

# Retiree News & NOTES



MARYLAND  
STATE RETIREMENT  
and PENSION SYSTEM

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

## COLA increase effective this July for eligible retirees

**RETIREES AND BENEFICIARIES** of the Maryland State Retirement and Pension System will receive an increase in their retirement payment effective this July as the annual cost-of-living adjustment (COLA) takes effect.

For all eligible retirees who retired on or before July 1, 2015, the COLA increase will be 0.119%. Since this year's COLA rate does not exceed the system limit or cap in place for retirees of the Pension System, all eligible retirees will receive the full COLA.

Members who retired after July 1, 2015, are not eligible for a COLA until they have been retired one full year as of July 1.

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

### Frequently asked questions

**Q.** Who qualifies to receive the COLA this July?

See COLA, page 2

## Gov. Hogan taps Messrs. Brotman, DiPaula, Hamilton, Johnson for Board

**GOVERNOR LAWRENCE J. HOGAN, JR.**, has appointed four financial and legal professionals to serve on the Board of Trustees of the Maryland State Retirement and Pension System (SRPS).

Trustees Eric D. Brotman, James "Chip" DiPaula and Charles W. Johnson each began four-year terms on the Board in January. Trustee David B. Hamilton will begin his four-year term in August.

The Board of Trustees is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency.

Trustees Brotman, DiPaula, Hamilton and Johnson succeed departing Trustees Robert R. Hagans, Jr., Harold Zirkin, David S. Blitzstein and Thurman W. Zollicoffer, Jr., who provided a combined 28 years of dedicated service and committed leadership to the \$45 billion defined benefit plan.



Trustees Eric D. Brotman, James "Chip" DiPaula, David B. Hamilton and Charles W. Johnson, clockwise from top left, are Gubernatorial appointees to the Maryland State Retirement and Pension System Board.



See Board, page 5

# Legislative update

**TWO BILLS OF SPECIAL INTEREST** to retirees of the Maryland State Retirement and Pension System were enacted during the 2016 session of the Maryland General Assembly and signed into law by Governor Lawrence J. Hogan, Jr.

## **Chapter 196 of 2016: Teachers' Retirement and Pension Systems — Reemployment of Retirees — Clarification**

*Synopsis:* Clarifies that local school systems may hire up to five retirees, total, from the Teachers' Retirement and Pension Systems, combined, to work in any position at any public school and be exempt from the reemployment earnings limitation. The intent of this legislation was to address confusion that occurred following the passage of Chapter 189 of 2015.

## **Chapter 212 of 2016: State Retirement and Pension System — Reemployment of Ordinary Disability Retirees — Earnings Limitation**

*Synopsis:* Amends the earnings limitation provision for ordinary disability benefits to provide for an exemption from the limitation and corresponding offset if the retiree's average final compensation at the time of retirement was less than \$25,000.

For more information on earnings limits, see pages 3-4.

## Keep your address up to date with the Retirement Agency

**FOR YOUR SECURITY**, your signature must appear on any request to update your mailing address with the Maryland State Retirement Agency. If you've experienced a move, please submit your change of address as follows:

■ Submit a *Retiree Change of Address* (Form 77) to the Retirement Agency. Forms are

available at [sra.maryland.gov](http://sra.maryland.gov) or by calling 410-625-5555 or 1-800-492-5909.

■ Request the change by letter. In your correspondence, please include the last four digits of your Social Security number or your 11-digit identification number (printed on the Automatic Deposit Advice you received with this newsletter).

### *COLA, from page 1*

**A.** A retiree who has completed at least one year of retirement as of July 1, 2016, qualifies for this year's COLA. Those who retired after July 2015 (August 2015 or later) will receive their first COLA increase in July 2017.

**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.)

## Maryland state retiree open enrollment slated for calendar year 2017

**ATTENTION RETIREES OF MARYLAND STATE GOVERNMENT AGENCIES:** If you are enrolled in health benefits, look for your Open Enrollment packets in the mail at the end of September 2016. Please read your Open Enrollment packet carefully and don't miss this opportunity to make changes to your health benefits. Any changes you make during Open Enrollment will have a January 1, 2017, effective date.

For state health benefit updates go to [www.dbm.maryland.gov/benefits](http://www.dbm.maryland.gov/benefits) or call 410-767-4775 or 1-800-307-8283.

**Note:** The Maryland State Retirement Agency does not administer health benefits and staff cannot answer health benefits questions.

# Earnings limits may apply during retirement

**RETIREEES** of the Maryland State Retirement and Pension System return to the workforce for many reasons: To pursue new interests, keep active in the community or simply to earn extra money. If you do seek reemployment after retirement, however, you should be aware that certain types of employment are subject to an earnings limit.

The rules discussed here apply for most retirees. Contact the Maryland State Retirement Agency for special provisions for retired judges, legislators, State Police and law enforcement officers.

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 University 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.

## Informational video

To view an online video detailing the possible consequences of reemployment, visit the Retirement Agency website at [sra.maryland.gov](http://sra.maryland.gov) and click on the YouTube or Vimeo icons. The 9-minute video is titled "Reemployment After Retirement."

## Teachers, others eligible for earnings limit exemptions

**RETIREEES WHO MEET THE FOLLOWING CRITERIA** are exempt from an earnings limit.

**Note:** While this article deals specifically with retired teachers and principals, earnings limit exemptions also apply for some other retirees. Contact the Retirement Agency at 410-625-5555 or 1-800-492-5909 for more information.

### 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,

See *Exemptions*, page 4

# Reemployment and taxes

**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.

### *Exemptions, from page 3*

- 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.

Additionally, 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.

# Reemployment for disability retirees

**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 those who retired with an average final compensation less than \$25,000 are exempt from earnings limits, as are accidental disability retirees.

### **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.

*Board, from page 1*

### **Trustee Eric. D Brotman**

Mr. Brotman, CFP, AEP, MSFS, is President and Managing Principal of Brotman Financial Group, Inc., an independent firm assisting clients with wealth creation, preservation, and distribution. Mr. Brotman began his financial planning practice in Baltimore in 1994, and founded Brotman Financial Group in 2003.

He is a 2006 alumnus of Leadership Baltimore County and a 2009 alumnus of Leadership Maryland, where he serves as Chairman of the Board of Directors. Mr. Brotman also serves on the Board of Trustees and is Chairman of the University Advancement Committee at Stevenson University. He is a Past-President and Chairman of the Board of the Financial Planning Association of Maryland.

Mr. Brotman appears regularly on "11 News Sunday Morning" on WBAL TV and often writes for a variety of publications including "The Wall Street Journal," "The Baltimore Sun," "Baltimore Business Journal," and "The Daily Record." His second book, "Retire Wealthy: The Tools You Need to Help Build Lasting Wealth – On Your Own or With Your Financial Advisor," was published in 2014. Mr. Brotman was recognized as one of the "Maryland Power Players" by "The Gazette of Politics and Business" in 2010 and was named one of the "Very Important Professionals" by "The Daily Record" in 2011.

Mr. Brotman holds a Bachelor of Arts degree from the University of Pennsylvania. He earned his Certified Financial Planner (CFP) certification in 1998, and completed his Master's Degree

in Financial Services (MSFS) at the American College in 2003. He is a Registered Representative and Investment Advisor Representative with NFP Advisor Services, LLC.

### **Trustee James "Chip" DiPaula**

Mr. DiPaula brings more than three decades of hands-on budgeting and management experience to the Board of Trustees. He returns to the board, having last served 12 years ago as an ex-officio member in his role as Secretary of the Maryland Department of Budget and Management in the administration of Governor Robert L. Ehrlich, Jr.

During his tenure as budget secretary, Mr. DiPaula was responsible for overseeing a \$26 billion budget and 88,000 state employees. Subsequently, Mr. DiPaula served as the Governor's Chief of Staff. In these roles, Mr. DiPaula was the Governor's chief fiscal advisor and Chief Operating Officer for state operations.

Mr. DiPaula is co-founder of Flywheel Digital, an e-commerce agency that manages brand campaigns for many of the world's top consumer products companies.

An accomplished strategist, Mr. DiPaula has held many leadership positions including Chief Executive Officer, and Convention Manager for the 2000 Republican National Convention in Philadelphia.

Born and raised in Baltimore, Mr. DiPaula holds a Bachelor's degree in business administration from Towson University.

### **Trustee David B. Hamilton**

David B. Hamilton is the Managing Partner of the Baltimore office of Womble Carlyle Sandridge & Rice, LLP. He helped establish the office in 2007, expanding Womble Carlyle's footprint into Maryland.

Mr. Hamilton previously served on the SRPS Board from 2003 to 2007. Recently, Gov. Hogan appointed Mr. Hamilton to the Appellate Judicial Nominating Commission.

Mr. Hamilton practices in the firm's Antitrust and Business Litigation Practice Groups, with experience in antitrust, class action, trade secrets, RICO, mergers and acquisitions, shareholder and partnerships disputes, franchise and other business competition claims. He has vast experience working on complex disputes with many of the cases arising from health care, technology, banking and real estate matters. He has handled numerous cases involving multiple parties in large complex matters and has litigated cases in state and federal courts throughout the United States.

Prior to joining Womble Carlyle, Mr. Hamilton was a Principal at Ober Kaler in Baltimore and co-chaired the litigation department and chaired the government relations practice group. He focused on business litigation and complex commercial disputes.

Mr. Hamilton has been named as a Maryland Super Lawyer in civil litigation/defense since 2007 also in antitrust and in business litigation. He was recently selected by his peers for inclusion in The Best Lawyers in

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America® 2016 in the fields of Commercial Litigation, Litigation – Antitrust and Litigation – Mergers and Acquisitions.

Mr. Hamilton received his J.D. from the University of Maryland School of Law and holds Bachelor's and Master's degrees in political science from Duquesne University.

### Trustee Charles W. Johnson

Mr. Johnson has been an Equity Trader since 1972 and has worked at a number of renowned and boutique investment firms, including Allen & Company; Kidder, Peabody & Co.; Brean Murray Foster Securities; and Blaylock & Partners. Currently, he is affiliated with Greentree Brokerage Services, Inc., in Philadelphia.

With most of these firms, Mr. Johnson has been the Managing Director of Equity Sales, Trading and Syndicate activities. For Blaylock and Partners, he was responsible for the development of the company's equity group, which included trading, sales and syndications for domestic and international stocks. While a Vice President at Kidder Peabody and Co., Inc., in New York, Mr. Johnson established the firm's NASDAQ Block Trading Department. He was a frequent stock market commentator on CNBC.

With a commitment to active involvement and contributions to

## Important reminder for retirees who selected Option 5 or 6 at retirement

RETIREMENT OPTIONS 2, 3, 5 AND 6 are dual-life annuities that provide a benefit throughout the life of the retiree and then provide a continuing monthly benefit to a sole surviving beneficiary.

Retirement Options 5 and 6 also include a special "pop-up" provision that is not offered by Options 2 and 3. The "pop-up" provision included under Options 5 and 6 provides that if your beneficiary dies before you, your reduced monthly benefit will "pop-up" to the un-reduced Basic Allowance for the remainder of your life, or until you name a new beneficiary.

It is very important for a retiree who selected Option 5 or 6 at retirement to notify the Maryland State Retirement Agency as soon as possible upon the death of a beneficiary. Without this notification, the Agency will

not "pop-up" the retiree's reduced monthly benefit to the un-reduced Basic Allowance.

If you are not sure which option you selected at retirement, please refer to the Notice of Retirement Allowance mailed to you by the Agency at your initial retirement date or call the Agency's Interactive Voice Response System at 410-625-5555 or 1-800-492-5909 and follow these instructions: Press 1 at the Main Menu, press 2 to hear options for retirees, enter your nine-digit Social Security number, enter your 4 digit personal identification number\*, and then press 3 to hear information about the retirement option you selected.

\*Your personal identification number, or PIN, is the month and year of your retirement. For example, if you retired April 2008, your PIN would be 0408.

his community, Mr. Johnson has a particular interest in the financial well-being of his church's affairs. He is a member of the Investment Committee of the Episcopal Diocese of Maryland; a past Director of the Episcopal Church Foundation; and a past Trustee of Berkeley Divinity School at Yale University. He was also a Trustee of the Walters Art Museum. Mr. Johnson is

a member of the Old Blue Rugby Football Club and was inducted into its Hall of Fame in 2009.

Mr. Johnson received his MBA in Finance from Columbia University's Graduate School of Business and his Bachelor of Arts from Columbia College of Columbia University. He holds Series 7, 24, 55 and 63 licenses. He resides in Baltimore.

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