

THE Mentor

News from the Maryland State Retirement and Pension System

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MARYLAND
STATE RETIREMENT
and PENSION SYSTEM



SRPS to adopt new option, annuity factors July 1, 2017

NEW OPTION AND ANNUITY FACTORS will be in place for members of the Maryland State Retirement and Pension System (SRPS) who choose a retirement date effective on or after July 1, 2017. Option and annuity factors are used to calculate monthly retirement benefit payments for members who select an optional form of retirement allowance that reduces the retiree's Basic Allowance and may provide beneficiary protection after the retiree's death.

It is important to note that the new factors do not change the formula that is used to calculate the Basic Allowance. The new factors will have no impact on how a retiree's Basic Allowance is calculated, unless an adjustment for additional contributions or a contribution deficiency needs to be made to the member's account. For the Employees', Teachers', Local Fire and Police, and Correctional Officers' Systems, the Basic Allowance provides the largest monthly allowance

See *New factors*, page 3

Gov. Hogan taps Messrs. Brotman, DiPaula, Johnson for SRPS Board

GOVERNOR LAWRENCE J. HOGAN, JR., has appointed three financial 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.

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 and Johnson succeed departing Trustees Robert R. Hagans, Jr., Harold Zirkin and Thurman W. Zollcoffer, Jr., who provided a combined 20 years of dedicated service and committed leadership to the \$45 billion defined benefit plan.

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



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

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 Ad-



See *Board*, page 7

Annual report released for fiscal 2015

THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) for fiscal year 2015 is now available for review online at sra.maryland.gov. A summary of the report is provided here.

To access up-to-date figures throughout the year, investment results are reported quarterly online at sra.maryland.gov. Simply click on **Agency** then, under **Investments**, click **Reports and Updates**.

Statement of Plan Net Assets by System for the Fiscal Year Ended June 30, 2015

Expressed in thousands

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Total
Cash & Cash Equivalents	\$ 607,530	\$ 467,710	\$ 45,497	\$ (18,751)	\$ 32,350	\$ 1,134,336
Investments, at Fair Value	28,348,428	15,447,947	1,253,810	444,538	786,320	46,281,043
Other Assets	613,954	400,785	34,085	8,477	17,760	1,075,061
Total Assets	29,569,912	16,316,442	1,333,392	434,264	836,430	48,490,440
Total Liabilities	1,805,599	806,020	30,532	21,731	36,718	2,700,600
Total Plan Net Assets	\$ 27,764,313	\$ 15,510,422	\$ 1,302,860	\$ 412,533	\$ 799,712	\$ 45,789,840

Statement of Changes in Plan Net Assets by System for the Fiscal Year Ended June 30, 2015

Expressed in thousands

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Total
Additions						
Employer Contributions	\$ 1,063,763	\$ 643,219	\$ 76,056	\$ 19,028	\$ 56,546	\$ 1,858,612
Member Contributions	454,770	280,133	7,205	2,813	10,523	755,444
Investment Income	727,858	405,846	33,035	10,759	20,173	1,197,671
Total Additions	2,246,391	1,329,198	116,296	32,600	87,242	3,811,727
Deductions						
Benefit Payments	1,933,456	1,147,453	119,468	28,874	55,299	3,284,550
Refunds	24,636	22,663	336	25	585	48,245
Administrative Expenses	15,426	13,305	202	52	95	29,080
Total Deductions	1,973,518	1,183,421	120,006	28,951	55,979	3,361,875
Net System Transfers	-	-	-	-	-	-
Net Change in Plan Net Assets	272,873	145,777	(3,710)	3,649	31,263	449,852
Net Assets at Beginning of Fiscal Year	27,491,055	15,365,014	1,306,547	408,883	768,489	45,339,988
Net Assets at End of Fiscal Year	\$ 27,763,928	\$ 15,510,791	\$ 1,302,837	\$ 412,532	\$ 799,752	\$ 45,789,840

*Intersystem transfers have been eliminated in this financial statement.

Actuarial Funded Status for the Fiscal Year Ended June 30, 2015

Expressed in thousands

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Municipal Correctional Officers' Retirement System	Total
Actuarial Accrued Liability	38,934,459,136	23,402,850,436	2,103,134,384	511,390,449	1,308,633,034	21,313,441	66,281,780,880
Actuarial Value of Assets	27,995,476,456	15,615,326,568	1,314,315,006	416,546,609	808,435,955	20,523,472	46,170,624,066
Unfunded Actuarial Accrued Liability	10,938,982,680	7,787,523,868	788,819,378	94,843,840	500,197,079	789,969	20,111,156,814
Funded Ratio	71.9%	66.7%	62.5%	81.5%	61.8%	96.3%	69.7%

New factors, from page 1

to a retiree, with all payments ceasing upon the retiree's death. For the State Police, Law Enforcement Officers' and Judges' Systems, and the Legislative Pension Plan, the Basic Allowance includes survivor protection for the retiree's spouse or children under age 18. For more detailed information, please review the benefits handbook for your state system, available on the Maryland State Retirement Agency's website at sra.maryland.gov.

For those individuals who select an optional form of allowance instead of the Basic Allowance, the amount of the retiree's monthly allowance and the potential future benefit for the spouse or beneficiaries will be impacted. Beginning April 1, 2016, except for disability and Legislative Pension Plan estimates, anyone seeking a retirement estimate from the Retirement Agency will receive a comparative estimate reflecting a retirement benefit using the current option factors and the retirement benefit

using the new option factors. This should assist members who are interested in selecting an optional form of allowance in deciding whether to retire before or on or after July 1, 2017.

If you retire before July 1, 2017, and elect an optional form of allowance, your monthly allowance will be based on the current factors for your lifetime. The new factors are only applicable for new retirements effective on or after July 1, 2017.

Why the change?

The most recent experience study conducted by the System's actuary found that there have been enough changes in the plan provisions and demographics over the last several years to warrant an adjustment in the factors. The new factors reflect current expectations for cost-of-living adjustments, life expectancy, and the mix of males and females electing options.

How these factors can alter monthly payments—depending on

the option chosen—can be seen in the table below in a real-life example of a member retiring at age 62 with a basic monthly benefit of \$996.38 and a 64-year-old beneficiary.

In most, but not all cases, the new factors will result in higher monthly benefits and increased present values for people electing one of the optional forms of allowance as the table below indicates. However, the benefit payments are determined by a number of factors, including the state system (Employees', Teachers', State Police, Correctional Officers', Law Enforcement Officers', and Judges) to which the member belongs, the age at retirement, the type of retirement (service or disability), the amount of money accumulated, the annuity option elected and the age of the beneficiary. Individuals contemplating retirement should request an estimate in order to determine how the change will affect their individual situations.

	Estimate Based on Current Factors (for retirement before July 1, 2017)		Estimate Based on New Factors (for retirement on or after July 1, 2017)	
Options*	Retiree Monthly Allowance	Beneficiary Monthly Allowance	Retiree Monthly Allowance	Beneficiary Monthly Allowance
Basic	\$996.38	N/A	\$996.38	N/A
Option 1	\$932.71	N/A	\$940.49	N/A
Option 2	\$817.73	\$817.73	\$869.89	\$869.89
Option 3	\$898.24	\$449.12	\$928.85	\$464.42
Option 4	\$976.87	N/A	\$984.78	N/A
Option 5	\$768.66	\$768.66	\$844.38	\$844.38
Option 6	\$867.79	\$433.89	\$914.09	\$457.04

* For descriptions of retirement benefit allowance options, see page 4.

Descriptions of retirement benefit allowance options

BASIC ALLOWANCE: The Basic Allowance pays you the largest possible amount of money each month until your death. For the Employees', Teachers', Local Fire and Police, and Correctional Officers' Systems, all monthly payments stop at your death, including beneficiary health coverage for state employees. After your death, your beneficiary or estate will receive one final monthly payment if your death occurs on the 16th of the month or later. For the State Police, Law Enforcement Officers' and Judges' Systems, and the Legislative Pension Plan, the Basic Allowance includes survivor protection for a surviving spouse or children under the age of 18. For more detailed information, please review the benefits handbook for your state system, available on the State Retirement Agency's website at sra.maryland.gov.

OPTION 1: Provides a lower monthly benefit than the Basic Allowance, but guarantees monthly payments that equal the total of your retirement benefit's Present Value. The Present Value of your benefit is figured at the time of your retirement. If you die before receiving monthly payments, excluding any cost-of-living adjustments, that add up to the Present Value, the remaining payments will be paid in a lump sum to your designated beneficiary or beneficiaries who remain alive.

OPTION 2: Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death the same monthly benefit will continue to be paid to your surviving beneficiary for his or her lifetime. No further payments will be made after the deaths of you and your beneficiary.

OPTION 3: Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death one half of the monthly benefit paid to you will be paid to

your surviving beneficiary for his or her lifetime. No further payments will be made after the deaths of you and your beneficiary.

OPTION 4: Provides a lower monthly benefit than the Basic Allowance, but guarantees the return of your accumulated contributions and interest as established when you retire. If you die before you have recovered the full amount of your accumulated contributions and interest, which is paid as a portion of your monthly payments, the remainder will be paid in a lump sum to your designated beneficiary or beneficiaries who remain alive.

OPTION 5: Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death the same monthly benefit paid to you will be paid to your surviving beneficiary for his or her lifetime. It also provides that your monthly benefit will "pop-up" to the Basic Allowance for your lifetime the month following the death of your beneficiary if your beneficiary dies before you. If your original beneficiary dies and you are collecting the Basic Allowance and decide to name a new beneficiary, your benefit will be recalculated under Option 5 based on the new beneficiary designation.

OPTION 6: Provides a lower monthly benefit than the Basic Allowance, but guarantees that after your death one half of the monthly benefit paid to you will be paid to your surviving beneficiary for his or her lifetime. It also provides that your monthly benefit will "pop-up" to the Basic Allowance for your lifetime the month following the death of your beneficiary if your beneficiary dies before you. If your original beneficiary dies and you are collecting the Basic Allowance and decide to name a new beneficiary, your benefit will be recalculated under Option 6 based on the new beneficiary designation.

For detailed information, please review the benefits handbook applicable to your state system, available on the Maryland State Retirement Agency's website at sra.maryland.gov.

State health department seeking volunteers for boards

THE MARYLAND Department of Health and Mental Hygiene's Office of Appointments and Executive Nominations (OAEN) is seeking Maryland residents to serve as members of the Health Occupation

Boards and more than 50 additional commissions, councils and task forces.

Persons interested in serving on a board should contact OAEN Administrator Kim Bennardi at 410-

767-4049 or kim.bennardi@maryland.gov.

Maryland State Retirement Agency staff cannot answer questions about health department board service.

Members ask about estimates, refunds

HAVE QUESTIONS? The Maryland State Retirement Agency has answers.

Estimates

Q. How can I get an estimate of my future retirement benefits?

A. If you are within 12 months of retirement eligibility, submit an *Application for an Estimate of Service Retirement Allowance* (Form 9) to the Retirement Agency. Maryland State Troopers should use Form 10 and law enforcement officers use Form 97.

Estimates can take up to 90 days to process.

For members not within one year of retirement eligibility, a retirement benefit estimate is provided annually in the Personal Statement of Benefits mailed in the fall to each member's home.

Remember, retirement benefits specialists cannot prepare a benefit estimate. Members visiting a specialist for retirement counseling should bring their latest estimate with them to the meeting.

Your PIN is the key to accessing your retirement account information

YOUR PENSION ACCOUNT INFORMATION

is as close as your telephone IF you know your Personal Identification Number (PIN). This four digit number, composed of the month and year of your enrollment in the System, is your key to unlocking this vital membership data.

When you call the Maryland State Retirement Agency's automated phone system, you'll be asked to enter your Social Security number and PIN. You then can access a variety of personal account information including:

- Your years and months of earned service credit
- Credit for purchased or military service, if applicable
- Your accrued contributions and interest
- Names of your designated beneficiaries
- Your mailing address on file
- And *more!*

Your PIN is a four digit number consisting of the month (first two digits) and year (last two digits) of your enrollment in the Maryland State Retirement and Pension System. You most likely enrolled when



you were first hired by a participating employer.

Examples

If you enrolled in June 1987, your PIN would be 0687 (06 for the month of June and 87 for the year 1987.) If you enrolled in November 2005, your PIN would be 1105 (11 for the month of November and 05 for the year 2005.)

The Retirement Agency's convenient automated telephone system provides 24-hour access to your retirement account. Simply dial 410-625-5555 or toll-free 1-800-492-5909. After listening to the Agency's office hours and latest Agency news, press 3 to securely retrieve your personal account information or request forms.

Refunds

Q. Can I receive a refund of my contributions and interest?

A. Yes. Contributions and interest can be refunded, but only after a member leaves payroll. Members can elect for the refund to be paid directly to them or rolled over to another eligible, qualified plan.

At the time of the refund, any taxable portion of the payment will be subject to 20% federal tax withholding. Maryland state residents are subject to an additional 7.75% state tax withholding. If the member is under age 59 and one-half, an extra 10% federal tax also may apply.

Refunds require 30 to 90 days for processing and delivery. Payments are issued the last business day of the month.

Forms to request a refund are available online at **sra.maryland.gov**.

If you withdraw your contributions and interest, your account will be closed. Members with vested accounts will no longer be entitled to claim a lifetime monthly benefit upon reaching retirement age.

Survivor benefits protect your beneficiaries during your career

MEMBERS KNOW THAT ENROLLMENT in the Maryland State Retirement and Pension System provides them with important retirement benefits for the future, when they retire from employment. However, some members may be surprised to learn that, if they die before retirement, the System also provides important protection for their designated beneficiaries.

You can take three important steps today to help your designated beneficiaries quickly claim these benefits in the unfortunate case of your death:

1 Make sure that you keep your beneficiary information current with the Retirement Agency.

Life events like a marriage, divorce, birth, or death of a loved one can motivate you to change your beneficiary information. Your designated beneficiaries are listed in the “Beneficiary(ies)” section of your Personal Statement of Benefits. To change your beneficiaries, complete and submit to the Maryland State

Retirement Agency a *Designation of Beneficiary* form. This form is available from your employer’s personnel department or from the Retirement Agency website at sra.maryland.gov.

Please note that the Retirement Agency will use the last *Designation of Beneficiary* form properly completed and filed with the Agency on or before your date of death. A *Designation of Beneficiary* form submitted to the Agency after your death, even if it was signed before your death, will not be accepted.

2 Talk to your loved ones now about survivor benefits from the Retirement Agency.

Let your family or other loved ones know that they should contact the Maryland State Retirement Agency in the event of your death. Or, if you prefer, make sure to include a copy of your Personal Statement of Benefits with other important paperwork, such as life insurance information and your will, so that they will know to contact the Retirement Agency.

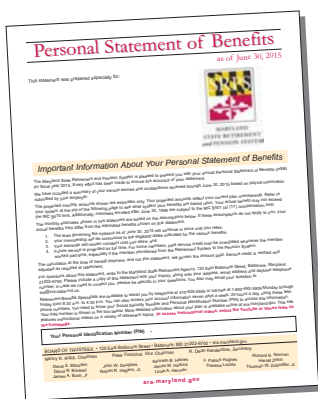
3 Tell your loved ones how to apply for survivor benefits to make filing trouble free.

The Retirement Agency will work cooperatively with your beneficiaries to pay the benefits due as quickly as possible. To authorize payment, the Agency will ask them to submit the following documents:

- A copy of their Social Security card
- A copy of their valid picture identification card
- A copy of the Marriage Certificate (in some cases)
- A certified, original death certificate

Beneficiaries also must complete and submit several forms, some signed in the presence of a Notary Public.

You can be assured that the Maryland State Retirement Agency will work step-by-step with your beneficiaries to ensure they receive the benefits they are due.



What are my survivor benefits?

PLEASE REFER to the “Death Benefits for Your Beneficiary(ies)” section of your most recent Personal Statement of Benefits for detailed information on the benefits available to your designated beneficiary or beneficiaries. Missed your Personal Statement of Benefits? You may download and print a replacement copy from the Maryland State Retirement Agency website at <https://sra.maryland.gov/SecureReprint/>

Board, from page 1

vancement 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*, the *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 ecommerce 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 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 Quoin Capital 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 of CNBC.

With a commitment to active involvement and contributions to 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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