 active participating members.

Active members, retirees and beneficiaries of the plan can be assured that the Board of Trustees is discharging its fiduciary responsibilities in a prudent and thoughtful manner. While the focus on investing tends to be on returns, the Board recognizes that risk is an important part of the equation. Therefore, the System's asset allocation is well balanced and diversified, and is 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 by the Legislature enacted in 2011 continue to bear positive results on the System. In 2011, immediately following the enactment of the reforms, actuaries for the System and the Legislature projected that the System's funded status would increase from its fiscal 2011 level of 63.1 percent to 64.5 percent by fiscal 2017. In fact, by the end of fiscal 2017 (June 30, 2017) the System's actual funded status was 70.1 percent.

I hope you will find this publication helpful and informative. If you find yourself wanting more, please read the CAFR at www.sra.maryland.gov/Agency/Downloads/CAFR/Default.aspx.

R. Dean Kenderdine

# Members at a glance

| | |
|---|---|
| Total membership | **402,736** |
| Inactive members | **53,628** |
| Benefit recipients | **156,366** |
| Active members | **192,742** |

## Teachers

| | Retirement System | Pension System |
|---|---:|---:|
| **Total Membership** | | |
| Active vested | 537 | 71,150 |
| Active non-vested | 0 | 34,615 |
| Vested former members | 268 | 25,225 |
| Retired members | 26,762 | 48,747 |
| **Active Members** | | |
| Number | 537 | 105,765 |
| Average age | 66.2 | 44.9 |
| Average years of service | 41.2 | 11.8 |
| Average annual salary | $96,530 | $63,622 |
| **Retirees and Beneficiaries** | | |
| Number | 26,762 | 48,747 |
| Average age | 77.3 | 70.4 |
| Average monthly benefit | $3,165 | $1,832 |

## Employees

| | Retirement System* | Pension System |
|---|---:|---:|
| **Total Membership** | | |
| Active vested | 5,772 | 47,139 |
| Active non-vested | 1,860 | 27,316 |
| Vested former members | 777 | 26,960 |
| Retired members | 20,734 | 55,206 |
| **Active Members** | | |
| Number | 7,632 | 74,455 |
| Average age | 45.4 | 48.6 |
| Average years of service | 13.9 | 12.0 |
| Average annual salary | $51,021 | $52,779 |
| **Retirees and Beneficiaries** | | |
| Number | 20,734 | 55,206 |
| Average age | 73.4 | 69.8 |
| Average monthly benefit | $1,921 | $1,213 |

*Includes State correctional officers*

## State Police

| | |
|---|---:|
| **Total Membership** | |
| Active vested | 972 |
| Active non-vested | 399 |
| Vested former members | 90 |
| Retired members | 2,572 |
| **Active Members** | |
| Number | 1,371 |
| Average age | 35.9 |
| Average years of service | 11.6 |
| Average annual salary | $73,220 |
| **Retirees and Beneficiaries** | |
| Number | 2,572 |
| Average age | 63.5 |
| Average monthly benefit | $3,896 |

## Law Enforcement Officers

| | |
|---|---:|
| **Total Membership** | |
| Active vested | 1,702 |
| Active non-vested | 872 |
| Vested former members | 295 |
| Retired members | 1,896 |
| **Active Members** | |
| Number | 2,574 |
| Average age | 41.3 |
| Average years of service | 10.8 |
| Average annual salary | $64,709 |
| **Retirees and Beneficiaries** | |
| Number | 1,896 |
| Average age | 60.1 |
| Average monthly benefit | $2,854 |

## Judges

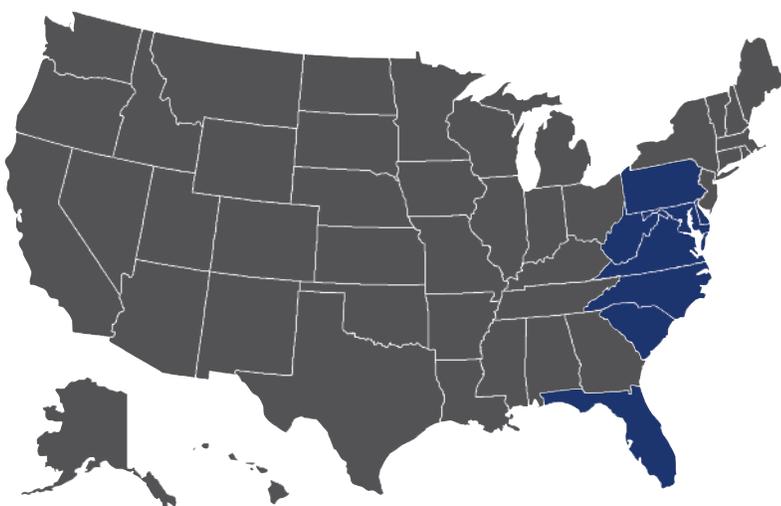| | |
|---|---:|
| **Total Membership** | |
| Active vested | 204 |
| Active non-vested | 108 |
| Vested former members | 9 |
| Retired members | 417 |
| **Active Members** | |
| Number | 312 |
| Average age | 57.9 |
| Average years of service | 8.7 |
| Average annual salary | $150,242 |
| **Retirees and Beneficiaries** | |
| Number | 417 |
| Average age | 77.3 |
| Average monthly benefit | $6,267 |

# Retirees at a glance

## The average MSRA retiree:

- Had accrued 22.7 years of service at retirement
- Earned an average final salary before retirement of $49,029
- Retired at age 60.6
- Is presently 71.5 years old
- Receives $22,941 each year in MSRPS benefits



1,146 $1.9M

3,255 $5.6M

4,327 $7.8M

5,032 $10.1M

6,577 $13.3M

1,822 $3.2M

4,602 $9.7M

20,704 $43.9M

11,684 $21.0M

663 $1.2M

6,032 $13.9M

8,662 $21.5M

12,587 $25.1M

1,740 $3.5M

1,021 $1.8M

1,335 $2.5M

10,172 $18.4M

2,053 $4.3M

2,082 $4.1M

1,381 $2.4M

1,816 $3.3M

3,250 $6.0M

1,962 $3.5M

1,142 $1.8M

### Legend
number of retirees
total pension dollars

M = millions

## Local economic impact of Maryland pensions

Nearly $2.8 billion in annual pension payments stay in Maryland.

## Where else do retirees live?



| Maryland | 76.3% |
|---|---|
| Florida | 4.5% |
| Pennsylvania | 3.4% |
| Virginia | 2.5% |
| North Carolina | 2.0% |
| Delaware | 2.0% |
| West Virginia | 1.3% |
| South Carolina | 1.2% |

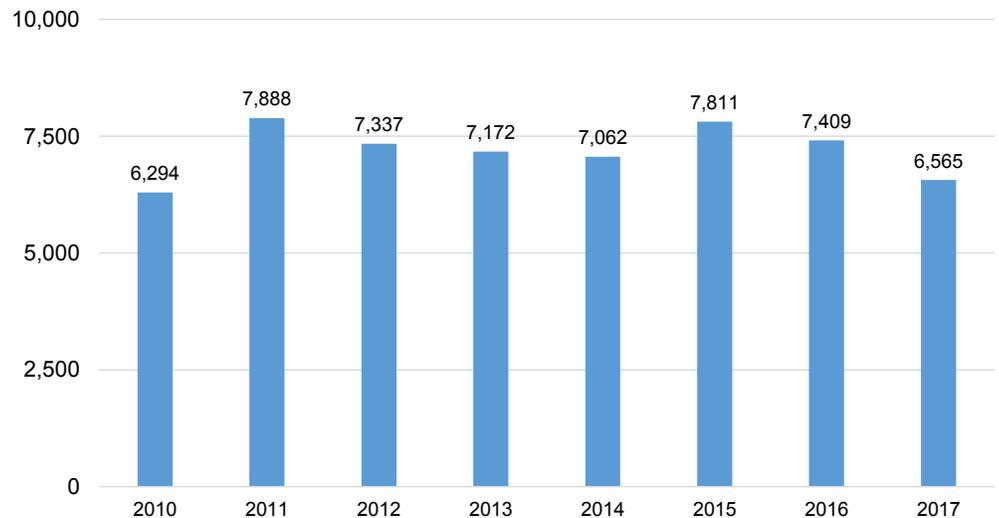No other states have more than 1% of our payees.

# Retirees

## Maryland State Retirement Agency Pension Dollar

**Seventy-two cents** of every $1 paid to MSRA retirees comes from investment income and member contributions.

11¢
Member
Contributions

61¢
Investment
Income

28¢
Employer
Contributions

## Number of retirements by fiscal year

| Year | Retirements |
|------|-------------|
| 2010 | 6,294 |
| 2011 | 7,888 |
| 2012 | 7,337 |
| 2013 | 7,172 |
| 2014 | 7,062 |
| 2015 | 7,811 |
| 2016 | 7,409 |
| 2017 | 6,565 |

# Investments

The System's investment portfolio returned 10.02 percent on investments for the fiscal year 2017—exceeding the plan's 7.55 percent assumed actuarial return rate and 9.90 percent policy benchmark.

After the payment of benefits, the market value of assets increased by roughly $3.62 billion from $45.36 billion on June 30, 2016 to $48.99 billion on June 30, 2017.

## Fiscal Year Earnings

| Year | Earnings |
| --- | --- |
| 2017 | 10.02% |
| 2016 | 1.16% |
| 2015 | 2.68% |
| 2014 | 14.37% |
| 2013 | 10.60% |
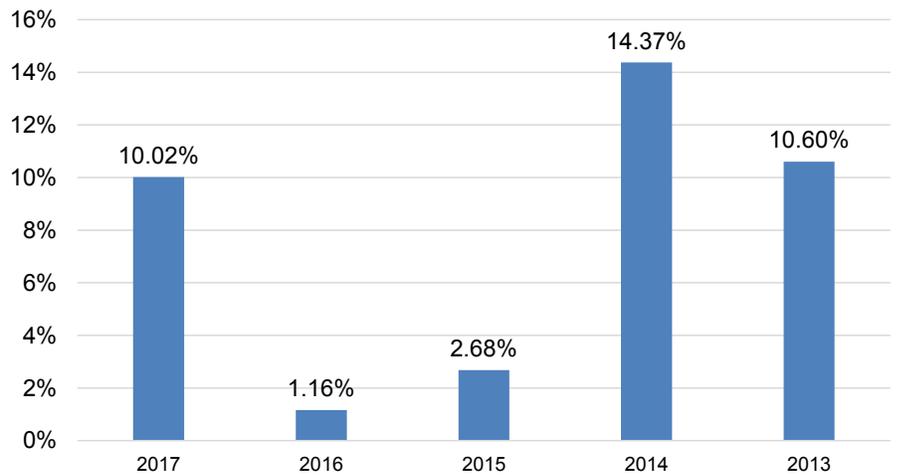
# Where your money is invested

## Asset Allocation

|  | Target | June 30, 2017 |
| --- | --- | --- |
| Growth/Equity | 47% (+/-5) | 49.0% |
| Rate Sensitive | 21% (+/-5) | 21.0% |
| Credit | 9% (+/-4) | 9.5% |
| Real Assets | 15% (+/-4) | 12.1% |
| Absolute Return | 8% (+/-4) | 7.2% |
| Cash | 0% | 1.2% |

**GROWTH/EQUITY** includes U.S. Equity, International Developed Markets Equity, International Emerging Markets Equity, and Private Equity.
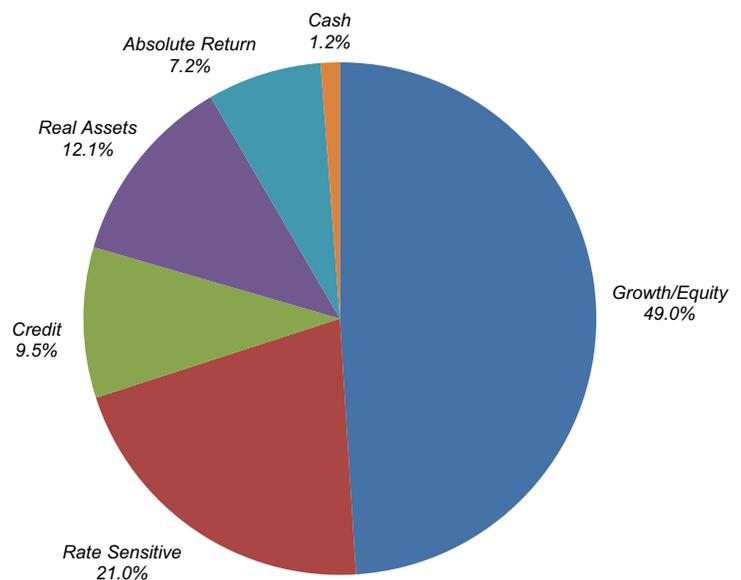
**RATE SENSITIVE** includes Long-Term Government Bonds, Securitized & Corporate Bonds, and Inflation-Linked Bonds.

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

**REAL ASSETS** includes Real Estate, Commodities, Natural Resources and Infrastructure
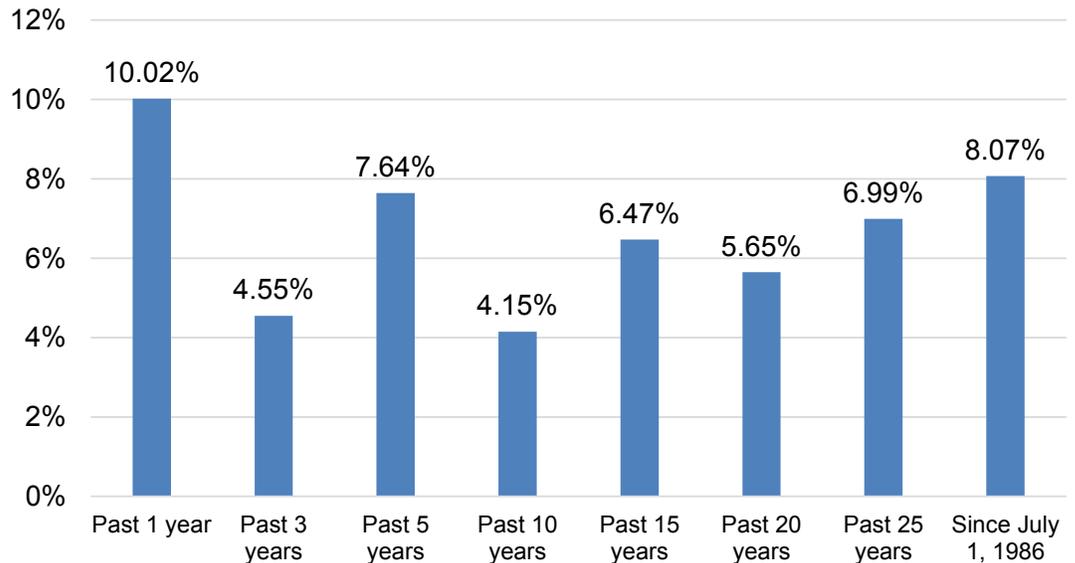
**ABSOLUTE RETURN** includes those investments whose performance is expected to deliver absolute returns in any market conditions. The System's program may include strategies such as hedge fund of funds, multi-strategy, global tactical asset allocation, event driven, relative value, macro, insurance and equity hedged.

Pie chart:
- Cash 1.2%
- Absolute Return 7.2%
- Real Assets 12.1%
- Credit 9.5%
- Rate Sensitive 21.0%
- Growth/Equity 49.0%

**Indexed Assets** - $7.3 billion as of June 30, 2017 (22.1 percent of total assets)

# Investment History

## Average Investment Returns

| Period | Return |
|---|---|
| Past 1 year | 10.02% |
| Past 3 years | 4.55% |
| Past 5 years | 7.64% |
| Past 10 years | 4.15% |
| Past 15 years | 6.47% |
| Past 20 years | 5.65% |
| Past 25 years | 6.99% |
| Since July 1, 1986 | 8.07% |

# 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 $50 billion pension fund.

- The full 142-page Comprehensive Annual 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 **Agency**, then **Comprehensive 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.