

Statement No. 27 requires employers to measure and disclose annual pension cost on the accrual basis of accounting.

Post Retirement Benefits:

The State also provides, in accordance with State Merit System Laws, postemployment health care benefits to retired employees and their dependents (generally employees who retired before July 1, 1984, employees who retired on or after July 1, 1984, with at least 5 years of creditable service and employees who receive disability retirement allowances or special death benefits). The State subsidizes approximately 50% to 90% of covered medical and hospitalization costs, depending on the type of insurance plan. The State assesses a surcharge for postemployment health care benefits which is based on health care insurance charges for current employees. During fiscal year 1996 these benefits paid amounted to \$49,219,071. There are 20,943 participants currently eligible to receive benefits.

16. Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State subject only to the claims of the government's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. The Plan is accounted for as an Agency Fund.

It is the opinion of the State after consulting with legal counsel, that the State has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the Plan's third party administrator under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

17. 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. Rent expenditures for fiscal year 1996 were approximately \$29,943,000. Future lease commitments under these agreements as of June 30, 1996, follow (amounts expressed in thousands).

Years ending June 30	Amounts
1997.....	\$27,185
1998.....	20,135
1999.....	15,571
2000.....	11,651
2001.....	4,847
2002 and thereafter.....	8,012
	\$87,401

As of June 30, 1996, the State had general fund commitments of approximately \$58,000,000 for the completion of projects under construction.

As of June 30, 1996, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$547,050,000, and \$90,000,000, respectively, for construction of highway and mass transit facilities. Approximately 80% 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.