

Retiree News & NOTES



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

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

Major Morris L. Krome reelected to board

AS THE ONLY CANDIDATE TO COLLECT THE 100 REQUIRED NOMINATION SIGNATURES, Major

Morris L. Krome was reelected this spring to the board of trustees of the Maryland State Retirement and Pension System.



Major Morris Krome

He will continue to represent the interests of active and retired Maryland State Troopers in his new term which runs August 1, 2010 through July 31, 2014.

Major Krome, who has served as a trustee since 1998, is vice chairman of the board's administrative committee. He also serves on the investment and audit committees.

A career officer, Major Krome retired in 1991 from the Maryland State Police after 31 years of service.

No cost-of-living adjustment payable for fiscal year 2011

RETIREES AND BENEFICIARIES OF THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM will not receive a cost-of-living adjustment to their monthly benefits in fiscal year 2011, which began July 1, 2010.

A decline in the Consumer Price Index would have decreased retirement benefits, but to avoid such a reduction, Governor Martin O'Malley signed into law a bill passed by the General Assembly keeping retirement benefits steady for fiscal year 2011. The negative COLA will instead be deducted from next year's expected positive COLA.

Answers to frequently asked questions about the COLA are provided here:

Q. What is COLA?

A. COLA is an abbreviation for cost-of-living adjustment. Normally, eligible retirees who have been retired for at least twelve months as of July 1 receive a COLA effective with their July benefit payment.

The annual COLA does not apply to most legislative or

judicial retirees. These retirees receive adjustments based on the increases received by active legislators and judges.

- Q. Why is the Maryland State Retirement and Pension System not paying a COLA to its retirees and beneficiaries this year?**
- A. This year saw an unprecedented negative COLA for state retirees and beneficiaries that could have reduced their monthly benefit payment. Under legislation signed by Governor O'Malley (House Bill 775 and Senate Bill 317), monthly benefit payments will remain at their current levels. The Agency does not have any administrative discretion to grant an adjustment.
- Q. What would have been the COLA for July 2010?**
- A. Based on the CPI as determined by the U. S. Department of Labor, Bureau of Labor Statistics, the COLA was a negative .356%, the first decline on an annual basis since 1954.

See Cost-of-living, page 3

How employment affects your retirement check

FOR RETIREES OF THE MARYLAND 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

Prior to accepting work with *any* participating employer, you must notify the Retirement Agency in writing of your anticipated earnings. If your compensation from participating employment after retirement exceeds your earnings limit, your benefit may be reduced.

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 participating employer, only early service retirees within the first 12 months of retirement are subject to an earnings limit.

Effective July 1, 2010, members 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, with the exception of retired judges and legislators, are exempt from earnings limits after nine full calendar years of retirement.

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.

See Reemployment, page 5

2010 Maryland Charity Campaign: More Than Ever

By Kelly Hepler, manager,
Maryland Charity Campaign

MARYLAND STATE RETIREES RAISED AN ASTOUNDING \$212,623 during the 2009 Maryland Charity Campaign! Even more impressive: did you know that the donations coming from retirees are on average \$20 higher than those coming from current employees? That deserves a pat on the back! We couldn't have done it without you!

At a time in our nation when public services and government funded programs are being evaluated for efficiency and effectiveness, some even being dissolved, it has never



been more important for us to help where we can in the not-for-profit sector. Local non-profits and charities will always have a place in our community and now is the time to get involved and help those who need it most.

YOU can make a difference! For example, \$1 per day could provide: 100 prepared meals in a homeless shelter, support for 10 senior citizens so they don't have to choose between food and medicine, or a daily snack for an abused child in an after school program. A Leadership Gift of \$500 can supply one ton – 2000 pounds – of food.

That translates into 1,612 meals for hungry Marylanders across the state!

“More Than Ever” we need your help this year! The Maryland Charity Campaign kicks off in September 2010, so be on the lookout for your pledge card to arrive in the mail. There are more than 900 charities for you to choose from and with your donation you can help to make sure the doors to these great services remain open.

If you do not receive a pledge card, please contact Andrea Hill by e-mail at andrea.hill@uwcm.org or by telephone at 410-895-1493. You also may visit the Maryland Charity Campaign online at www.mdcharity.org to download a pledge form.

Cost-of-living, from page 1

Q. What determines the COLA?

A. Under Maryland law, the COLA is determined by calculating the percentage change in the CPI for the twelve months (January – December) of the prior calendar year as compared to the CPI for the twelve months of the preceding year.

Q. Will the negative COLA affect my future benefits?

A. The negative COLA determined for this year will be deducted from the positive COLA expected in the next fiscal year.

Q. I retired from the Employees' or Teachers' Retirement System and paid an extra 2% to guarantee a COLA. Why am I not receiving one this year?

A. There were three options available to Retirement System members: Plan A, B or C. Plan A members elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including “unlimited compounded cost-of-living adjustments.” This Plan doesn't guarantee a cost-of-living adjustment. Note: Members who were paying less than 5% as of July 1, 1984, received an increase to their contribution rate of 2% over their 1984 rate.

A note about Retirement Agency forms

MARYLAND STATE RETIREMENT AGENCY FORMS such as *Designation of Beneficiary* (Form 4), *Direct Deposit — Electronic Funds Transfer Sign-up* (Form 85) and *Retiree Change of Address* (Form 77) are not effective until they are received in Retirement Agency offices in Baltimore.

Please also be aware that some Retirement Agency forms require a retiree to sign or have the form notarized, as indicated in the form's printed instructions. Forms submitted without the necessary signature or notarization are not valid and will be returned for completion. Printable forms are available online at www.sra.state.md.us.

Board notes

INVESTMENT RETURNS, DIVESTITURE AND A MAJOR INFORMATION TECHNOLOGY PROJECT were among topics addressed during recent meetings of the Board of Trustees of the Maryland State Retirement and Pension System.

The 14-member board, which is responsible for establishing investment and administrative policy and overseeing the management of the Maryland State Retirement Agency, meets each month at the system's administrative offices in Baltimore.

The following business matters were taken up at recent board meetings. Full meeting minutes are available the following month at www.sra.state.md.us.

May 18, 2010

May's board meeting was abbreviated as trustees took part in a full day of investment and fiduciary training.

April 20, 2010

Chief Investment Officer Mansco Perry III informed the board that the system registered a 3.6% return for the third quarter of the fiscal year and a 20.4% return for the fiscal year to date. For the year ended March 31, 2010, the system's return was 34.6%. The system ended the quarter on March 31, 2010, with a value of \$33.7 billion.

"The market's trough was in early March 2009," Mr. Perry said. "The system's fund size at the end of February 2009 was approximately \$24.7 billion. In the last 13 months, the system has gained approximately \$9 billion."

In a press release issued after the April meeting, Board Chairman Nancy K. Kopp stated that "[w]e

clearly are very pleased with the fund's performance, due not only to an improving economy but our investment strategy.... The board of trustees believes that the system's asset allocation and the portfolio based on this allocation are prudently diversified. The fund's performance benefits our more than 367,000 members, and that's most important."

March 16, 2010

Trustee James M. Harkins, chairman of the board's administrative committee, reported that the majority of items from the agency's fiscal year 2010 business plan, and carryovers from the 2009 plan, are on target to be completed before the end of the fiscal year.

Initiatives for fiscal year 2010 include the creation of an online reference manual for the Retirement Agency's benefits specialists and the third phase of the participating employer training program. The successful program continued outreach efforts to employers to ensure correct member data and properly completed forms are received by the agency.

January 19, 2010

As part of his department's ongoing oversight of the project, Elliot Schlanger, secretary of the Department of Information Technology, stated his belief that the MPAS-1 project will remain on schedule and

be brought to a successful conclusion in July. MPAS – short for Maryland Pension Administration System – is a multi-phase endeavor to modernize the Retirement Agency's core pension benefits administration information systems.

The new system will enable the Retirement Agency to more efficiently maintain and update its data base, such as when the Legislature enacts changes to pension law. Furthermore, it provides a foundation to create new features in the future for use by active and retired members.

December 15, 2009

The Retirement Agency invited a group of active and retired members to view the new agency Web site and solicited their comments before its launch in March. R. Dean Kenderdine, executive director of the Retirement Agency, reported that the agency received valuable feedback from the group. The new Web site may be viewed at www.sra.state.md.us.

Trustee Sheila Hill discussed the system's Royal Dutch Shell divestment. The system divested over 1 million common shares and \$3.5 million (par value) in bonds issued by Royal Dutch Shell, PLC and its affiliates due to its business activities in Iran. This action was taken in accordance with the state's 2008 Divestiture from Iran and Sudan Act.

How do I change my direct deposit?

IN ORDER TO CHANGE your direct deposit you must complete a *Direct Deposit — Electronic Funds Transfer Sign-up* (Form 85). You will complete Section I and your financial institution will complete Section II. Then submit the completed form to the Maryland State Retirement Agency. Processing may take 30 to 45 days. Don't close your previous account until your new account receives its first direct deposit.

Keep your tax withholdings up to date

RETIREES WHO WISH TO UPDATE THEIR TAX WITHHOLDING ELECTION

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 Maryland 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 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*.

Reemployment, continued from page 2

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.

Special exemption for judges

Effective July 1, 2010, retirees from the Judges' Retirement System who are reemployed in any capacity with the State of Maryland are exempt from an earnings limit until June 30, 2014.

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.

Legislative update

SEVERAL PIECES OF LEGISLATION OF SPECIAL INTEREST to retirees of the Maryland State Retirement and Pension System were enacted by the 2010 Maryland General Assembly and signed into law by Governor Martin O'Malley. The following legislation was effective July 1, 2010, unless noted, otherwise.

Chapters 56 and 57, Acts of 2010: Annual Retirement Allowance Adjustments

Synopsis: Provides retirees with a "zero" cost-of-living adjustment for July 2010. A decline in the Consumer Price Index for the year ending December 31, 2010, would otherwise have produced a negative COLA (.356%) effective July 2010. Instead, under the law passed, this reduction will be applied against a future positive COLA, presumably in July 2011. Introduced as emergency legislation, the bills were signed into law by the Governor on April 13, 2010.

Chapter 484, Acts of 2010: Budget Reconciliation and Financing Act of 2010

Synopsis: Establishes the Public Employees' and Retirees' Benefit Sustainability Commission to study and make recommendations on all aspects of state-funded benefits and pensions provided to state employees and teachers, both active

and retired. The commission is to issue a report of its findings and recommendations by December 15, 2010. Membership in the commission will include the State Treasurer, three members appointed by the Governor and two members each appointed by the President of the Senate and Speaker of the House.

Chapter 698, Acts of 2010: Reemployment Earnings Limitation - Exemptions

Synopsis: Alters an earnings limit exemption for members of the Employees', Teachers' and Correc-



tional Officers' systems who retire with an average final compensation of \$25,000 or less (previously \$10,000.) Such retirees, if rehired in a permanent, temporary or contractual position by the same employer from which they retired, will no longer be subject to an earnings limitation during the first nine full calendar years of retirement.

Chapter 688, Acts of 2010: Judges' Retirement System - Reemployment of Retirees

Synopsis: Permits retired judges to work for the State of Maryland in any capacity without an earnings limitation. Sunsets June 30, 2014.

Chapter 714, Acts of 2010: Retiree Organization - Direct Mailings

Synopsis: Permits the Maryland Retired School Personnel Association to request two direct mailings per year (April and October) for all retirees who are eligible for

membership in that organization. All costs will be borne by the Association. Sunsets June 30, 2011.

Chapter 618, Acts of 2010: Reemployment of Retirees - Retired Higher Education Faculty

Synopsis: Exempts, for the purposes of calculating an earnings limit, certain compensation a retired faculty member receives when reemployed by the same employer from which he or she retired. The exempted earnings include bonuses, overtime, summer school or adult education salary, additional temporary payments from special research projects, honorariums and vehicle stipends. This legislation applies only to retirees from higher education who were employed as 10-month faculty.

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120 East Baltimore Street
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410-625-5555
1-800-492-5909
www.sra.state.md.us

EDITOR:
Benjamin Robb

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