

Retiree News & Notes



MARYLAND STATE RETIREMENT and PENSION SYSTEM

JANUARY 2024

VOL. 42 NO. 1



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

Your 2023 tax statement is on the way

INTERNAL REVENUE SERVICE Form 1099-R will be mailed to all Maryland State Retirement and Pension System payees on or before January 31, 2024.

Form 1099-R provides detailed information on the payments you received from the Maryland

See Tax, page 2

Download your tax statement quickly, securely with mySRPS

DON'T HAVE TIME to wait for the mail? Or, do you need a replacement 1099-R form for this or a previous year? The Maryland State Retirement Agency's secure website **mySRPS** can help.

In addition to the paper form mailed to you, an electronic copy of your Form 1099-R for 2023 will be posted to your **mySRPS** account on or before January 31, 2024.

A powerful tool for managing your pension account, you can use **mySRPS** to access and print tax statements for 2023 and the past four years. You also can use **mySRPS** to make changes to your retirement account without clumsy paper forms.

See Download, page 6

sra.maryland.gov

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STATE RETIREMENT
and PENSION SYSTEM
120 East Baltimore Street
Baltimore, Maryland 21202-6700



State Retirement Agency during calendar year 2023. It is an important tool for completing your annual income taxes.

Most payees will receive only one 1099-R tax form each year. Two types of retirees will receive two 1099-R forms:

- Members who retired in 2023 will receive a second 1099-R tax form for any additional pay-

ments, such as a refund of any excess member contributions.

- Retirees who turned age 59½ in calendar year 2023 will receive a 1099-R tax form for pension payments distributed in the calendar year prior to reaching age 59½ with a distribution code 2. They will receive a separate 1099-R tax form for pen-

sion payments distributed in the calendar year on or after the date they reached age 59½ with a distribution code 7.

For your security, your 1099-R tax form lists only the last four digits of your Social Security number.

Important parts of the form are described below.

Key components of your 1099-R form

BLOCK 1: Gross Distribution

This is the total amount of pension benefits paid to you by the Maryland State Retirement Agency during the 2023 calendar year.

BLOCK 2A: Taxable Amount

This is the taxable amount of the pension benefits paid to you. Depending on when you retired, your retirement type and whether you contributed to help fund your benefits, you may not be taxed on the total amount of pension benefits paid to you. If this is the case, the amount shown in this block will differ from the amount in Block 1.

BLOCK 4: Federal Income Tax Withheld

This is the total amount of federal income tax deducted from your monthly pension benefits.

BLOCK 5: Employee Contributions

This is the amount of your contributions that were recovered, tax free, during 2023. The dollar figure in this box does NOT represent the amount of any health

insurance premiums withheld from your pension benefit.

BLOCK 7: Distribution Code(s)

This is the IRS distribution code. IRS codes are explained on the back of the 1099-R form.

BLOCK 9B: Total Employee Contributions

This is the value of any of your member contributions made during employment that can be recovered tax-free in retirement. Only if you retired in 2023 and made member contributions that can be recovered tax-free will

you see a value in this block. If you retired prior to 2023, a zero will be printed in the block.

BLOCK 14: State Tax Withheld

This is the total amount of Maryland State income tax deducted from your monthly pension benefits.

BLOCK 19: Pick-Up Contributions

This amount applies to you if your employer participated in the State Pick-up Program. See page 5 for more information.

PAYER'S name, street address, city, state, and ZIP code		VOID		CORRECTED (if checked)	
MARYLAND STATE RETIREMENT AGENCY 120 EAST BALTIMORE STREET BALTIMORE MD 21202		(410) 625-5555			
PAYER'S TIN 52-6104406		RECIPIENT'S TIN		OMB No. 1545-0119 2023 Form 1099-R	
RECIPIENT'S name		1 Gross distribution \$		2a Taxable amount \$	
10 Amount allocable to IRR within 5 years		11 1st year of desig. Roth contrib.		12 FATCA filing requirement	
Account number (see instructions)		13 Date of Payment		14 State tax withheld \$	
15 State/Payer's state no. MARYLAND 52-6104406		16 State distribution \$		17 Local tax withheld \$	
18 Name of locality		19 Pick-Up Contrib's \$		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
Form 1099-R		www.irs.gov/form1099R		Department of the Treasury - Internal Revenue Service	

System ends volatile fiscal year 2023 with 3.14% investment return

THE MARYLAND STATE Retirement and Pension System generated a return of 3.14%, net of fees, for the fiscal year ending June 30, 2023, beating its policy benchmark of 2.20%. (A *benchmark* is a standard for comparing a portfolio's performance to the market opportunity set from which the manager selects securities. The S&P 500 is a commonly used benchmark to evaluate the performance of managers who invest in large company U.S. stocks.)

The fund's performance raised the System's assets to \$65.2 billion, an increase of nearly \$600 million over the prior fiscal year. The System's diversified and risk-balanced asset allocation is designed to reduce the probability of large market losses while producing the targeted long-term returns.

The fiscal year 2023 returns reflect a number of notable market factors:

- rising interest rates reflecting persistent inflation and a resilient real economy,
- higher U.S. stock prices despite higher interest rates and pressures on the banking system,



Maryland State Treasurer Derek E. Davis, Chair of the Maryland State Retirement and Pension System Board of Trustees, left, and Chief Investment Officer Andrew C. Palmer

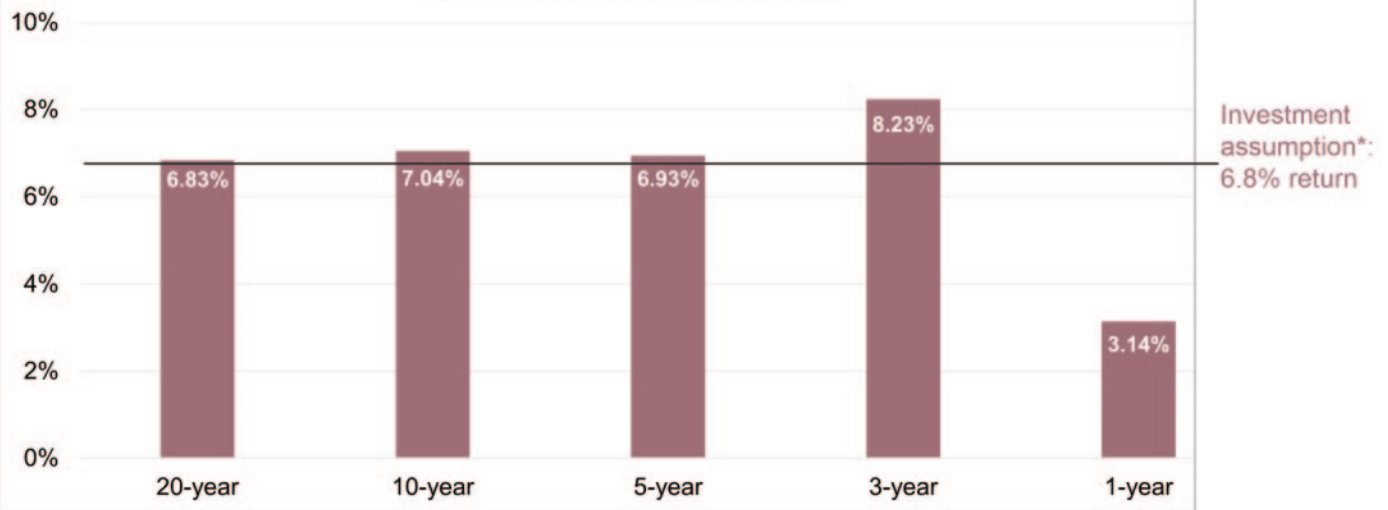
See Return, page 4

Asset Performance for Fiscal Year 2023 (net of fees)

Asset Class	Asset Allocation June 30, 2023	10-Year return	5-Year Return	3-Year Return	Fiscal Year 2023 Return	Fiscal Year 2023 Asset Class/ Total Fund Benchmark Return	Fiscal Year 2023 Asset Class/ Total Fund Excess Return
Private Equity	21.9%	16.42%	17.16%	23.77%	0.26%	-2.86%	3.13%
Public Equity	30.2%	8.41%	7.04%	9.86%	13.77%	13.80%	-0.03%
Real Assets	15.4%	4.59%	6.77%	11.70%	-3.43%	-6.72%	3.29%
Absolute Return	5.9%	2.66%	3.02%	4.93%	-1.37%	1.41%	-2.78%
Credit	8.7%	4.56%	4.18%	4.98%	5.99%	9.01%	-3.02%
Rate Sensitive	17.1%	1.67%	0.54%	-7.36%	-3.70%	-3.48%	-0.22%
Multi Asset	0.4%	n/a	1.23%	-0.36%	-1.55%	2.20%	-3.75%
Cash	0.4%	3.67%	3.54%	2.33%	5.26%	3.75%	1.51%
Total	100.0%	7.04%	6.93%	8.23%	3.14%	2.20%	0.94%
Benchmark		6.50%	6.28%	7.07%	2.20%		
Excess		0.54%	0.65%	1.16%	0.94%		

SRPS Investment Fund Performance

Long-term, historical perspective
(Net of fees - as of June 30, 2023)



***Important Term** *assumption (or actuarial assumption)*: The expected long-term rate of return needed to meet the System's future benefit payment obligations. The System's current assumed actuarial rate is 6.8%.

Return, from page 3

- weak emerging market stock relative performance reflecting a slower than expected post pandemic recovery in China and
- the time delay for private market investments to reflect public market valuation changes.

"The Board has adopted a diversified asset allocation that has achieved the long-term return targets with as little volatility as possible," said Andrew C. Palmer, Chief Investment Officer. "The allocation includes a mix of assets that behave differently as markets ebb and flow to reduce volatility in any one period. Over the longer term, the fund returns of 8.23%, 6.93% and 7.04% for three, five and 10 years, respectively, exceed the 6.8% actuarial target and have been

achieved with relatively low volatility, which has contributed to the strong performance relative to the policy benchmark."

"The Board's diversified and risk-balanced asset allocation, enhanced by staff's implementation, has achieved its performance objectives over the long-term with less risk than more traditional approaches," said State Treasurer Dereck E. Davis, Chair of the Maryland State Retirement and Pension System Board of Trustees. "While financial markets have been volatile over the last two years and returns have been challenged, the System has added value for its participants and beneficiaries relative to 60/40 strategies.

"It's important to emphasize that we are long-term investors who need to balance the liquidity requirements to meet current

benefit payments with the objective of generating returns for future benefit payments over an investment horizon that stretches across decades," Treasurer Davis added. "Over the last 10 years, investment returns have averaged 7%, exceeding the plan's expected rate of return and consistent with the Board's investment policy."

Keep up with investment news

Throughout the year, you can follow the progress of the System's investment program online. The Maryland State Retirement Agency website features detailed investment and financial reports. For a quick update on the System, check out *SRPS by the Numbers*, a monthly report on investments and System demographics.

Questions about the investment program? Submit them at sra.maryland.gov/agency-investment-contact.

Understanding your 1099-R form and Box 19

FOR ELIGIBLE RETIREES, Block 19 of the 1099-R form contains the amount of your tax-deferred contributions made under the Employer Pick-up Program. This figure is important for Maryland State income tax preparation.

The Employer Pick-up Program provides for the deferral of federal taxes for pension plan contributions made while working. They are taxable when received as part of your pension.

Since this program defers only federal taxes at the time the contributions are made, state income taxes were deducted.

Your participation in the Employer Pick-up Program was determined by whether your employer elected to participate and by whether your pension plan required you to make employee contributions.

Federal taxes

Since eligible members did not pay any federal taxes on their pick-up contributions during employment, taxes must be paid during retirement.

You do not need to make any special entries on your federal tax form. The Maryland State Retirement Agency has included your pick-up contributions when computing the taxable amount of your pension for federal tax purposes.

Maryland State taxes

You have already paid Maryland State taxes on the pick-up contributions listed on your 1099-R. To avoid paying taxes twice, you must subtract the pick-up

	\$	%
9b	Total employee contributions	
15	State/Payer's state no.	State distribution
18	Name of locality	Pick-Up Contrib's

Department of the Treasury - Internal Revenue Service

amount from your federal adjusted gross income.

The subtraction is limited to the amount of pick-up contribution stated on the 1099-R or the taxable pension, whichever is less. The remainder of the pick-up amount is carried over to next year's taxes. When the pick-up amount reaches zero, "EP USED" will be printed in the pick-up block on your 1099-R. This usually occurs within a few years after the date of retirement.

Did you retire in 2023?

For members who ended active employment and retired in 2023, the W-2 form you receive from your former employer will show 1) your annual wages earned prior to retirement and 2) any state pick-up contributions made in 2023. This state pick-up amount serves as an addition to

state income for 2023. Enter this figure on line 3 of your Maryland tax return (Form 502).

Tax withholding

Payees may request that federal and Maryland state taxes be withheld from their retirement allowance. The Retirement Agency does not withhold state taxes for any state other than Maryland. Log in to **mySRPS** to update your tax withholding. You also can update your tax withholding by submitting *Withholding Certificate for Periodic Pension or Annuity Payments* (IRS Form W-4P) and *Maryland State Tax Withholding Request* (Form 766.11).

Need assistance?

For more information on Maryland State income tax, visit the Comptroller of Maryland at www.marylandtaxes.gov.



Clip & Save: 2024 Payment dates

Once registered for **mySRPS**, you can

- Update your federal and Maryland State tax withholdings,
- Sign up for direct deposit,
- Change the bank or account receiving your direct deposit,
- Update your address on file with the Retirement Agency,
- Review your payment history, including deductions,
- Print an income verification letter for a landlord or lender,
- Look up who is your designated beneficiary, and
- Change your beneficiary (single-life annuities only).

Print your 1099-R

You can access and print your 1099-R tax statement in three easy steps:

1. Log into your **mySRPS** account.
2. Click on the **My Documents** tab in the upper right-hand corner of the screen.
3. Select **View** next to the tax form that you wish to access.

Not yet a registered **mySRPS** user? Signing up is easy. Visit the Maryland State Retirement Agency online at sra.maryland.gov, click on **mySRPS Login**, then **Register**. Follow the prompts to receive a registration packet in the mail.

THE SCHEDULE FOR DIRECT DEPOSIT of retirement benefits for calendar year 2024 has been announced by the Maryland State Retirement Agency. For retirees with an approved waiver, mailed check delivery dates also are listed.

Date direct deposit is credited to retirees' accounts

- Wednesday, January 31
- Thursday, February 29
- Friday, March 29
- Tuesday, April 30
- Friday, May 31
- Friday, June 28
- Wednesday, July 31
- Friday, August 30
- Monday, September 30
- Thursday, October 31
- Friday, November 29
- Tuesday, December 31

Date post office begins to deliver retirement checks

- Wednesday, January 31
- Thursday, February 29
- Saturday, March 30
- Tuesday, April 30
- Friday, May 31
- Saturday, June 29
- Wednesday, July 31
- Saturday, August 31
- Monday, September 30
- Thursday, October 31
- Saturday, November 30
- Tuesday, December 31

Following a retiree's month of retirement, deposit advice slips are mailed only in January and July or when a benefit change occurs. Retirees may obtain their payment information at any time by accessing our secure website, **mySRPS**, at <https://mysrps.sra.maryland.gov>.

Have questions about health benefits?

STAFF AT the Maryland State Retirement Agency are highly skilled at answering your pension questions. However, we do not administer, and our employees cannot answer questions about, your health benefits. For health benefit questions, retirees of Maryland State government agencies should contact the Employee Benefits Division at 410-767-4775 or 1-800-307-8283. Retired teachers and county/town employees should contact their former employer.

Retiree News is published by
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