

On September 17, 1987, the Board of the Maryland State Retirement and Pension Systems approved a major change in its asset allocation investment policy. The Board directed that investments in equity securities be reduced from approximately 60% of the total portfolio to approximately 30% of the total portfolio. The Board further directed that a dedicated bond portfolio be developed, which would provide scheduled payments of principal and interest that match the actuarially projected benefit payments to members of all of the Systems who had retired prior to July 1, 1987. As a result, approximately \$2,300,000,000 in equity securities were sold prior to mid-October 1987, and approximately \$4,000,000,000 in fixed income securities were purchased or transferred to the dedicated bond portfolio. That portfolio has an average yield of approximately 10%. As a result of these transactions, the total unfunded actuarial liability of the Systems was reduced by approximately \$1,300,000,000. The effect of this reduction will be to reduce State contributions to the Systems in future years.

#### 16. Commitments:

The State leases office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. Future lease expense commitments under these agreements at June 30, 1987 are as follows (amounts expressed in thousands):

Years ending June 30,	Amounts
1988	\$ 26,006
1989	23,017
1990	18,021
1991	13,120
1992	8,749
1993 and thereafter	<u>23,070</u>
	<u>\$111,983</u>

At June 30, 1987, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$604,232,000 and \$139,000,000, respectively, for construction of highway and mass transit facilities. Approximately 55% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department.

The Department of Transportation, as lessor, leases terminal space at various marine terminals, airport facilities and office space pursuant to various operating leases. Minimum future rental revenues (amounts expressed in thousands) are as follows:

Years ending June 30,	Noncancellable Operating Leases Minimum Future Rentals
1988	\$ 9,873
1989	10,742
1990	10,217
1991	9,743
1992	8,839
1993-1997	31,246
1998-2002	29,995
2003 and thereafter	<u>65,951</u>
	<u>\$176,606</u>

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rent revenue was approximately \$48,349,000 for the year ended June 30, 1987, including contingent rentals of approximately \$17,533,000. Assets of the Department of Transportation subject to such operating lease agreements are included in the general fixed assets account group. The cost of these assets was approximately \$247,998,000 at June 30, 1987.