

Summary of Significant Accounting Policies:

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

Quotations from national security exchanges and security pricing services, or by respective fund managers for securities which are not actively traded. Other investments are valued based on appraisals or the present value of the projected future income.

Post Retirement Benefits:

The State also provides, in accordance with State Merit System Laws, post employment 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 post employment health care benefits, which is based on health care insurance charges for current employees. During fiscal year 2000, these benefits paid amounted to \$84,475,000. Costs are recognized as they are paid. There are 35,382 participants currently eligible to receive benefits.

16. Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants 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. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State