



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, 2021

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2021



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Maryland State Retirement and Pension System**

**Maryland**

For its Annual Financial Report  
for the Fiscal Year Ended

**June 30, 2020**

*Christopher P. Morrill*

Executive Director/CEO

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MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

## 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 through 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.
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# A Message from our Executive Director

It is my pleasure to present to you the fifth edition of the Popular Annual Financial Report (PAFR) for the Maryland State Retirement and Pension System (System). In the following pages, you will find a condensed version of the lengthier—and more technical—Annual Comprehensive Financial Report, which is published each year and can be found on our website at [sra.maryland.gov](http://sra.maryland.gov). The PAFR presents the operating results for the fiscal year that ended June 30, 2021 in an easy-to-digest format for anyone who wants to quickly review the status of the retirement fund.



Fiscal year earnings in 2021 were extraordinary: The System's portfolio returned a record-setting 26.7%, net of fees, on investments for the fiscal year that ended June 30, 2021. It was the System's best in 35 years. The fiscal year earnings far exceeded the System's 7.40% assumed actuarial return rate and surpassed its policy benchmark of 24.41 by 230 basis points. The fund's performance raised the System's assets to \$67.9 billion, an increase of \$13.3 billion over the prior fiscal year.

The performance of the fund over 10-year, 5-year, 3-year and 1-year periods are all above the 7.4% return assumption at 8.2%, 10.7%, 11.8% and 26.7%, respectively.

The attractive investment opportunities provided by the pandemic and subsequent monetary and fiscal policy responses are apparent in the rearview mirror but were not always clear in real time. Fortunately, working with the Board of Trustees and the investment staff, the System was able to fully participate in the very strong returns available in most markets. Importantly, the System maintained its moderate risk posture and portfolio implementation, resulting in impressive risk-adjusted returns as well.

The MSRPS is responsible for properly administering retirement, disability, and death 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 provides monthly allowances to more than 169,000 retirees and beneficiaries and is an essential element of the future financial security for over 194,000 active participating members.

Participants and beneficiaries of the plan can be assured that the Board of Trustees is discharging its fiduciary responsibilities in a prudent and thoughtful manner. In carrying out its investment responsibilities, the Board's focus is on maximizing returns while minimizing risk. Therefore, the System's asset allocation, set by the Board is balanced and diversified, 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 enacted by the Maryland General Assembly in 2011 continue to display positive results on the System and, in fact, continue to exceed earlier projections. Required employer contributions for the coming fiscal year of 2023 are projected to be 17.55% of payroll, significantly lower than the 20.03% predicted at the time of the 2011 reforms. As of June 30, 2021, the System's funded ratio is 76.2%, more than the 75.1% predicted at the same time, and higher than 73.6% reported last year. The System remains on track to be 80% funded by 2026; 85% funded by 2030; and 100% funded by 2039.

This Popular Annual Financial Report is derived from information contained in the System's 2021 Annual Comprehensive Financial Report, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report, please refer to the System's 2021 Annual Comprehensive Financial Report, which is prepared in conformity with GAAP and may be obtained by visiting our website.

I hope you will find this publication useful and informative.

Thank you for your interest,

Martin Noven

# Table of Contents

Members at a glance.....	<b>1</b>
Teachers	
Employees	
Law Enforcement Officers	
Correctional Officers	
State Police	
Judges	
Legislators	
Retirees at a glance .....	<b>3</b>
How benefits are funded	
Number of retirements by fiscal year	
Local economic impact of Maryland pensions .....	<b>4</b>
Where else do retirees live?	
Investments.....	<b>5</b>
Portfolio return and benchmarks	
2011 Benefit Reform Scorecard	
Plan net position	
Changes in plan net position	
Where are plan assets invested?	
Assets/Liabilities	
State Contributions Rate	
Interested in learning more? .....	<b>8</b>

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# Members at a glance

Total membership	<b>411,730</b>
Active members	<b>194,311</b>
Benefit recipients	<b>169,368</b>
Inactive members	<b>48,051</b>

Teachers	Retirement System	Pension System
<b>Total Membership</b>		
Active vested	199	59,953
Active non-vested	0	49,806
Vested former members	101	23,632
Retired members	22,790	58,725
<b>Active Members</b>		
Number	199	109,759
Average age	70.4	45.1
Average years of service	44.8	12.1
Average annual salary	\$109,510	\$69,854
<b>Retirees and Beneficiaries</b>		
Number	22,790	58,725
Average age	79.3	71.9
Average monthly benefit	\$3,553	\$2,073

Employees	Retirement System	Pension System
<b>Total Membership</b>		
Active vested	4,658	34,958
Active non-vested	3,310	36,928
Vested former members	782	23,143
Retired members	18,832	63,705
<b>Active Members</b>		
Number	7,968	71,886
Average age	45.7	48.8
Average years of service	13.0	11.6
Average annual salary	\$54,756	\$59,060
<b>Retirees and Beneficiaries</b>		
Number	18,832	63,705
Average age	73.5	71.3
Average monthly benefit	\$2,192	\$1,405

Law Enforcement Officers		Correctional Officers	
<b>Total Membership</b>		<b>Total Membership</b>	
Active vested	1,357	Active vested	4,475
Active non-vested	1,340	Active non-vested	3,259
Vested former members	293	Vested former members	653
Retired members	2,264	Retired members	6,514
<b>Active Members</b>		<b>Active Members</b>	
Number	2,697	Number	7,734
Average age	41.2	Average age	44.5
Average years of service	10.9	Average years of service	12.2
Average annual salary	\$73,956	Average annual salary	\$55,035
<b>Retirees and Beneficiaries</b>		<b>Retirees and Beneficiaries</b>	
Number	2,264	Number	6,514
Average age	62.2	Average age	62.8
Average monthly benefit	\$3,113	Average monthly benefit	\$2,032

State Police		Judges		Legislators	
<b>Total Membership</b>		<b>Total Membership</b>		<b>Total Membership</b>	
Active vested	774	Active vested	204	Active vested	69
Active non-vested	579	Active non-vested	111	Active non-vested	119
Vested former members	86	Vested former members	7	Vested former members	42
Retired members	2,559	Retired members	442	Retired members	313
<b>Active Members</b>		<b>Active Members</b>		<b>Active Members</b>	
Number	1,353	Number	315	Number	188
Average age	36.5	Average age	57.8	Average age	54.0
Average years of service	12.3	Average years of service	8.3	Average years of service	8.5
Average annual salary	\$87,989	Average annual salary	\$165,312	Average annual salary	\$50,490
<b>Retirees and Beneficiaries</b>		<b>Retirees and Beneficiaries</b>		<b>Retirees and Beneficiaries</b>	
Number	2,559	Number	442	Number	313
Average age	65.2	Average age	77.8	Average age	76.2
Average monthly benefit	\$4,447	Average monthly benefit	\$7,363	Average monthly benefit	\$1,539

# Retirees at a glance

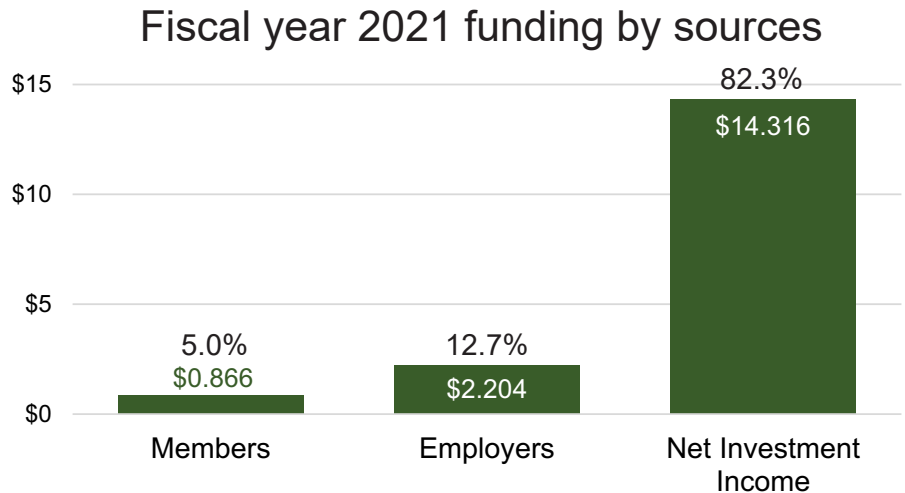
## The average MSRPS retiree:

- Had accrued 22.8 years of service at retirement
- Earned an average final salary before retirement of \$53,112
- Retired at age 60.9
- Is presently 72.6 years old
- Lives in Maryland
- Receives \$25,175 each year in MSRPS benefits

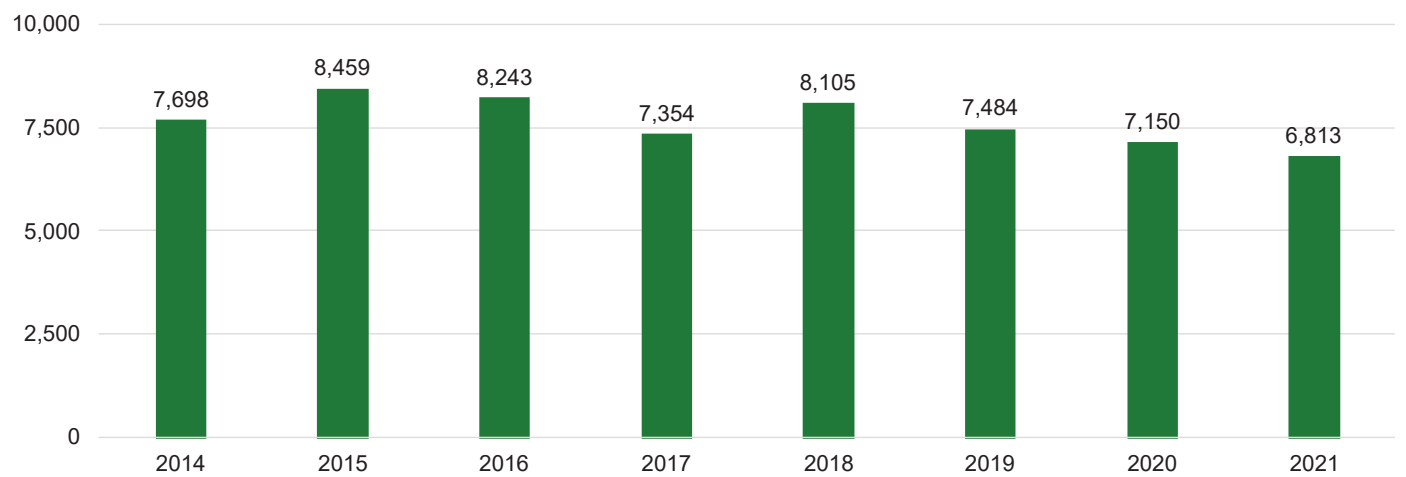
## How benefits are funded

Retirement benefits are funded primarily by investment returns with the remainder coming from a combination of member and employer contributions. Dollar amounts are shown in millions.

**More than 87 cents of every \$1 accrued for MSRPS retirees last year came from investment income and member contributions.**



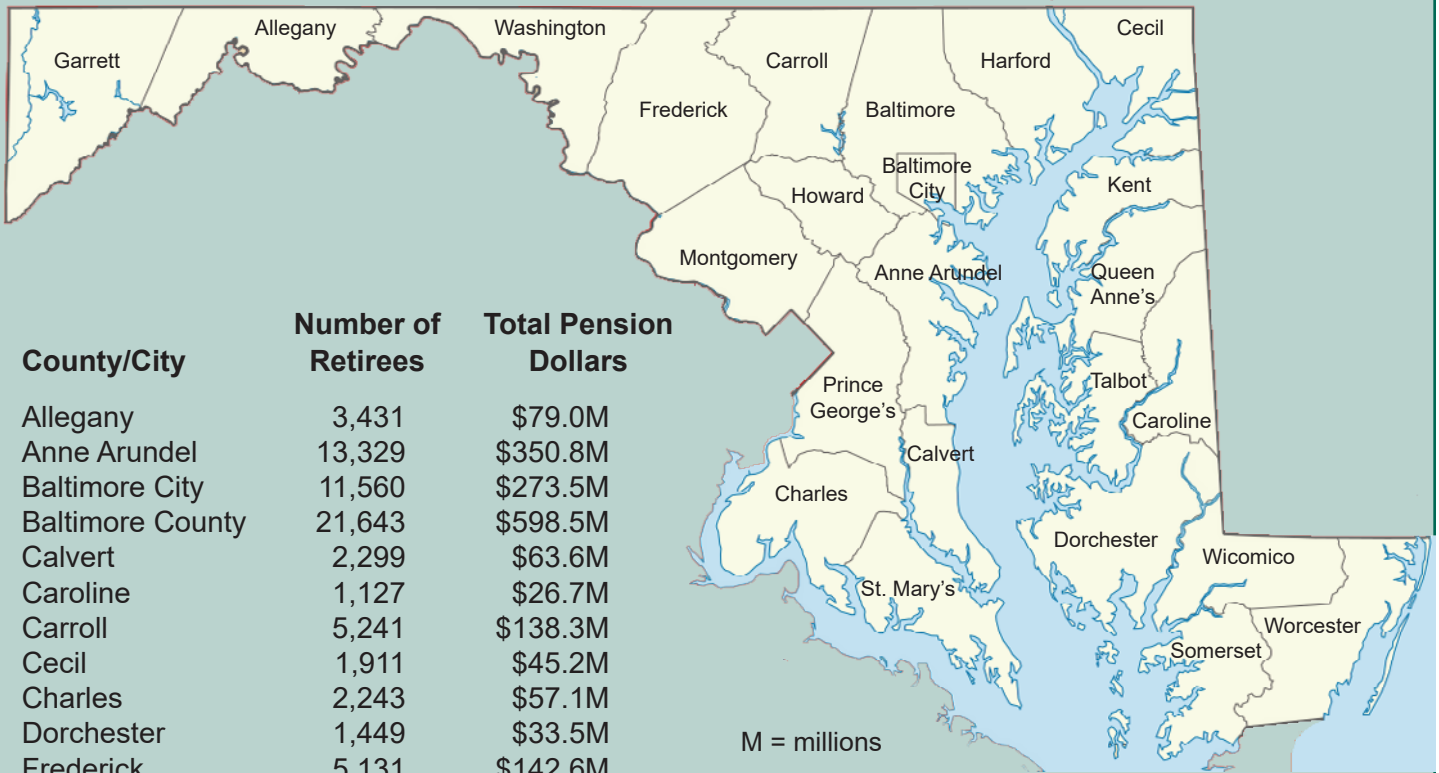
## Number of retirements by fiscal year





# Local economic impact of Maryland pensions

More than **\$2.67 billion** in annual pension payments stay in Maryland.

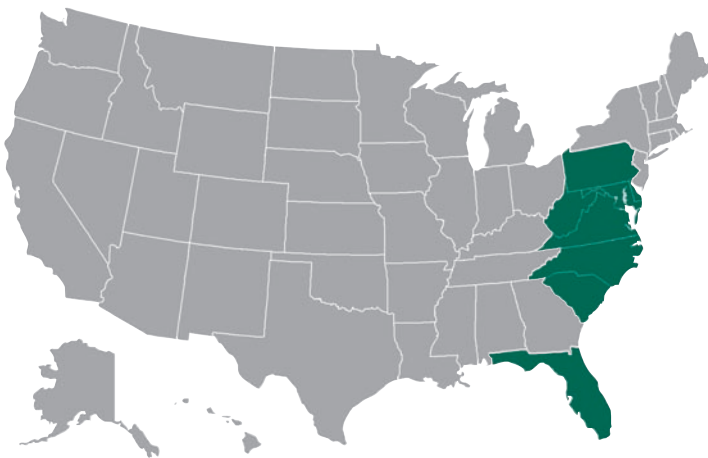


County/City	Number of Retirees	Total Pension Dollars
Allegany	3,431	\$79.0M
Anne Arundel	13,329	\$350.8M
Baltimore City	11,560	\$273.5M
Baltimore County	21,643	\$598.5M
Calvert	2,299	\$63.6M
Caroline	1,127	\$26.7M
Carroll	5,241	\$138.3M
Cecil	1,911	\$45.2M
Charles	2,243	\$57.1M
Dorchester	1,449	\$33.5M
Frederick	5,131	\$142.6M
Garrett	1,240	\$28.9M
Harford	7,103	\$189.3M
Howard	6,529	\$196.5M
Kent	725	\$18.0M
Montgomery	9,298	\$300.8M
Prince George's	10,604	\$253.7M
Queen Anne's	1,946	\$52.6M
Saint Mary's	2,075	\$49.6M

M = millions

County/City	Number of Retirees	Total Pension Dollars
Somerset	1,234	\$27.0M
Talbot	1,412	\$35.5M
Washington	4,592	\$109.1M
Wicomico	3,423	\$84.9M
Worcester	2,164	\$52.5M

## Where else do retirees live?

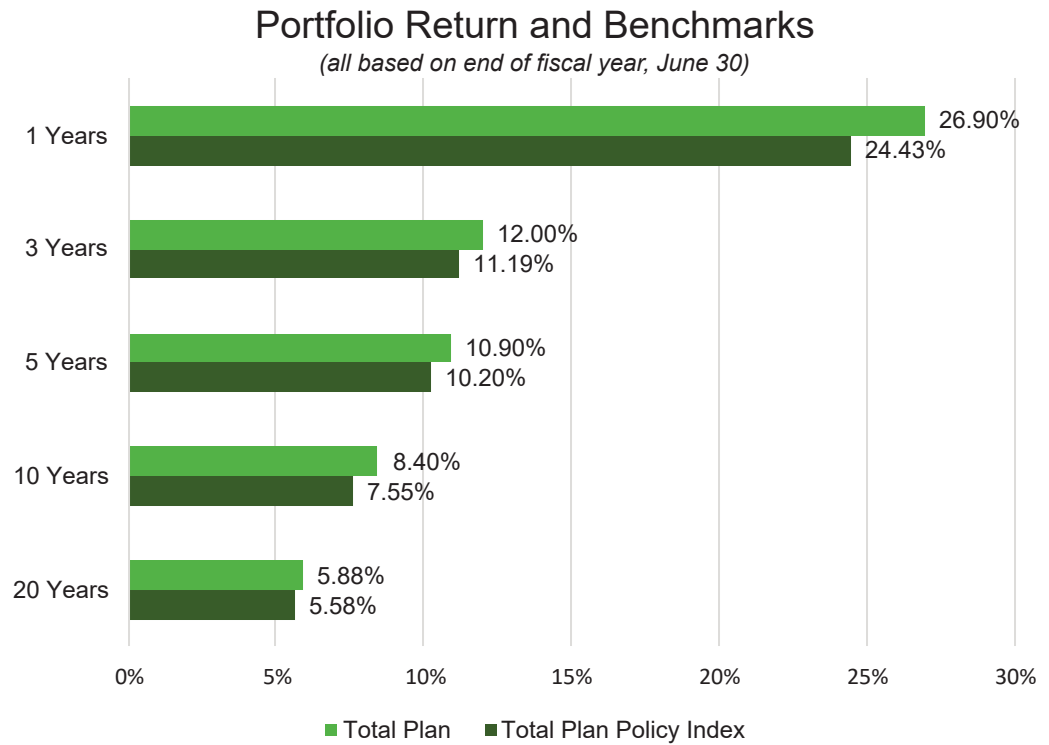


Maryland	74.7%
Florida	4.7%
Pennsylvania	3.6%
Virginia	2.6%
Delaware	2.4%
North Carolina	2.2%
South Carolina	1.4%
West Virginia	1.4%

No other state is home to more than 1% of our payees. Data as of August 2021.

# Investments

**F**iscal 2021 was an extraordinary year in which the System earned 26.7% on investments, far surpassing its 7.40% assumed actuarial return rate and exceeding the policy benchmark of 24.41% by 230 basis points.



## 2011 Benefit Reform Scorecard

Reforms enacted by the Maryland General Assembly in 2011 and in subsequent years continue to show positive results for the System and, in fact, continue to exceed earlier projections (see chart below). The System is on track to be 80% funded by 2026, 85% funded by 2030 and 100% funded by 2039.

### Projected June 30, 2021 Results on June 30, 2010 Valuation

Fiscal Year 2023 Contribution Rates No Reinvestment (% of Pay)			
ECS (State)	24.13%	19.92%	20.68%
TCS	22.39%	18.45%	14.65%
All State Plans	24.13%	20.03%	17.55%
June 30, 2021 Funded Ratio No Reinvestment			
All State Plans	70.7%	70.5%	72.7%
June 30, 2021 Funded Ratio Reinvestment			
All State Plans	70.7%	75.1%	76.2%

The 2010 valuation was the basis for the original estimates and projections related to potential effects of the 2011 reforms. Certain changes since implementation of reforms affect the comparability of the figures:

- Systems are now receiving Actuarially Determined Contributions based on 25-year closed amortization of unfunded actuarial accrued liability (UAAL) ending in FY 2039. Elimination of the corridor funding method resulted in a large contribution increase for the Employees' Combined System (ECS). The change was very small for the Teachers' Combined System (TCS).
- The General Assembly lowered reinvested savings to \$75 million from the original \$300 million in two steps beginning in FY 2014.
- Both demographic and economic assumptions have changed since 2010 acting to increase contributions and decrease funded ratios.
- There was an overall favorable experience since 2010 (except ECS) which decreased actuarial contribution rates and increased funded ratios.

# Plan Net Position

For the Years Ended  
June 30, 2021 and 2020

Amounts  
expressed in  
thousands

Assets	2021	Increase/ (Decrease)	2020	Increase/ (Decrease)	2019
Cash and cash equivalents and receivables	\$3,436,068	\$902,619	\$2,533,449	\$(1,062,842)	\$3,596,291
Collateral for securities loaned	\$4,745,195	\$603,047	4,142,148	\$806,438	3,335,710
Total investments, at fair value	\$70,580,176	\$12,667,037	57,913,139	\$2,064,642	55,848,497
<b>Total assets</b>	<b>\$74,016,244</b>	<b>\$13,569,656</b>	<b>60,446,588</b>	<b>\$1,001,800</b>	<b>59,444,788</b>
Liabilities					
Accounts payable and accrued expenses	\$66,355	\$1,790	64,565	\$1,162	63,403
Investment commitments payable	\$1,600,194	\$(53,644)	1,653,838	\$(448,417)	2,102,255
Obligation for collateral for loaned securities	\$4,745,195	\$603,047	4,142,148	\$806,438	3,335,710
<b>Total liabilities</b>	<b>\$6,411,744</b>	<b>\$551,193</b>	<b>5,860,551</b>	<b>\$359,183</b>	<b>5,501,368</b>
<b>Net Position Restricted for Pensions</b>	<b>\$67,604,500</b>	<b>\$13,018,463</b>	<b>\$54,586,037</b>	<b>\$642,617</b>	<b>53,943,420</b>

# Changes in Plan Net Position

For the Years Ended  
June 30, 2021 and 2020

Amounts  
expressed in  
thousands

Additions	2021	Increase/ (Decrease)	2020	Increase/ (Decrease)	2019
Employer contributions	\$1,436,868	\$76,954	\$1,359,914	\$58,360	\$1,301,554
Employee contributions	\$865,738	\$15,440	\$850,298	\$43,007	\$807,291
State contributions on behalf of local governments	\$766,656	\$(17,493)	\$784,149	\$32,204	\$751,945
Contribution interest	-	\$(207)	\$207	\$(385)	\$592
Net investment income	\$14,315,762	\$12,449,123	\$1,866,639	\$(1,421,570)	\$3,288,209
<b>Total additions</b>	<b>\$17,385,024</b>	<b>\$12,523,817</b>	<b>\$4,861,207</b>	<b>\$(1,288,384)</b>	<b>\$6,149,591</b>
Deductions					
Benefit payments	\$4,253,047	\$144,555	\$4,108,492	\$182,272	\$3,926,220
Refunds	\$64,773	\$(3,979)	\$68,752	\$1,352	\$67,400
Administrative expenses	\$47,741	\$6,395	\$41,346	\$1,562	\$39,784
<b>Total deductions</b>	<b>\$4,366,561</b>	<b>\$147,971</b>	<b>\$4,218,590</b>	<b>\$185,186</b>	<b>\$4,033,404</b>
<b>Net increase (decrease) in plan position</b>	<b>\$13,018,463</b>	<b>\$12,375,846</b>	<b>\$642,617</b>	<b>\$(1,473,570)</b>	<b>\$2,116,187</b>
<b>Beginning plan net position</b>	<b>\$54,586,037</b>	<b>\$642,617</b>	<b>\$53,943,420</b>	<b>\$2,116,187</b>	<b>\$51,827,233</b>
<b>Ending plan net position restricted for pensions</b>	<b>\$67,604,500</b>	<b>\$13,018,463</b>	<b>\$54,586,037</b>	<b>\$642,617</b>	<b>\$53,943,420</b>

# Where are plan assets invested?

## Asset Allocation

	Target	June 30, 2021
Growth Equity	50% (+/-7%)	52.6%
Rate Sensitive	19% (+/-5%)	15.9%
Credit	9% (+/-4%)	9.2%
Real Assets	14% (+/-4%)	11.2%
Absolute Return	8% (+/-4%)	8.7%
Multi Asset	0% (0%)	1.0%
Cash	0%	1.4%

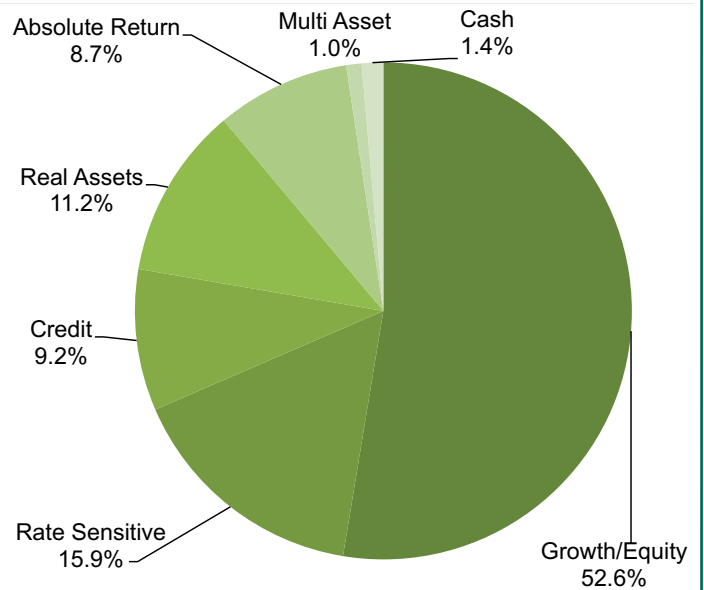
**GROWTH/EQUITY** includes U.S. Equity, International Developed Markets Equity, International Emerging Markets Equity, and Private Equity.

**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

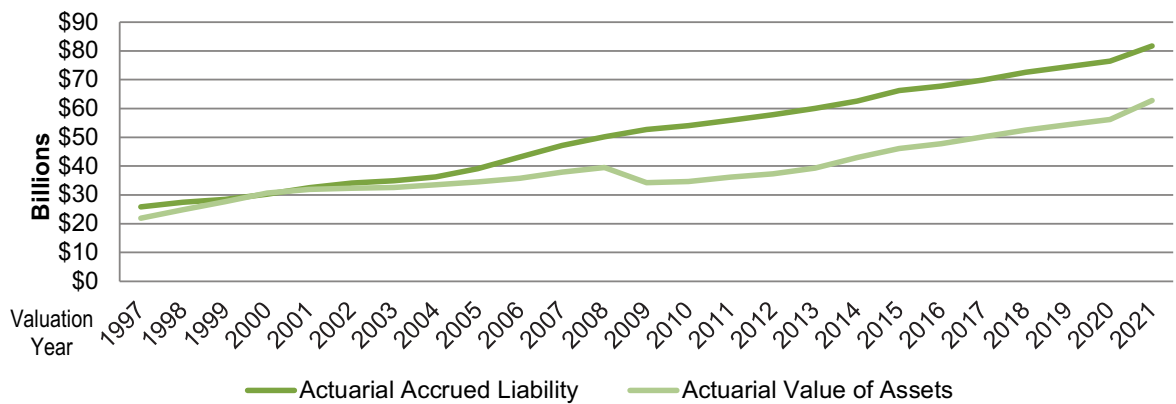
**ABSOLUTE RETURN** includes those investments whose performance is expected to deliver absolute returns in any market conditions. The System's program may include strategies such as hedge fund of funds, multi-strategy, global tactical asset allo-



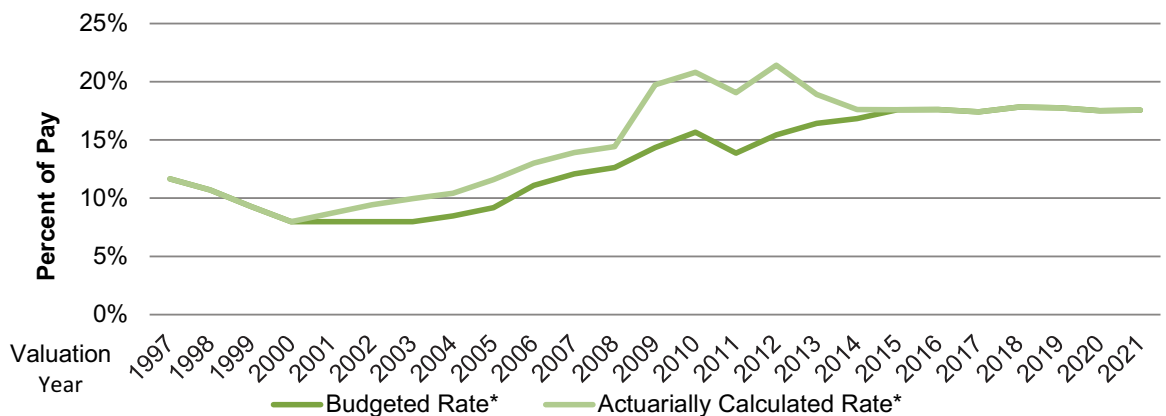
cation, event driven, relative value, macro, insurance and equity hedged.

**MULTI ASSET** includes a combination of different strategies that do not fall within the description of only one asset class and are expected to have performance characteristics similar to the plan.

## Assets/Liabilities



## State Contributions Rate



\* Excludes reinvested savings in valuation years 2010. 2010 rates are prior to the 2011 General Assembly reforms.

## Interested in learning more?

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The Maryland State Retirement Agency provides several resources to keep members, retirees and other stakeholders informed about the financial management of the State's \$67.9 billion pension fund.

- The full 174-page Annual Comprehensive Financial Report, along with reports for prior years, are available on the Maryland State Retirement Agency website at [sra.maryland.gov](http://sra.maryland.gov). From the homepage, simply click on **Investments & Financials**, then **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](mailto: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.

STRIPS

