

of a member's high three-year average salary multiplied by each year of service up to 25 years, plus 1/90 of the member's high three-year average salary multiplied by each year of service in excess of 25 years.

Members of the Employees' and Teachers' Retirement Systems are required to contribute to the System a fixed percentage of their regular salaries and wages (7% or 5% depending on the retirement plan selected). Members of the Pension Systems are required to contribute to the System 5% of their regular salaries and wages which exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. All contributions are deducted from each member's salary and wage payments and are remitted to the System on a regular, periodic basis.

The State, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and the participating political subdivisions make all employer contributions to the System. In addition, the State of Maryland, which is a non-employer contributor to the Teachers' Retirement and Pension Systems, makes virtually all of the non-employee contributions to the Teachers' Systems. All contributions to the System are made in amounts required by State statutes.

No investment of the System in any one organization represented 5% or more of the net assets available for pension benefits. There were no investments with parties related to the System.

*Funding Status and Progress:*

The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Systems' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System as described below.

The fiscal year 1994 pension benefit obligation was determined as a part of an actuarial valuation as of June 30, 1994. Significant actuarial assumptions used include the following:

Rate of return on investment present and future assets	7.5%
Projected salary increases for inflation	5.0 to 6.0%
Projected salary increases for seniority and merit	.94 to 6.82%
Postretirement benefit increase	3.0 to 6.0%

As of June 30, 1994, the unfunded pension benefit obligation (i.e., pension obligation less net assets available for benefits) for covered employees, is as follows (amounts expressed in thousands):

	System	System (excluding participating political subdivisions)
<b>Pension benefit obligation:</b>		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits.....	\$ 9,734,310	\$ 9,214,849
<b>Current employees:</b>		
Accumulated employee contributions including allocated investment income.....	1,466,974	1,384,617
Employer-financed vested .....	8,949,347	8,389,301
Employer-financed nonvested.....	340,967	307,177
Total pension benefit obligation.....	20,491,598	19,295,944
Net assets available for benefits, at cost (market value is \$16,060,438 and \$14,986,713) .....	15,093,131	14,089,325
Unfunded pension benefit obligation .....	\$ 5,398,467	\$ 5,206,619

There were no changes in actuarial assumptions or benefit provisions which significantly affected the valuation of the pension benefit obligation during fiscal year 1994.

*Contributions Required and Made:*

The State's retirement contributions are appropriated annually, based upon actuarial valuations. In this regard, the System has engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' normal and accrued liability contribution rates and the unfunded actuarial accrued liability. Using this method, the actuarial present value of the projected benefits of each