



Maryland State Retirement Agency
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis

Testimony by
Jonathan Martin, Acting Executive Director
Maryland State Retirement Agency

Senate Budget and Taxation Committee
Chair Guy Guzzone
February 06, 2026

House Appropriations Committee
Chair Ben Barnes
February 20, 2026

After careful review, the State Retirement Agency (SRA) respectfully requests that the committees concur with the Department of Legislative Services' recommendation to concur with the Governor's allowance for the proposed operating budget for fiscal year 2027.

The SRA carries out two equally important business functions: the administration of member and retiree benefits, and the management of invested assets. The continued success of these two core processes is of critical importance to the nearly 431,500 active, vested, and retired State and local participating employees, teachers, police, judges, law enforcement officers, correctional officers and legislators whom we serve.

The investment portfolio for the State Retirement and Pension System (System) generated a return of 9.83%, net of fees, for fiscal year 2025. This return exceeded both the System's policy benchmark of 9.54% and the System's assumed rate of return of 6.8%. After the payment of benefits, the market value of assets for the System increased by more than \$5 billion, from \$67.9 billion on June 30, to \$73.2 billion on June 30, 2025. The funded ratio for the System also increased from 73.43% in fiscal year 2024 to 73.92% in fiscal year 2025.

Active membership, including vested former members, in System increased from 251,143 at the end of fiscal year 2024 to 253,603 at the end of fiscal year 2025. The SRA budget analysis prepared by the Department of Legislative Services interestingly points out that the 63.5% of the active members of the Employees' and Teachers' Pension Systems (EPS and TPS) are now earning the Reformed Contributory Pension Benefit, a new benefit established through the 2011 pension reforms for members enrolling in the EPS or TPS on or after July 1, 2011.

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We continue to see steady and consistent increases in the number of annuitants. At the end of fiscal year 2025, the number of retirees and beneficiaries receiving benefits increased 1% to 177,885 compared to 176,171 in the previous fiscal year. Over a ten-year period, the total number of annuitants has grown nearly 17% from 152,566 at the end of fiscal year 2016 to 177,885 at the end of fiscal year 2025. The high retiree-to-active ratio drives sustained service demand, as retirees require ongoing lifetime benefit administration. The allowed budget supports the System and resources necessary to maintain service quality and security as demographic pressures increase.

Of our 177,885 retirees and beneficiaries, the overwhelming majority reside in Maryland at 73.3%. Only seven other states report System retirees and beneficiaries totaling more than 1% of their total population. While all 23 counties and Baltimore City are home to System retirees and beneficiaries, Baltimore County claims the greatest number at 23,426. Additionally, it is important to note that in fiscal year 2025, SRA determined that the amount of annual System pension payments that remain in Maryland has grown over 8% from \$3.59 billion in fiscal year 2024 to \$3.89 billion in fiscal year 2025.

From an administrative perspective, we would like to give an update on the vacancies reported in the budget analysis. As of January 30, 2026, SRA has 26 vacancies. However, the Agency has six new hires starting in February or March, and we are in the interview process for an additional six positions. Once those positions are filled, the vacancy rate will decrease to 5.9%.

To provide the Committees with a more detailed overview of the System, both from an investment and participants perspective, we have included with our testimony a copy of the Maryland State Retirement and Pension System's Popular Annual Financial Report for the Year Ended June 30, 2025.



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Popular Annual Financial Report

Maryland State Retirement and Pension System

A Component Unit of the State of Maryland

For the Year Ended June 30, 2025

2025



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2025***

Presented to

Maryland State Retirement and Pension System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Robert A. Wylie'.

Robert A. Wylie
Program Administrator



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 Acting Executive Director

On behalf of our dedicated agency, I am proud to present this eighth edition of the Popular Annual Financial Report (PAFR) for the Maryland State Retirement and Pension System for the fiscal year ended June 30, 2025. The PAFR serves as a condensed version of the more complex Annual Comprehensive Financial Report. The financial activity for the fiscal year is presented here in a concise format, such that the reader can quickly refer to this easy-to-read guide on the retirement fund.

The Maryland State Retirement Agency is the administrator of the System, a cost-sharing, multiple employer defined benefit pension plan. The System provided benefits totaling more than \$5 billion in fiscal year 2025 to nearly 432,000 current and former state employees, teachers, police, legislators, judges, and municipal government workers.

To fund these benefits, the System's investment portfolio generated a return of 9.83%, net of fees, for the fiscal year, beating its policy benchmark of 9.54%. Our current investment return assumption is 6.8%. This year's higher investment returns were primarily driven by U.S. and international equity markets. After the payment of benefits, the market value of assets increased by more than \$5 billion, from \$67.9 billion on June 30, 2024, to \$73.2 billion on June 30, 2025.

Information contained in the System's 2025 Annual Comprehensive Financial Report serves as the basis for this Popular Annual Financial Report. Because of the scope of its purpose and design, the PAFR does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). A complete set of financial definitions included in this summary report can be found in the System's 2025 Annual Comprehensive Financial Report, prepared in conformity with GAAP and available online at sra.maryland.gov/annual-financial-reports.

Thank you for reading this informative, handy resource, brought to you by our staff under the direction of our Board.



Respectfully submitted

Jo
Ac

A handwritten signature in blue ink, appearing to be 'Jo Ac', written over the printed name 'Jo Ac'.

Members at a glance

Total membership	431,488
Active members	208,529
Benefit recipients	177,885
Inactive members	45,074

More than 208,000 Maryland workers count on the Maryland State Retirement and Pension System for disability, survivor and future retirement benefits.



Active Members as of June 30, 2025 *Combined State and Municipal*

System	Number	Average Age	Average Years of Service	Average Salary
Employees' Pension	78,103	48.2	10.3	\$76,590
Employees' Retirement	84	72.2	49.3	\$108,109
Correctional Officers (state)	8,845	46.1	11.6	\$69,748
Correctional Officers (municipal)	160	42.1	10.3	\$71,213
Judges	315	57.7	8.4	\$200,192
Law Enforcement Officers	2,987	40.9	10.6	\$93,586
Legislators	188	54.5	8.5	\$55,703
State Police	1,302	37.0	12.9	\$116,056
Teachers' Pension	116,474	45.5	12.0	\$81,797
Teachers' Retirement	71	75.2	49.0	\$140,283
TOTAL/AVERAGE	208,529	46.5	11.4	\$79,896

The Maryland State Retirement Agency paid out more than \$5 billion in pension benefits in 2025.

Nearly \$3.89 billion was paid to Maryland residents.



Retirees and Beneficiaries as of June 30, 2025
Combined State and Municipal

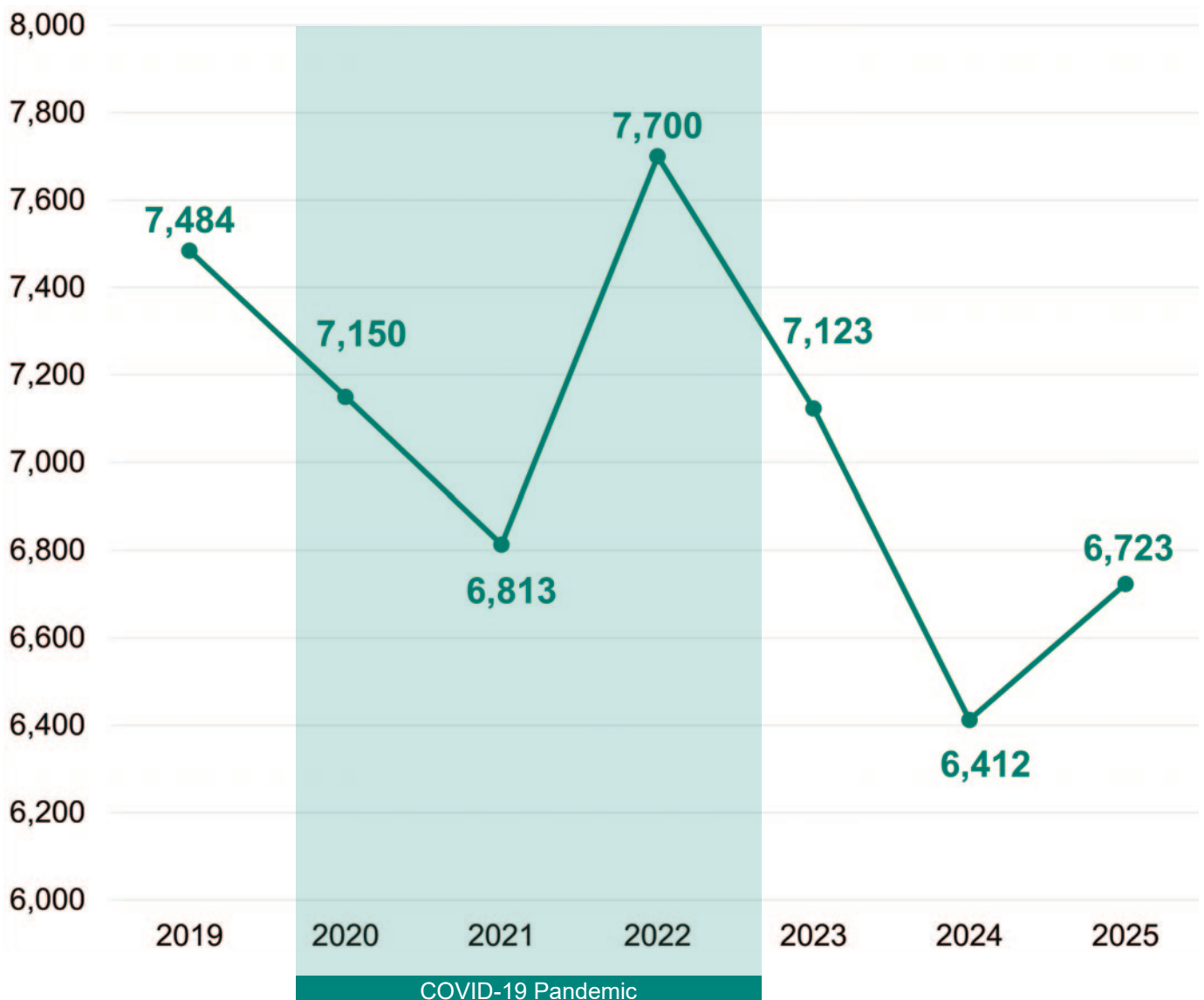
System	Number	Average Age	Average Monthly Benefit	Annual Allowances
Employees' Pension	68,712	73.1	\$1,681	\$1,386,411,642
Employees' Retirement	9,620	80.6	\$2,974	\$343,313,772
Correctional Officers (state)	7,341	65.1	\$2,316	\$204,040,173
Correctional Officers (municipal)	77	62.4	\$2,786	\$2,574,573
Judges	475	78.4	\$9,026	\$51,448,941
Law Enforcement Officers	2,723	64.0	\$3,489	\$114,020,515
Legislators	322	77.4	\$1,665	\$6,435,294
State Police	2,668	66.9	\$5,449	\$174,470,742
Teachers' Pension	66,969	73.5	\$2,442	\$1,962,743,872
Teacher's Retirement	18,978	81.4	\$4,407	\$1,003,582,604
TOTAL/AVERAGE	177,885	74.0	\$2,459	\$5,249,042,130

Retirees at a glance

The average State Retirement and Pension System retiree:

- Had accrued 22.8 years of service at retirement
- Earned an average final salary before retirement of \$57,612
- Lives in Maryland
- Retired at age 61.2
- Is 74.0 years old
- Receives \$29,508 each year in SRPS benefits

Number of retirements by fiscal year

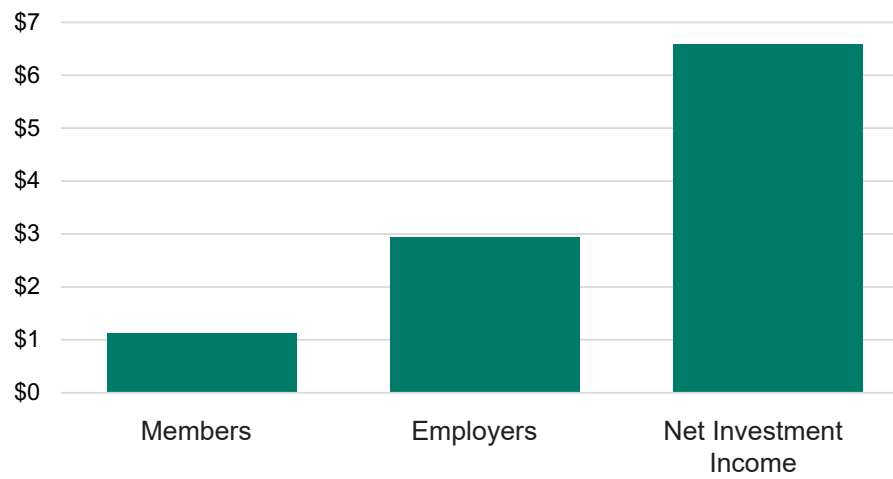


How benefits are funded

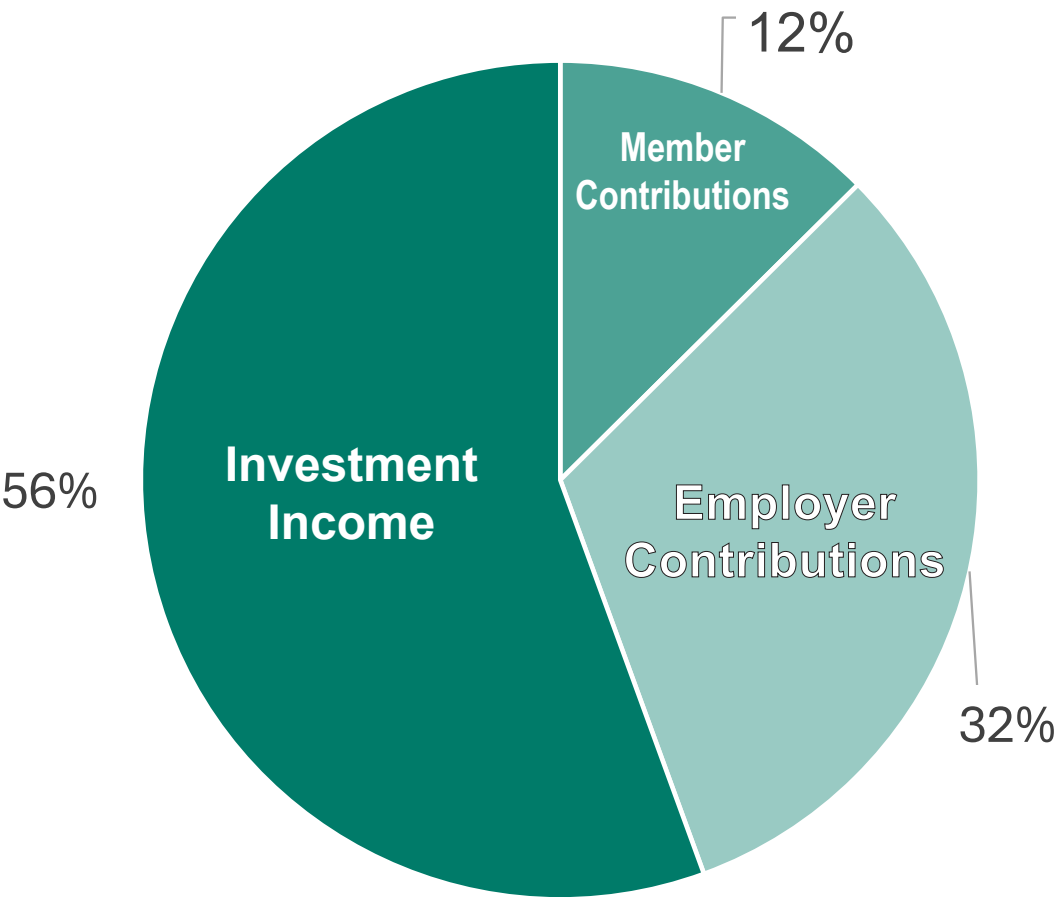
Retirement benefits are funded primarily by investment returns with the remainder coming from a combination of member and employer contributions. Dollar amounts are shown in millions.

Employer contributions are determined annually based on the results of an actuarial valuation. Maryland contributes 100% of the amount recommended by the valuation, in accordance with the System's funding policy.

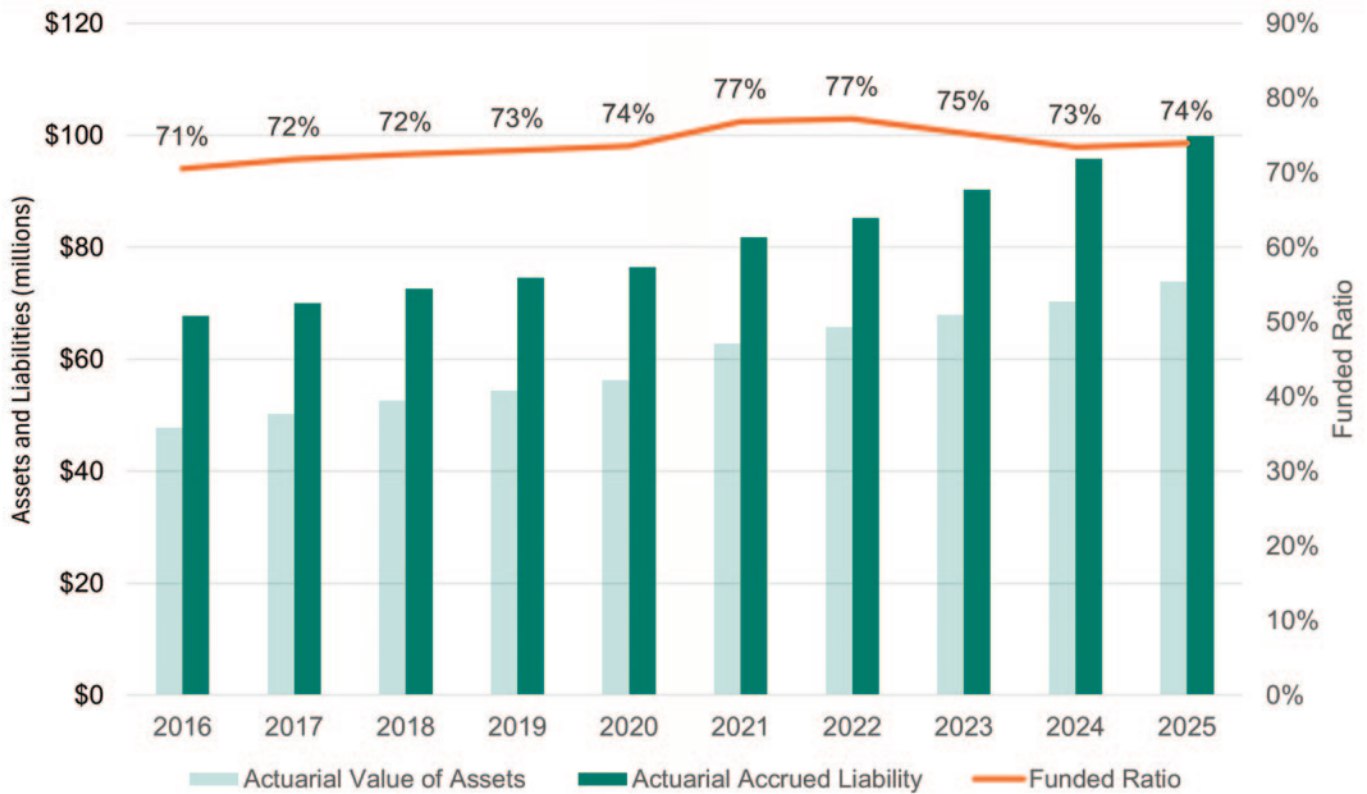
Fiscal year 2025 funding by sources



Ten-Year Aggregate of Contributions
As of June 30, 2025



Schedule of funding progress



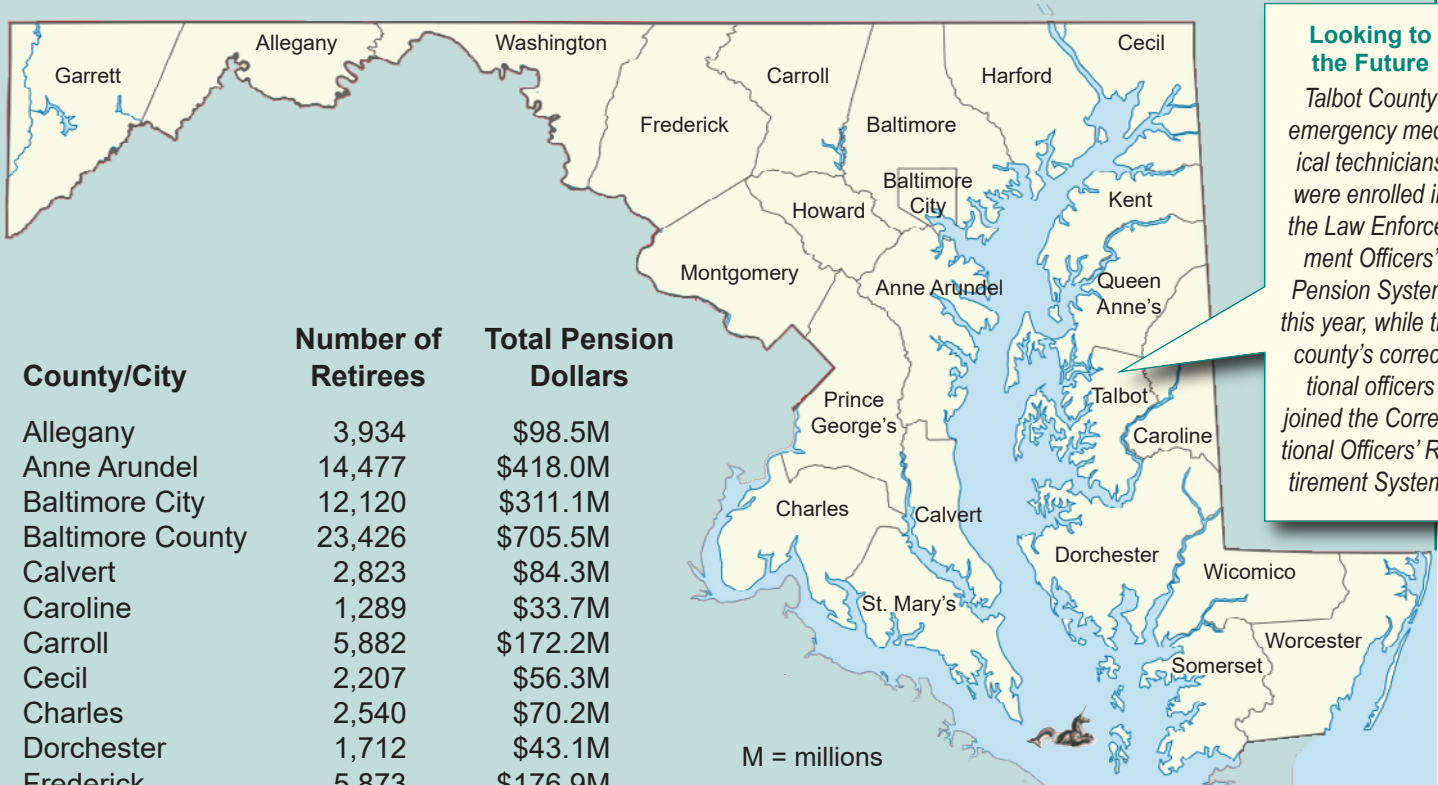
Summary of Changes in Fiduciary Net Position

For the Years Ended June 30
Amounts expressed in thousands

Additions	2025	Increase/ (Decrease)	2024	Increase/ (Decrease)	2023
Employer contributions	\$1,986,677	\$152,626	\$1,834,051	\$133,737	\$1,700,314
Employee contributions	\$1,130,018	\$73,845	\$1,056,173	\$92,471	\$963,702
State contributions on behalf of local governments	\$960,777	\$176,512	\$784,265	\$45,662	\$738,603
Net investment income	\$6,588,333	\$2,171,558	\$4,416,775	\$2,436,498	\$1,980,277
	\$10,665,805	\$2,574,541	\$8,091,264	\$2,708,368	\$5,382,896
Deductions					
Benefit payments	\$5,160,040	\$243,615	\$4,916,425	\$263,262	\$4,653,163
Refunds	\$116,361	\$9,053	\$107,308	\$5,571	\$101,737
Administrative expenses	\$58,338	\$7,542	\$50,796	\$4,782	\$46,014
Total deductions	\$5,334,739	\$260,210	\$5,074,529	\$273,615	\$4,800,914
Net change	\$5,331,066	\$2,315,004	\$3,016,735	\$2,434,753	\$581,982
Net position: Beginning of year	\$67,909,708	\$3,016,735	\$64,892,973	\$581,982	\$64,310,991
Net position: End of year	\$73,240,774	\$5,331,066	\$67,909,708	\$3,016,735	\$64,892,973

Local economic impact of Maryland pensions*

Nearly **\$3.89 billion** in annual pension payments stay in Maryland.



County/City	Number of Retirees	Total Pension Dollars
Allegany	3,934	\$98.5M
Anne Arundel	14,477	\$418.0M
Baltimore City	12,120	\$311.1M
Baltimore County	23,426	\$705.5M
Calvert	2,823	\$84.3M
Caroline	1,289	\$33.7M
Carroll	5,882	\$172.2M
Cecil	2,207	\$56.3M
Charles	2,540	\$70.2M
Dorchester	1,712	\$43.1M
Frederick	5,873	\$176.9M
Garrett	1,379	\$35.7M
Harford	8,136	\$236.5M
Howard	7,285	\$239.3M
Kent	868	\$23.8M
Montgomery	10,307	\$358.7M
Prince George's	11,607	\$304.5M
Queen Anne's	2,287	\$68.5M
Saint Mary's	2,607	\$68.4M

County/City	Number of Retirees	Total Pension Dollars
Somerset	1,383	\$33.2M
Talbot	1,546	\$42.5M
Washington	5,179	\$133.9M
Wicomico	3,968	\$107.3M
Worcester	2,509	\$67.5M

M = millions

Where else do retirees live?



Maryland	73.3%
Florida	4.7%
Pennsylvania	3.9%
Virginia	2.7%
Delaware	2.5%
North Carolina	2.4%
South Carolina	1.6%
West Virginia	1.4%

*All figures as of June 30, 2025.

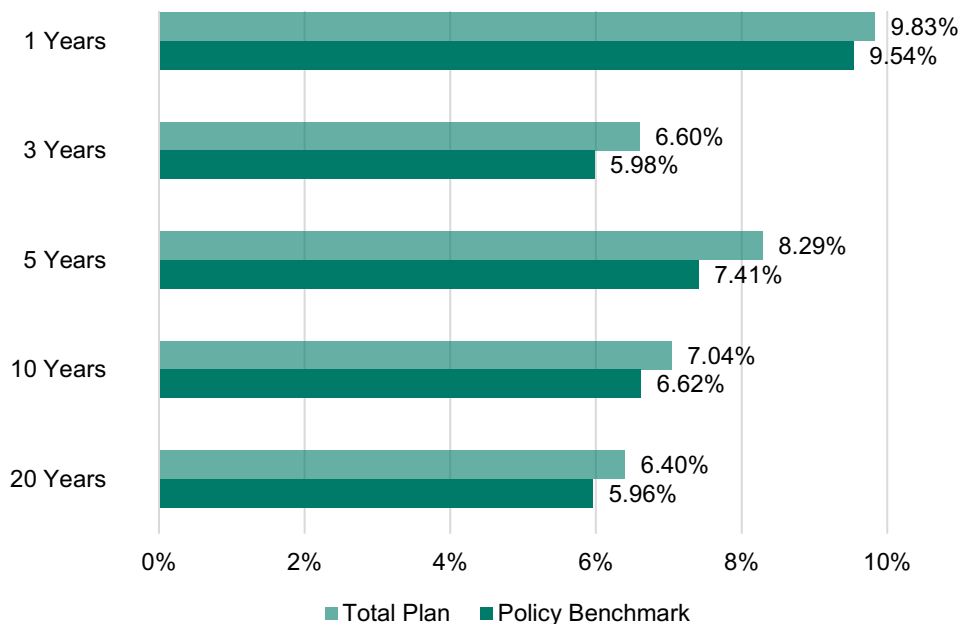
No other state is home to more than 1% of our payees.

Investments

The System's investment portfolio generated a return of 9.83%, net of fees, for the fiscal year ended June 30, 2025. This return beat the 9.54% policy benchmark.

Portfolio Return and Benchmarks

(all based on end of fiscal year, June 30)



Where are plan assets invested?

Asset Allocation

	Target	June 30, 2025
Growth/Equity	50% (+/-7%)	52.8%
Rate Sensitive	20% (+/-5%)	16.2%
Credit	9% (+/-4%)	9.1%
Real Assets	15% (+/-4%)	14.7%
Absolute Return	6% (+/-4%)	5.5%
Multi Asset	0% (0%)	0.4%
Cash/Cash Equivalents	0%	1.3%

Asset Classes

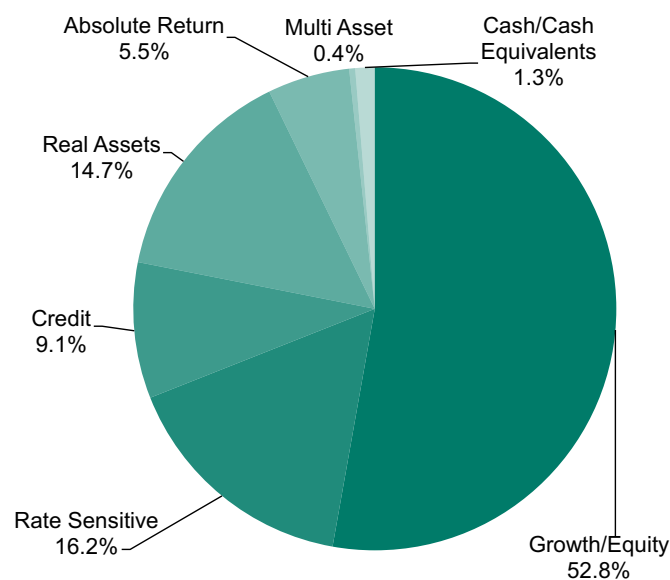
Growth/Equity: Investments in public equity and private equity

Rate Sensitive: Exposure to core, or investment-grade, bonds

Credit: Investments in below-investment-grade bonds with higher returns

Real Assets: Real estate, natural resources and infrastructure investments

Absolute Return: Investments expected to achieve a return between public equity and bonds, with low correlation to other asset classes



Multi Asset: includes a combination of different strategies that do not fall within the description of only one asset class.



Interested in learning more?

The Maryland State Retirement Agency provides several resources to keep members, retirees and other stakeholders informed about the financial management of the State's \$73.2 billion pension fund.

- The full 195-page Annual Comprehensive Financial Report, along with reports for prior years, are available on the Maryland State Retirement Agency website at 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. 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.

