

The consulting actuary for the three Retirement Systems prepared a valuation as of June 30, 1979 using the entry age actuarial cost method. Retirement costs for 1980 on this basis aggregated approximately \$393 million, for governmental fund types and \$69 million for proprietary fund types including level amortization of unfunded liabilities over 40 years and interest thereon. The actuarially computed value of the unfunded accrued benefits as of June 30, 1979 aggregated approximately \$1,737 million. The actuarially computed value of vested benefits is not available.

The consulting actuary for the Mass Transit Administration Pension Plan prepared a valuation as of June 30, 1980 using the entry age normal cost method. Retirement costs for 1980 on this basis aggregated approximately \$3.3 million, including amortization of unfunded liabilities over 30 years. The actuarially computed value of the unfunded accrued benefits and vested benefits as of June 30, 1980 aggregated approximately \$36 million and \$27 million, respectively.

Retirement expenditures applicable to governmental fund types for the year ended June 30, 1980 aggregated approximately \$174 million. The excess of retirement costs over retirement expenditures, in the amount of \$224,348,000 is included in the general long-term obligations account group.

For the year ended June 30, 1979 retirement costs for governmental fund types were provided on the accrual basis predicated on actuarial valuations. The excess of retirement costs over amounts currently funded were recorded as personnel and retirement expenditures in the general fund, and such amount was transferred to the long-term obligations account group. In 1980, State retirement expenditures were recorded as the amounts paid during the current fiscal year and amounts accrued for payment in the ensuing fiscal year. The excess of actuarially determined retirement costs over retirement expenditures was not recorded as expenditures in the general fund but was included with other long-term obligations in the general long-term obligations account group. The State adopted this change in order to reflect only current uses of current resources as expenditures in governmental fund types. Had the State adopted the change in 1979, total general fund expenditures would have been \$151 million lower and such amount would not have been recorded as a transfer to the long-term obligations account group. The change had no effect on general fund equity or the long-term obligations account group.

The Pension Systems for employees and teachers were created pursuant to legislation passed in 1979 by the Maryland General Assembly. The legislation requires applicable employees and teachers hired after January 1, 1980 to become members of one of the Pension Systems and, between January 1, 1980 and June 30, 1980 and annually thereafter, enables certain prior employees and teachers to elect to transfer their membership in one of the Retirement Systems to one of the Pension Systems.

In addition, for all Systems other than the Mass Transit Administration Plan, the legislation requires a change to the accrued benefits cost actuarial method with amortization of the unfunded actuarial liabilities over a period of forty years, certain changes in actuarial assumptions, and current funding of those systems based on actuarially determined cost requirements.

The actuarially computed value of unfunded accrued benefits as of June 30, 1979 and retirement costs for the year ended June 30, 1980 were determined based on the assumption that all applicable employees were members of one of the Retirement Systems. Accordingly, the cost implications of new employees' membership in, and prior employees transfers to, the Pension Systems were not considered. As of July 1, 1980, the State began funding the Retirement and Pension Systems in accordance with the aforementioned legislative requirements and, accordingly, the effects of the changes in determining pension costs as well as the redetermined actuarially computed value of unfunded accrued benefits will be reflected in the financial statements for the year ending June 30, 1981. The effects of these changes are expected to increase the amount of pension expenditures and decrease the amount of actuarially determined pension costs for governmental fund types and decrease the amount of pension costs provided for proprietary fund types.