

cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$11,918,000 (12.5% of covered payroll) for fiscal year 1996 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1995. This amount consisted of \$2,328,000 normal cost and \$9,590,000 amortization of the actuarial accrued liability (2.4% and 10.0%, respectively, of covered payroll).

The liquidation period for the actuarial accrued liabilities (as provided by law) is 24 years from June 30, 1996. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations.

The computation of the annual required contribution for fiscal year 1996 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost for the fiscal years ending June 30, 1996, 1995 and 1994 were \$11,918,000, \$11,323,000 and \$8,452,000, respectively.

The Administration contributed 100% of the annual pension cost for each of the fiscal years ending June 30, 1996, 1995 and 1994 for the Plan.

The Administration's net pension obligation was zero as of June 30, 1996, 1995 and 1994 for the Plan. In addition, there was no transition liability determined in accordance with GASB Statement No. 27. This transition resulted in no difference between the 1995 and 1996 reported liability.

The fiscal year 1996 annual pension cost and net pension obligations were determined as a part of an actuarial valuation as of June 30, 1996. The significant actuarial assumptions listed below were used for the Plan.

Valuation method	Entry Age Normal Method
Cost method of valuing assets.....	Fair Value
Rate of return on investments.....	7.50% Compounded per Annum
Projected inflation rate	5.00%
Rate of salary increase.....	5.75% Compounded per Annum
Postretirement benefit increase.....	3.00%
Amortization method.....	Level dollar annual installments
Amortization period.....	30 years from July 1, 1989
Status of period (Open or Closed)	Open

There were no changes in actuarial assumptions or benefit provisions which significantly affected the valuation of the annual pension cost and net pension obligation during fiscal year 1996 and no significant changes in these assumptions are planned in the near term.

Change in Accounting Principles

Effective July 1, 1995, the State adopted Statements No. 25 and 27 of the Governmental Accounting Standards Board, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and "Accounting for Pensions by State and Local Governmental Employers", respectively. Statement No. 25 requires pension trust funds to account for plan assets, liabilities and net assets at their fair values. The provisions of this statement require retroactive restatement of net assets as of June 30, 1995 for the effect of changing the method of accounting for investments from the cost basis to fair value. The effect of this change in accounting principle on the previously reported net assets is as follows (amounts expressed in thousands).

	State Retirement and Pension System of Maryland	Mass Transit Administration Pension Plan	Total
Net assets at June 30, 1995, as previously reported.....	\$16,269,489	\$23,790	\$16,293,279
Effect of change in accounting for investments.....	2,197,840	1,439	2,199,279
Net assets at June 30, 1995, as restated	\$18,467,329	\$25,229	\$18,492,558