There were no investments in loans to or leases with parties related to the Plan. In addition, no investment in any one organization constituted 5% or more of the net plan assets available for pension benefits.

Summary of Significant Accounting Policies:

As a part of the Pension Trust Fund, the accounts of the Plan, including benefits and refunds, are maintained using the accrual basis of accounting. Fair value of the investments by the Plan is determined by the State Retirement and Pension System of Maryland based on published securities data.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. Effective January 1, 1990, in accordance with the law governing the Plan, all benefits of the Plan are funded in advance. The entry age normal 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 $11,502,000 (12.1% of covered payroll) for fiscal year 1997 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1996. This amount consisted of $2,570,000 normal cost and $8,932,000 amortization of the actuarial accrued liability (2.7% and 9.4%, respectively, of covered payroll).

The liquidation period for the actuarial accrued liabilities (as provided by law) is 24 years from June 30, 1997. 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 1997 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, 1997, 1996 and 1995 were $11,502,000, $11,918,000 and $11,323,000, respectively.

The Administration contributed 100% of the annual pension cost for each of the fiscal years ending June 30, 1997, 1996 and 1995 for the Plan.

The Administration's net pension obligation was zero as of June 30, 1997, 1996 and 1995 for the Plan.

The fiscal year 1997 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	7.5% Compounded per Annum
Projected inflation rate	5.00%
Rate of salary increase	3.00%, Compounded per Annum
Postretirement benefit increase	N/A
Amortization method	Level dollar annual installments
Amortization period	30 years from July 1, 1989
Status of period (Open or Closed)	Closed

During fiscal year 1997, there were no changes in actuarial assumptions or benefit provisions from 1996 which significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

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.