MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

consolidated annual report 1984

Maryland State Retirement
and Pension Systems
301 West Preston Street
Baltimore, MD. 21201

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

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May 1, 1985

Dear Members and Beneficiaries:

In accordance with Section 159 of Article 73B of the Annotated Code of Maryland, the Board of Trustees of the Maryland State Retirement and Pension Systems has prepared this consolidated report for the fiscal year ending June 30, 1984 which shows:

1. the fiscal transactions of the several systems for the 1984 fiscal year,
2. the amount of accumulated cash and securities of each system, and
3. the last balance sheet showing the financial condition of each system by means of an actuarial valuation of assets and liabilities.

The report consists of five sections consisting of the Actuarial Valuation, Consolidated Financial Statements, Description of the Systems, Organizational Data, and Statistics.

The report has been prepared in conformity with generally accepted accounting principles and, as appropriate, with generally recognized and accepted actuarial principles and practices. Significant accounting policies are enumerated in the Notes to Financial Statements, pages 18 to 22, prepared by the Legislative Auditor.

It is an honor to present herewith the 57th Annual Report of the Board of Trustees of the Maryland State Retirement and Pension Systems.

Cordially,

Louis L. Goldstein, Chairman
Board of Trustees
Maryland State Retirement and Pension Systems

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HIGHLIGHTS OF FISCAL YEAR 1984

Fiscal year 1984 was another year of financial growth and improved stability for the Maryland State Retirement and Pension Systems. As shown on the following pages, Milliman & Robertson, our Actuary, has found that the Systems are in sound financial condition and the Legislative Auditor has issued an unqualified opinion.

Employer and employee contributions amounted to $537.8 million in total in 1984, up from $440.4 million in 1983, an increase of $97.4 million or 22.1%. Offsetting contributions, total benefit payments and member refunds for 1984 were $368.8 million as compared to $329.8 million in 1983, an increase of $39.0 million or 11.8%. As a result, net new funds for investment were $169.0 million in 1984 and when added to recognized investment results of $265.0 million account for the increase in actuarial value of assets from $3,292.2 million to $3,706.2 million.

Liabilities, increasing each year by the additional benefits earned by members and by the interest rate (7%) assumed by the actuary, increased to $9.8 billion, an almost mind-boggling sum. Fortunately Maryland's sound funding program and conservative asset valuation procedures combine to put a fully funded program within reach. Our target date of 2020 is now just 36 years away.

At the close of fiscal 1984 the Systems were serving 200,801 members and beneficiaries, an all time record. The number of beneficiaries will continue to increase as longevity improves even though the number of members who are in active service remains more or less constant.

During the 1984 Session of the General Assembly, several important pieces of legislation were enacted. A description of the changes applicable to members of the Retirement System can be found in the notes to the Legislative Auditor's report on page 20.

Additionally, the actuarial method for calculating employer pension costs and liabilities was changed from "unit credit" to "entry age normal" in order to provide additional stability to System costs. Finally, the investments of the System may now be made in accordance with the "prudent man" rule rather than the standards applying to domestic insurance companies.

As required by 1983 legislation, John S. Perreca and Michael C. Hodes were appointed to the Board of Trustees by Governor Harry Hughes. The Systems expect to benefit greatly from the special expertise in pension matters that these outstanding men bring to the Board. We note with deep sorrow the death of Christ G. Christis, Executive Director for Administration. Mr. Christis had served the Systems well for 22 years. Mr. Louis N. Phipps retired from the Board on January 1, 1984 after many years of wise counsel and dedicated service.

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WENDELL MILLIMAN, F.S.A. (1976)
JAMES H. RIGGS, F.S.A. (1978)

February 5, 1985

Joint Board of Trustees
Maryland State Retirement
and Pension Systems
301 West Preston Street
Baltimore, Maryland 21201-2363

Dear Members of the Board:

At your request, we have made an actuarial valuation of the Maryland State Retirement and Pension Systems as of June 30, 1984. The results of the valuation are contained in the following report.

Overall, the experience of the Systems during the past year was about as expected. In addition, the financial condition of the Systems is sound, and will remain sound in the future, as long as contributions to the Systems are made in accordance with present law.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

Respectfully submitted,
MILLIMAN & ROBERTSON, INC.

Eugene M. Kalwarski, F.S.A.
Consulting Actuary

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Summary of Principal Actuarial Results

Analysis of Actuarial Liabilities and Assets

	For Year Ended June 30,	
	1984	1983
Actuarial Liabilities for:		
Active Members	$ 5,129,821,537	$ 4,874,225,925
Retired and Disabled Members and Beneficiaries	4,556,498,305	3,753,331,048
Vested Deferred and Inactive Status Members	118,760,984	110,870,369
Total Actuarial Liability	9,805,080,826	8,738,427,342
Actuarial Value of Assets	(3,706,299,170)	(3,292,197,713)
Unfunded Actuarial Liability	$ 6,098,781,656	$ 5,446,229,629

Actuarial Liabilities and Assets By System

As of June 30, 1984

System	Actuarial Liabilities	Actuarial Value of Assets	Unfunded Actuarial Liabilities
Teachers' Retirement	$6,081,170,133	$2,032,524,934	$4,048,645,199
Teachers' Pension	271,516,581	186,715,596	84,800,985
Employees' Retirement	2,846,342,231	1,070,610,150	1,775,732,081
Employees' Pension	270,808,674	269,737,333	1,071,341
State Police Retirement	256,773,767	135,782,918	120,990,849
Judges' Retirement	78,469,440	10,928,239	67,541,201
Total	$9,805,080,826	$3,706,299,170	$6,098,781,656

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
Detailed Development of Estimated Pension Cost

	For Year Ended June 30,	
State of Maryland (All Systems)	**1984**	**1983**
Employer:		
Unfunded accrued liability contribution	$219,863,943	$194,855,669
Normal contribution	251,439,376	245,231,801
Total	471,303,319	440,087,470
Members' contribution	79,908,073	79,946,998
Total contributions	$551,211,392	$520,034,468
Participating Municipal Corporations		
Employer:		
Unfunded accrued liability contribution	$ 5,769,507	$ 5,237,942
Normal contribution	25,471,253	22,671,930
Total	31,240,760	27,909,872
Members' contribution	6,122,764	5,774,475
Total contributions	$ 37,363,524	$ 33,684,347

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Major Actuarial Assumptions and Procedures

Valuation Interest Rate	All Systems	7%
Rate of Increase in COLA	Retirement Systems	5% Compound
	Pension Systems	3% Simple
	Judicial Plan	6% Compound
Annual Decrement Rates	Rates of mortality, termination of service and retirement are based on actual experience during the period 1974 to 1980.	
Annual Rate of Increase in Covered Compensation (Social Security)	All Systems	5%

Annual Rates of Salary Increases

	Scaled by age	
	From	**To**
Teachers' Retirement and Pension Systems	11.07%	5.39%
Employees' Retirement and Pension Systems	9.98	6.15
State Police Retirement	8.62	6.00
Judicial Plan	6.00	6.00

Asset Valuation Method

All Systems use a method based on a five-year moving average of unit market values. Under this method, an initial unit value is established and, based on that value, the starting number of units is determined. The increase in the number of units during a measurement period is determined by converting the net cash flow, excluding realized gains and losses, into additional units based on the unit value at the beginning of the measurement period. At the end of the measurement period, the number of units is divided into the market value of the fund to determine the new unit value. The average unit value over the past five years is multiplied by the number of units available at the valuation date to determine the actuarial value of assets at the valuation date.

Funding Method

All six systems use the unit credit method with projection to determine costs. Under the funding method, normal costs and actuarial liabilities are determined separately for each plan member. The total plan normal costs and actuarial liabilities are composed of the sums of these items for all participants.

The *normal cost* represents the present value of benefits earned during the year. This is determined by calculating the present value of projected benefits for all years of service and dividing by the estimated years of service at a member's normal retirement date.

In addition to contributions required to meet the System's normal cost, contributions will be required to fund the system's *unfunded actuarial liability*. The actuarial liability under the projected unit credit method is determined for an active member by multiplying the present value of projected benefits by a ratio of service earned to date over estimated service at the member's normal retirement date. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the System's assets.

If the System's unfunded actuarial liability is increased by *actuarial losses* or decreased by *actuarial gains*, these amounts will be included as part of the unfunded actuarial liability and funded over the remaining amortization period.

MARYLAND STATE RETIREM

Balance

June 30,

ASSETS:	Total All Systems	Teachers' Retirement	Teachers' Pension
Accounts Receivable:			
Members' Contributions	$ 566,531	$ 329,805	$ 0
State's and Employers' Contributions	18,768,431	758,642	206,672
Due from Combined Fixed Income Fund	25,000	0	0
Due from Combined Equity Fund	3,000,000	0	0
Other	2,808,797	282,274	14,900
Total Accounts Receivable	25,168,759	1,370,721	221,572
Investments:			
Pro-rata share of Combined Fixed Income Fund of MSR&PS at amortized cost (Market Value $1,619,865,242)	1,769,770,158	968,809,195	88,796,934
Pro-rata share of Combined Equity Fund of MSR&PS at amortized cost (Market Value $2,167,811,671)	1,943,621,083	1,068,268,637	97,545,867
Other, at cost (approximates Market Value)	87,827,076	56,934,958	11,258,696
Total Investments	3,801,218,317	2,094,012,790	197,601,497
TOTAL ASSETS:	$3,826,387,076	$2,095,383,511	$197,823,069
LIABILITIES:			
Provisions for unpresented checks	$ 23,786,320	$ 15,087,429	$ 43,304
Amounts withheld from retirees	3,605,003	2,104,470	0
Refunds Payable	3,547,292	1,784,951	114,518
Accounts Payable	287,659	0	91,633
Other	3,125,699	2,421,483	94,421
Total Liabilities	34,351,973	21,398,333	343,876
FUND BALANCES:			
Annuity Savings Fund	985,335,097	634,390,052	4,950,690
Retirement Accumulation Fund	2,806,700,006	1,439,595,126	192,528,503
Total Fund Balances	3,792,035,103	2,073,985,178	197,479,193
TOTAL LIABILITIES AND FUND BALANCES	$3,826,387,076	$2,095,383,511	$197,823,069

The accompanying notes are an integral part of this financial statement.

ENT AND PENSION SYSTEMS

Sheet

1984

Employees' Retirement	Employees' Pension	State Police Retirement and Pension
$ 236,726	$ 0	$ 0
10,727,404	3,508,144	3,567,569
0	0	25,000
3,000,000	0	0
2,303,477	96,478	111,668
16,267,607	3,604,622	3,704,237
524,462,720	125,057,869	62,643,440
573,312,299	136,884,828	67,609,452
6,624,711	9,413,051	3,595,660
1,104,399,730	271,355,748	133,848,552
$1,120,667,337	$274,960,370	$137,552,789
$ 8,105,216	$ 104,311	$ 446,060
1,380,318	0	120,215
1,571,946	75,877	0
0	130,913	65,113
554,910	24,852	30,033
11,612,390	335,953	661,421
313,818,522	4,716,448	27,459,385
795,236,425	269,907,969	109,431,983
1,109,054,947	274,624,417	136,891,368
$1,120,667,337	$274,960,370	$137,552,789

MARYLAND STATE RETIREM

Statement of Revenue-

For the Fiscal Year

	Total All Systems	Teachers' Retirement	Teachers' Pension
Annuity Savings Fund:			
Revenue			
Members' Contributions	$ 89,496,359	$ 54,597,380	$ 128,363
Expenses			
Refunds	29,954,363	15,427,398	126,292
Excess of Revenue Over Expenses	$ 59,541,996	$ 39,169,982	$ 2,071
Retirement Accumulation Fund:			
Revenue			
Employers' Contributions	$448,435,183	$249,241,646	$27,700,532
Investment Income	199,464,305	110,462,692	8,745,577
	647,899,488	359,704,338	36,446,109
Expenses			
Benefit Payments	338,911,944	213,627,256	1,178,362
Administrative Expenses	5,910,944	3,260,991	285,601
	344,822,888	216,888,247	1,463,963
Excess of Revenue Over Expenses	$303,076,600	$142,816,091	$34,982,146

The accompanying notes are an integral part of this financial statement.

ENT AND PENSION SYSTEMS
and Expenses by Fund
Ended June 30, 1984

Employees' Retirement	Employees' Pension	State Police Retirement and Pension
$ 31,720,223	$ 230,376	$ 2,820,017
13,735,156	231,776	433,741
$ 17,985,067	$ (1,400)	$ 2,386,276
$124,363,639	$ 32,771,803	$14,357,563
60,194,691	13,001,014	7,060,331
184,558,330	45,772,817	21,417,894
115,397,834	2,068,660	6,639,832
1,733,412	411,851	219,089
117,131,246	2,480,511	6,858,921
$ 67,427,084	$ 43,292,306	$14,558,973

MARYLAND STATE RETIRE
Statement of Cha
For Fiscal Year

ANNUITY SAVINGS FUND:	Total All Systems	Teachers' Retirement	Teachers' Pension
Balances, June 30, 1983	$ 956,277,217	$ 611,357,067	$ 4,584,381
Excess of revenue over expenses	59,541,996	39,169,982	2,071
Transfer to the Annuity Savings Fund from the Retirement Accumulation Fund for interest to members' accounts	38,100,812	24,361,935	258,689
Transfers to the Retirement Accumulation Fund from the Annuity Savings Fund for contributions of retiring members	(68,584,928)	(40,334,567)	(58,816)
Members' contributions transferred to/from Retirement/Pension Systems to/from the Annuity Savings Fund	0	(164,365)	164,365
Balances, June 30, 1984	$ 985,335,097	$ 634,390,052	$ 4,950,690
RETIREMENT ACCUMULATION FUND:			
Balances, June 30, 1983	$2,473,139,290	$1,287,902,980	$150,649,653
Excess revenue over expenses	303,076,600	142,816,091	34,982,146
Transfers to the Annuity Savings Fund from Retirement Accumulation Fund for interest credited to members' accounts	(38,100,812)	(24,361,935)	(258,689)
Transfers to Retirement Accumulation Fund from the Annuity Savings Fund for contributions of retiring members	68,584,928	40,334,567	58,816
Employer contributions transferred to/from Retirement/Pension Systems to/from Retirement Accumulation Fund	0	(7,096,577)	7,096,577
Balances, June 30, 1984	$2,806,700,006	$1,439,595,126	$192,528,503

The accompanying notes are an integral part of this financial statement.

MENT AND PENSION SYSTEMS

nges in Fund Balances

Ended June 30, 1984

Employees' Retirement	Employees' Pension	State Police Retirement and Pension
$310,356,255	$ 4,280,865	$ 25,698,649
17,985,067	(1,400)	2,386,276
12,161,773	277,526	1,040,889
(26,463,847)	(61,269)	(1,666,429)
(220,726)	220,726	0
$313,818,522	$ 4,716,448	$ 27,459,385
$720,046,911	$220,292,276	$ 94,247,470
67,427,084	43,292,306	14,558,973
(12,161,773)	(277,526)	(1,040,889)
26,463,847	61,269	1,666,429
(6,539,644)	6,539,644	0
$795,236,425	$269,907,969	$109,431,983

MARYLAND STATE RETIRE

Statement of Cha

For the Fiscal Year

Sources of Financial Resources:	Total All Systems	Teachers' Retirement	Teachers' Pension
Excess of revenue over expenses (expenses over revenue):			
Annuity Savings Fund	$ 59,501,186	$ 39,169,982	$ 2,071
Retirement Accumulation Fund	303,117,410	142,816,091	34,982,146
Decrease in Accounts Receivable	8,633,162	8,363,135	270,027
Total	371,251,758	190,349,208	35,254,244
Transfers from Teachers'/Employees' Retirement System:			
Annuity Savings Fund	385,091	0	164,365
Retirement Accumulation Fund	13,636,221	0	7,096,577
Decrease in Investments	65,868	0	0
Increase in Liabilities	3,024,614	2,360,365	0
Total	17,111,794	2,360,365	7,260,942
Total Sources of Financial Resources	$388,363,552	$192,709,573	$42,515,186
Uses of Financial Resources:			
Increase in Investments	$362,273,754	$185,448,631	$41,463,798
Transfers to Teachers'/Employees' Pension System:			
Annuity Savings Fund	385,091	164,365	0
Retirement Accumulation Fund	13,636,221	7,096,577	0
Decrease in Liabilities	3,168,610	0	1,051,388
Increase in Accounts Receivable	8,899,876	0	0
Total	26,089,798	7,260,942	1,051,388
Total Uses of Financial Resources	$388,363,552	$192,709,573	$42,515,186

The accompanying notes are an integral part of this financial statement.

MENT AND PENSION SYSTEMS

nges in Financial Position

Ended June 30, 1984

Employees' Retirement	Employees' Pension	State Police Retirement and Pension
$17,985,067	$ (1,400)	$ 2,345,466
67,427,084	43,292,306	14,599,783
0	0	0
85,412,151	43,290,906	16,945,249
0	220,726	0
0	6,539,644	0
0	0	65,868
572,146	0	92,103
572,146	6,760,370	157,971
$85,984,297	$50,051,276	$17,103,220
$75,709,279	$45,651,912	$14,000,134
220,726	0	0
6,539,644	0	0
0	2,117,164	58
3,514,648	2,282,200	3,103,028
10,275,018	4,399,364	3,103,086
$85,984,297	$50,051,276	$17,103,220

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Principal Combined Investment Funds

Statement of Net Assets

	June 30, 1984			
	Combined Fixed Income Fund		Combined Equity Fund	
	Cost	Market Value	Cost	Market Value
Investments:				
Bonds	$1,451,894,897	$1,312,061,956	$ 2,669,035	$ 2,430,375
Stocks	0	0	1,851,772,438	2,076,201,686
Short-term investments	240,199,014	240,199,014	102,017,629	102,017,629
Mortgages and ground rents	46,964,789	36,892,814	0	0
Accounts receivable— stock sales	0	0	11,567,781	11,567,781
Other assets	30,736,458	30,736,458	9,283,111	9,283,111
Total Assets	1,769,795,158	1,619,890,242	1,977,309,994	2,201,500,582
Accounts Payable:				
Stock purchased	0	0	(30,688,911)	(30,688,911)
Due to Systems	(25,000)	(25,000)	(3,000,000)	(3,000,000)
Total Liabilities	(25,000)	(25,000)	(33,688,911)	(33,688,911)
Net Assets	$1,769,770,158	$1,619,865,242	$1,943,621,083	$2,167,811,671

	June 30, 1983			
	Combined Fixed Income Fund		Combined Equity Fund	
	Cost	Market Value	Cost	Market Value
Investments:				
Bonds	$1,543,226,661	$1,418,718,741	$ 1,000,000	$ 1,030,000
Stocks	0	0	1,613,153,427	2,116,495,908
Short-term investments	83,459,466	83,459,466	104,033,811	104,033,811
Mortgages and ground rents	50,169,618	39,236,564	0	0
Other assets	35,523,488	35,523,488	9,316,806	9,316,806
Total Assets	1,712,379,233	1,576,938,259	1,727,504,044	2,230,876,525
Accounts Payable:				
Stock purchased	0	0	(8,644,378)	(8,644,378)
Due to Systems	(8,500,000)	(8,500,000)	(4,500,000)	(4,500,000)
Total Liabilities	(8,500,000)	(8,500,000)	(13,144,378)	(13,144,378)
Net Assets	$1,703,879,233	$1,568,438,259	$1,714,359,666	$2,217,732,147

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Principal Combined Investment Funds

Allocation of Net Assets

	June 30, 1984			
	Combined Fixed Income Fund		Combined Equity Fund	
System	Cost	Market Value	Cost	Market Value
Employees' Retirement	$ 524,462,720	$ 476,227,855	$ 573,312,299	$ 645,195,205
Teachers' Retirement	968,809,195	883,262,862	1,068,268,637	1,194,490,218
Employees' Pension	125,057,869	118,265,929	136,884,828	146,218,641
Teachers' Pension	88,796,934	82,168,723	97,545,867	106,593,494
State Police Retirement	62,391,240	59,692,034	67,609,452	75,314,113
State Police Pension	252,200	247,839	0	0
Total	$1,769,770,158	$1,619,865,242	$1,943,621,083	$2,167,811,671

	June 30, 1983			
	Combined Fixed Income Fund		Combined Equity Fund	
System	Cost	Market Value	Cost	Market Value
Employees' Retirement	$ 519,079,402	$ 475,844,501	$ 505,307,007	$ 660,688,011
Teachers' Retirement	938,280,765	860,028,265	958,679,147	1,240,068,659
Employees' Pension	110,920,353	105,202,273	111,938,480	139,529,626
Teachers' Pension	76,649,391	70,623,397	78,097,545	99,647,807
State Police Retirement	58,636,888	56,427,703	60,337,487	77,798,044
State Police Pension	312,434	312,120	0	0
Total	$1,703,879,233	$1,568,438,259	$1,714,359,666	$2,217,732,147

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Principal Combined Investment Funds

Statement of Net Income

	For Fiscal Year Ended June 30, 1984	
	Combined Fixed Income Fund	Combined Equity Fund
Interest:		
Bonds	$170,007,609	$ 98,038
Short-term investments	5,712,289	14,936,534
Mortgages and ground rents	3,821,307	0
Other	6,434,170	975,178
Dividends	0	82,735,057
Profit (loss) on sale of investments	(170,174,249)	81,016,610
Net Investment Income	$ 15,801,126	$179,761,417

	For Fiscal Year Ended June 30, 1983	
	Combined Fixed Income Fund	Combined Equity Fund
Interest:		
Bonds	$149,721,415	$ 847,557
Short-term investments	4,764,037	34,274,724
Mortgages and ground rents	3,995,148	0
Other	5,772,895	779,791
Dividends	0	72,362,337
Profit (loss) on sale of investment	(54,740,505)	32,388,309
Net Investment Income	$109,512,990	$140,652,718

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Principal Combined Investment Funds

Allocation of Net Income

System	For Fiscal Year Ended June 30, 1984	
	Combined Fixed Income Fund	Combined Equity Fund
Employees' Retirement	$ 5,574,202	$ 53,654,052
Teachers' Retirement	8,639,289	99,575,207
Employees' Pension	746,633	11,997,589
Teachers' Pension	236,684	8,262,604
State Police Retirement	599,353	6,271,965
State Police Pension	4,965	0
Total	$ 15,801,126	$179,761,417

System	For Fiscal Year Ended June 30, 1983	
	Combined Fixed Income Fund	Combined Equity Fund
Employees' Retirement	$ 33,303,617	$ 42,855,281
Teachers' Retirement	61,468,441	79,087,971
Employees' Pension	6,587,528	8,164,663
Teachers' Pension	4,266,827	5,656,508
State Police Retirement	3,862,191	4,888,295
State Police Pension	24,386	0
Total	$109,512,990	$140,652,718

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
Notes to Financial Statements

I. DESCRIPTION OF THE SYSTEMS

A description of each of the several systems begins on page 24.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Method of Reporting**

The financial statements of the Retirement and Pension Systems of the State of Maryland were prepared on the accrual basis of accounting. Information concerning unfunded actuarial liabilities can be found in Note III.

B. **Reclassifications**

Certain reclassifications were made to 1983 financial statements to conform with the 1984 financial statement presentation.

C. **Contributions Receivable**

These receivables represent contributions due at June 30 from both the members and the State, all of which were received in the subsequent fiscal year.

D. **Investments**

The Maryland State Retirement and Pension Systems' investments are commingled in two combined investment funds which are structured on a basis similar to that of a mutual fund. In this regard, the Combined Fixed Income Fund consists of bonds and other fixed income investments and the Combined Equity Fund consists principally of common stock. Investment income earned by each of the Funds is distributed monthly to the Systems based on each System's pro rata share of the combined investment fund assets. The assets of the combined investment funds are carried at cost, or amortized cost when purchase premiums and discounts are involved. Accordingly, the accompanying balance sheets for June 30, 1984 and 1983 indicate the Systems' pro rata share of the assets of the Combined Fixed Income Fund and the Combined Equity Fund. Admission to and withdrawal from each of the Funds is allowed only as of the close of business on the last day of each month. The System purchases shares in these funds with receipts collected during the month. However, certain amounts are not invested in the Funds but are held by the Systems for the purpose of meeting cash needs for the payment of benefits and refunds. In this regard, the Systems' utilized temporary idle cash to purchase short-term investments.

E. **Provision for Unpresented Checks**

The provision for unpresented checks represent the overnight investment of cash on hand, at the bank, for which checks have been issued but have not yet been presented for payment.

F. **Annuity Savings Fund—Members' Contribution**

Member contributions are made at fixed percentages of the member's compensation. These contributions together with interest thereon, at 4% per annum, are credited to the Annuity Savings Fund. Upon termination of membership, the members' accumulated contributions are refunded in a lump sum. Upon retirement, the members' accumulated contributions are transferred from the Annuity Savings Fund and credited to the Retirement Accumulation Fund. Members of the Retirement Systems who elect to transfer to the Pension Systems are either refunded their accumulated contributions and interest thereon; or at the member's option, the accumulated contributions and interest may be transferred to the member's account in the Annuity Savings Fund of the Pension Systems. However, members of the Retirement System who earned more than the Social Security wage base (wages subject to Social Security Tax) during the three fiscal years prior to their transfer to the Pension Systems, are required to transfer a portion of their accumulated contributions in the Retirement Systems' Annuity Savings Fund to the

Pension Systems' Annuity Savings Fund. This transfer is based upon the ratio of the average social security wage base to the member's average annual salary for the three fiscal years before transfer. Accordingly, transfers from the Retirement Systems' Annuity Savings Fund to the Pension Systems' Annuity Savings Fund (refer to Table II on page 21) consist of both voluntary and required contribution transfers.

G. Retirement Accumulation Fund—Employers' Contributions

Contributions made by the State are credited to the Retirement Accumulation Fund. All death and retirement benefits are paid from this Fund. The Employers' contributions to the System, as defined by law, consist of a "normal contribution" to cover current liabilities accruing on account of current service of members, plus an "accrued liability contribution" to cover credit allowed for service rendered prior to the effective date of Employer participation in the System and for subsequent amendments. Assets (refer to Table II on page 21) were transferred from the Retirement Accumulation Fund of the Retirement Systems to the Retirement Accumulation Fund of the Pension Systems. These transfers represented amounts necessary to fund, at the time of transfer, the Pension System for those members who elect to transfer their membership from the Retirement System to the Pension System during fiscal years 1984 and 1983.

H. Administrative Expenses

The Maryland State Retirement and Pension Systems are comprised of six individual Systems. The operations of the Systems are centralized. The administrative expenses applicable to all Systems (e.g., salaries of the Systems' employees) were funded from investment income. The administrative expenses were charged to the individual systems based upon each System's percentage ownership in the combined investment funds (refer to Table III on page 22).

I. Prior Period Adjustment

Fiscal year 1983 employer contributions totaling $7,792,467 applicable to the Employees' Retirement System were previously reported as employer contributions applicable to the Employees' Pension System. During fiscal year 1984, this error was discovered and corrected. Consequently, certain amounts previously reported in the Employees' Retirement System fiscal year 1983 financial statements have been restated. The following table summarizes the effect of the restatement to correct this error on the fiscal year 1983 balances previously reported:

	Employer Contributions	Excess of Revenue Over Expenses-Retirement Accumulation Fund	Retirement Accumulation Fund
As Previously Reported	$ 99,731,712	$73,510,003	$712,254,444
Adjustment	7,792,467	7,792,467	7,792,467
As Restated	$107,524,179	$81,302,470	$720,046,911

	Pro Rata Share of the Combined Fixed Income Fund		Pro Rata Share of the Combined Equity Fund	
	Cost	Market Value	Cost	Market Value
As Previously Reported	$515,198,753	$472,163,904	$501,395,189	$655,811,989
Adjustment	3,880,649	3,680,597	3,911,818	4,876,022
As Restated	$519,079,402	$475,844,501	$505,307,007	$660,688,011

Consequently, certain amounts previously reported in the Employees' Pension System fiscal year 1983 financial statements have been restated. The following table summarizes the effect of the restatement to correct this error on the fiscal year 1983 balances previously reported:

	Employer Contributions	Excess of Revenue Over Expenses-Retirement Accumulation Fund	Retirement Accumulation Fund
As Previously Reported	$35,211,640	$48,155,397	$228,084,743
Adjustment	(7,792,467)	(7,792,467)	(7,792,467)
As Restated	$27,419,173	$40,362,930	$220,292,276

	Pro Rata Share of the Combined Fixed Income Fund		Pro Rata Share of the Combined Equity Fund	
	Cost	Market Value	Cost	Market Value
As Previously Reported	$114,801,002	$108,882,870	$115,850,298	$144,405,648
Adjustment	(3,880,649)	(3,680,597)	(3,911,818)	(4,876,022)
As Restated	$110,920,353	$105,202,273	$111,938,480	$139,529,626

III. ACTUARIAL VALUATIONS

The Retirement and Pension Systems have engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services for the Retirement and Pension Systems of the State of Maryland. The State's retirement contributions are appropriated annually, based upon a report of the consulting firm. Effective July 1, 1980, in accordance with the law governing the Retirement and Pension Systems, all benefits of the Retirement Systems are funded in advance. The accrued benefit cost method is the actuarial cost method used to determine the State's and Employers' normal and accrued liability contribution rates and the unfunded accrued liability.

According to the actuarial valuation, prepared by the consulting firm, there was an unfunded accrued liability of $5,446,229,629, as of June 30, 1983. The liquidation period for the unfunded accrued liability (as provided by law) is 37 years from June 30, 1983. The amount of the unfunded accrued liability was determined based upon the assumption of full funding for all benefits and on these economic assumptions: a 3% to 5% annual cost of living increase, interest on investments of 7% compounded annually and that the total payroll would escalate by 5% per year over the 37 years until the liquidation of the unfunded accrued liability.

Selected data as of June 30, 1983 and June 30, 1984, compiled by the Systems' consulting actuary, with respect to the Retirement and Pension Systems, is reported in Table IV on page 22.

IV. PENSION LEGISLATION

Chapter 7, Laws of Maryland, 1984, effective June 1, 1984, requires all members of the Teachers'/Employees' Retirement System to select one of the following four options:

a. A member may remain in the Retirement System with the same benefits currently provided; however, members will be required to contribute an additional 2% of annual salary beginning on July 1, 1984.

b. A member may remain in the Retirement System with the same benefits currently provided except that the annual adjustment of the member's retirement allowance for the cost of living increases as reflected by the consumer price index would be limited to a maximum of 5% of the retirement allowance paid to that member during the preceding fiscal year. Under this option, members' contribution rates would not be changed.

c. A member can join the Teachers'/Employees' Pension System effective July 1, 1984, and retain the benefits earned through June 30, 1984 under membership in the Retirement System. In this regard, upon retirement a member would receive benefits from both the Retirement and Pension Systems. Specifically, the member's retirement allowance applicable to service credit earned prior to July 1, 1984 would be

calculated using the Retirement System formula and the member's retirement allowance for service credit earned after June 30, 1984 would be calculated using the Pension System formula.

d. A member may transfer to the Pension System and receive a refund of his/her contributions and interest. However, members who earned more than the social security wage base (wages subject to social security tax) during the three fiscal years prior to their transfer, are required to transfer a portion of their accumulated contributions to the Pension System. This transfer is based upon the ratio of the average social security wage base to the member's average annual salary for the three fiscal years before transfer. Interest paid to the member would be based on the average rate of return earned by the Retirement and Pension Systems on investments over the five years immediately preceding transfer.

As previously noted, the effective date of this legislation was June 1, 1984. However, various teacher and employee associations, acting on behalf of their members, initiated legal proceedings in the United States District Court for the District of Maryland on April 10, 1984 to prevent implementation of the legislation. As a result, a preliminary injunction was issued on April 10, 1984 restraining the implementation of this legislation pending a determination as to the validity of the legislation. In this regard, a decision was rendered by the United States District Court for the District of Maryland on September 17, 1984 upholding the legislation in favor of the State of Maryland. Accordingly, the Systems has prepared election forms on which members of the Teachers'/Employees' Retirement System are to indicate the option selected. These forms were mailed to the members by October 15, 1984. Members were allowed a period of six months to select an option and the selection will be retroactive to July 1, 1984.

NOTES TO FINANCIAL STATEMENTS – TABLES

Table I

Investment Income Analysis

	1984	1983
Combined Fixed Income Fund	$ 15,801,126	$109,512,990
Combined Equity Fund	179,761,417	140,652,718
Systems Reserves	3,901,762	2,484,687
	$199,464,305	$252,650,395

Table II

Statement of Asset Transfers

	Teachers'		Employees'	
	Retirement	Pension	Retirement	Pension
Annuity Savings – 1984	$ (164,365)	$ 164,365	$ (220,726)	$ 220,726
– 1983	(214,379)	214,379	(238,045)	238,045
Retirement Accumulation – 1984	$(7,096,577)	$7,096,577	$(6,539,644)	$6,539,644
– 1983	(4,575,202)	4,575,202	(3,906,777)	3,906,777

Table III
Administrative Expenses

	1984	1983
Teachers' Retirement	$3,260,991	$1,741,369
Teachers' Pension	285,601	127,372
Employees' Retirement	1,733,412	945,139
Employees' Pension	411,851	193,076
State Police Retirement	218,715	109,710
State Police Pension	374	312
Total	$5,910,944	$3,116,978

Table IV
Accounting Statement Information

	June 30,	
	1984	1983
Present Value of Benefits Accrued and Vested to Date		
Members Currently Receiving Payments	$ 3,478,204,752	$ 3,149,864,350
Other Members—Vested Portion	2,265,849,559	2,588,292,194
Total	5,744,054,311	5,738,156,544
Present Value of Accrued Non-Vested Benefits	107,906,989	128,849,623
Total Present Value of Accrued Benefits	5,851,961,300	5,867,006,167
Assets as Market Value	(3,866,083,506)	(3,790,814,905)
Unfunded Value of Accrued Benefits	$ 1,985,877,794	$ 2,076,191,262
Ratio of Assets to Value of Vested Benefits	67.31%	66.06%

The following interest rate assumptions promulgated by the Pension Benefit Guarantee Corporation, a federal government agency, were used to determine the present value of the accrued benefits shown above:

	June 30,	
	1984	1983
Immediate Annuities	10.00%	9.25%
Deferred Annuities		
First 7 Years Prior to Benefit Commencement	9.25	8.50
Next 8 Years	8.00	7.25
Thereafter	4.00	4.00

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LEGISLATIVE AUDITOR

Board of Trustees
Maryland State Retirement and
Pension Systems

We have examined the balance sheets of the Teachers' Retirement System of the State of Maryland as of June 30, 1984 and 1983 and the related statements of revenue and expenses, changes in fund balances and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Teachers' Retirement System of the State of Maryland as of June 30, 1984 and 1983, and the results of its operations, the changes in its fund balances and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Charles C. Piazza

Charles C. Piazza, CPA
LEGISLATIVE AUDITOR

Robert C. Koslowski

Robert C. Koslowski, CPA
AUDIT MANAGER

September 24, 1984

NOTE: The Division of Audits issued similar, unqualified opinions for all other Retirement and Pension Systems.

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Description of the Systems

I. Teachers' Retirement System

A. **Organization and Purpose**

The Teachers' Retirement System of the State of Maryland, a contributory plan, was established on August 1, 1927 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland, a basically non-contributory plan, was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they are eligible for and elect to join an optional retirement program offered by the State. Existing members of the Teachers' Retirement System have the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System. The Systems are managed by the Board of Trustees for Maryland State Retirement and Pension Systems.

B. **Plan Benefits**

The following is a general description of the plan benefits available to the members of the Teachers' Retirement System:

1. Retirement Benefits:

A member of the Teachers' Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e., average of the member's three highest years of paid salary) multiplied by the number of years of creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

2. Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions.

3. Disability and Death Benefits:

A member with 5 or more years of creditable service who becomes mentally or physically incapacitated from the further performance of duty due to other than duty connected causes is eligible to receive an ordinary disability retirement allowance. Such an allowance is based on the member's years of creditable service and average final compensation at the time of disability, with a guarantee that the annual allowance will be at least 25% of the member's average final compensation. Regardless of years of service, a member who becomes totally and permanently incapacitated from duty due to duty connected causes is eligible to receive an accidental disability retirement allowance. The annual allowance is equal to 66⅔% of the member's average final compensation, plus an annuity which shall be the actuarial equivalent of the member's contributions at the time of retirement. However, this annual allowance cannot exceed the member's average final compensation.

Upon the death of a member in active service, the designated beneficiary(ies) will receive a lump sum payment consisting of the member's accumulated contributions with interest and a death benefit equal to 100% of the member's annual earnable compensation at the time of death. Under certain conditions, the surviving spouse of a deceased member may elect to receive a monthly annuity for life instead of the lump sum payment.

4. Adjustment of Retirement Allowance:

Members' retirement allowances are adjusted annually to provide for cost of living increases as reflected by the consumer price index.

5. Method of Retirement Benefit Payment:

Retirement benefits are paid to retirees or beneficiaries on a monthly basis in accordance with a retirement allowance option selected by the member.

II. Teachers' Pension System

A. Organization and Purpose

The Teachers' Pension System of the State of Maryland, a basically non-contributory plan was established on January 1, 1980 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to participants in the System. Teachers hired on or after January 1, 1980 will be enrolled in the Pension System, unless they are eligible for and elect to join an optional retirement program offered by the State. Transfer to the Pension System is optional for existing teachers enrolled in the Teachers' Retirement System. The Systems are managed by the Board of Trustees for Maryland State Retirement and Pension Systems.

B. Plan Benefits

The following is a general description of the plan benefits available to members of the Teachers' Pension System:

1. Retirement Benefits:

A member of the Teachers' Pension System may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation (i.e., average annual earnable compensation during any three consecutive years that provide the highest average earnable compensation) and years of creditable service with a provision for additional benefits for compensation earned in excess of the social security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service.

2. Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested retirement allowance provided the member lives to age 62.

3. Disability and Death Benefits:

A member with 5 or more years of eligibility service who becomes mentally or physically incapacitated from the further performance of duty due to other than duty connected causes is eligible to receive an ordinary disability retirement allowance. Such an allowance is based on the member's average final compensation at the time of disability and the creditable service the member would have earned if the member continued in service until the age of 62. Regardless of years of service, a member who becomes totally and permanently incapacitated from duty due to duty connected causes is eligible to receive an accidental disability retirement allowance. This annual allowance is equal to 66⅔% of the member's average final compensation, plus an annuity which shall be the actuarial equivalent of the member's contributions at the time of retirement. However, this annual retirement allowance cannot exceed the member's average final compensation.

Upon the death of a member in active service, the designated beneficiary(ies) will receive a lump sum payment consisting of the member's accumulated contributions, if any, with interest and, if the member had one or more years of eligibility service or died in the performance of duty, a death benefit equal to 100% of the member's annual earnable compensation at the time of death. Under certain conditions, the surviving spouse may elect to receive a monthly annuity for life instead of the lump sum payment.

4. Adjustment of Retirement Allowance:

Members' retirement allowances are adjusted annually to provide for cost of living increases. However, such annual increases may not exceed 3% of the initial annual retirement allowance.

5. Method of Retirement Benefit Payment:

   Retirement benefits are paid to retirees or beneficiaries on a monthly basis in accordance with a retirement allowance option selected by the member.

III. Employees' Retirement System

A. Organization and Purpose

The Employees' Retirement System of the State of Maryland, a contributory plan was established on October 1, 1941 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to State employees and the employees of participating municipal corporations. In addition, on January 1, 1980, the Employees' Pension System of the State of Maryland was established. Except for State correctional officers, judges, members of the Maryland General Assembly, State Police, and State Teachers (who become members of their own respective systems), employees hired on or after January 1, 1980 become members of the Employees' Pension System. Existing members of the Employees' Retirement System, unless exempted by law, have the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System. The Systems are managed by the Board of Trustees for Maryland State Retirement and Pension Systems.

B. Plan Benefits

The following is a general description of the plan benefits available to the members of the Employees' Retirement System:

1. Retirement Benefits:

   A member of the Employees' Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e., average of the employee's three highest years of paid salary) multiplied by the number of years of creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age.

2. Vested Allowance:

   A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions.

3. Disability and Death Benefits:

   A member with 5 or more years of creditable service who becomes mentally or physically incapacitated from the further performance of duty due to other than duty connected causes is eligible to receive an ordinary disability retirement allowance. Such an allowance is based on the member's years of creditable service and average final compensation at the time of disability, with a guarantee that the annual allowance will be at least 25% of the member's average final compensation. Regardless of years of service, a member who becomes totally and permanently incapacitated from duty due to duty connected causes is eligible to receive an accidental disability retirement allowance. The annual allowance is equal to 66⅔% of the member's average final compensation, plus an annuity which is the actuarial equivalent of the member's contributions at the time of retirement. However, this annual allowance cannot exceed the member's average final compensation.

   Upon the death of a member in active service, the designated beneficiary(ies) will receive a lump sum payment consisting of the member's accumulated contributions with interest and a death benefit equal to 100% of the member's annual earnable compensation at the time of death. Under certain conditions, the surviving spouse of a deceased member may elect to receive a monthly annuity for life instead of the lump sum payment.

4. Adjustment of Retirement Allowance:

   Members' retirement allowances are adjusted annually to provide for cost of living increases as reflected by the consumer price index.

5. Method of Retirement Benefit Payment:

Retirement benefits are paid to retirees or beneficiaries on a monthly basis in accordance with a retirement allowance option selected by the member.

IV. Employees' Pension System

A. Organization and Purpose

The Employees' Pension System of the State of Maryland, a basically non-contributory plan was established on January 1, 1980 and is administered in accordance with Article 73B of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to State employees and the employees of participating municipal corporations. Enrollment in the Employees' Pension System is optional for employees enrolled in the Employees' Retirement System. However, unless exempted by law, enrollment in the Employees' Pension System is mandatory for State employees hired on or after January 1, 1980. Employees of participating municipal corporations, hired on or after January 1, 1980, must also enroll in the Employees' Pension System. The Systems are managed by the Board of Trustees for Maryland State Retirement and Pension Systems.

B. Plan Benefits

The following is a general description of the plan benefits available to the members of the Employees' Pension System:

1. Retirement Benefits:

A member of the Employees' Pension System may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service retirement allowance based on the member's average final compensation (i.e., average annual earnable compensation during any three consecutive years that provide the highest average earnable compensation) and years of creditable service with a provision for additional benefits for compensation earned in excess of the social security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service.

2. Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested retirement allowance provided the member lives to age 62.

3. Disability and Death Benefits:

A member with 5 or more years of eligibility service who becomes mentally or physically incapacitated from the further performance of duty due to other than duty connected causes is eligible to receive an ordinary disability retirement allowance. Such an allowance is based on the member's average final compensation at the time of disability and the creditable service the member would have earned if the member continued in service until the age of 62. Regardless of years of service, a member who becomes totally and permanently incapacitated from duty due to duty connected causes is eligible to receive an accidental disability retirement allowance. This annual allowance is equal to 66⅔% of the member's average final compensation, plus an annuity which shall be the actuarial equivalent of the member's contributions at the time of retirement. However, this annual retirement allowance cannot exceed the member's average final compensation.

Upon the death of a member in active service, the designated beneficiary(ies) will receive a lump sum payment consisting of the member's accumulated contributions with interest and, if the member had one or more years of eligibility service or died in the performance of duty, a death benefit equal to 100% of the member's annual earnable compensation at the time of death. Under certain conditions the surviving spouse of a deceased member may elect to receive a monthly annuity for life instead of the lump sum payment.

4. Adjustment of Retirement Allowance:

   Members' retirement allowances are adjusted annually to provide for cost of living increases. However, such annual increases may not exceed 3% of the initial annual retirement allowance.

5. Method of Retirement Benefit Payment:

   Retirement benefits are paid to retirees or beneficiaries on a monthly basis in accordance with a retirement allowance option selected by the member.

V. State Police Retirement System

A. **Organization and Purpose**

The State Police Retirement System of the State of Maryland, a contributory plan was established on July 1, 1949 and is administered in accordance with Article 88B of the Annotated Code of Maryland. The System provides retirement allowances and other benefits to any officer or employee of the Department of Maryland State Police, except employees who have been members of the State Police Pension Fund since June 1, 1935 and employees who become members of the Employees' Retirement System or the Employees' Pension System. The System is managed by the Board of Trustees for Maryland State Retirement and Pension Systems.

B. **Plan Benefits**

The following is a general description of the plan benefits available to members of the State Police Retirement System:

1. Retirement Benefits:

   A member of the State Police Retirement System may retire with full benefits after attaining age 50, or after completing 25 years of creditable service regardless of age. The annual retirement allowance is equal to 1/45 of a member's average final compensation (i.e., average of the employee's three highest years of paid salary) multiplied by the member's first 25 years of creditable service, plus 1/90 of the average final compensation multiplied by the member's creditable years after the first 25 years of creditable service.

2. Vested Allowance:

   A member terminating employment prior to retirement after completing at least 15 years of creditable service becomes eligible for a vested retirement allowance provided the member lives to age 50 and does not withdraw his or her accumulated contributions.

3. Disability and Death Benefits:

   A member with 5 or more years of creditable service who becomes mentally or physically incapacitated from the further performance of duty due to other than duty connected causes is eligible to receive an ordinary disability retirement allowance. The annual allowance is based on the member's years of creditable service and average final compensation at the time of disability, with a guarantee that the annual allowance will be at least 35% of the member's average final compensation. Regardless of years of service, a member who becomes totally and permanently incapacitated from duty due to duty connected causes is eligible to receive a special disability retirement allowance. The annual allowance is equal to 66⅔% of the member's average final compensation, plus an annuity which is the actuarial equivalent of the member's contributions at the time of retirement. However, this annual allowance cannot exceed the member's average final compensation.

   Upon the death of a member in active service, the designated beneficiary(ies), will receive a lump sum payment which consists of the member's accumulated contributions with interest and, if the member had one through two years of creditable service, an ordinary death benefit equal to 100% of the member's annual earnable compensation at the time of death. If the deceased member had more than two years creditable service, or died in the performance of duty, a special death benefit is paid to the

member's spouse or dependents. This benefit consists of a lump sum payment of the member's accumulated contributions with interest at the time of death and an annual pension equal to 50% of the member's average final compensation at the time of death.

4. Adjustment of Retirement Allowance:

   Members' retirement allowances are adjusted annually to provide for cost of living increases as reflected by the consumer price index.

5. Method of Retirement Benefit Payment:

   Retirement benefits are paid to retirees or beneficiaries on a monthly basis in accordance with a retirement allowance option selected by the member.

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Board of Trustees

April 1, 1985

Louis L. Goldstein, Chairman	Ex Officio since January 1, 1959
William S. James, Vice-Chairman	Ex Officio since January 14, 1975
Malcolm S. Barlow	August 1, 1983—July 31, 1987
Richard J. Benik	August 1, 1981—July 31, 1985
Leonard W. Dayton	August 13, 1982—July 30, 1986
Dr. Homer O. Elseroad	August 1, 1981—July 31, 1985
Michael C. Hodes	May 7, 1984—June 30, 1986
Dr. David W. Hornbeck	Ex Officio since January 1, 1977
Major James A. Jones	August 1, 1982—July 31, 1986
John F.X. O'Brien	Ex Officio since September 1, 1984
John S. Perreca	December 7, 1983—June 30, 1987
Dr. H. Louis Stettler, III	Ex Officio since May 16, 1981
May Town	August 1, 1981—July 31, 1985
Col. Wilbert T. Travers, Jr.	Ex Officio since July 19, 1982
Peter A. Whittaker	August 1, 1983—July 31, 1987

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Bennett H. Shaver, Secretary

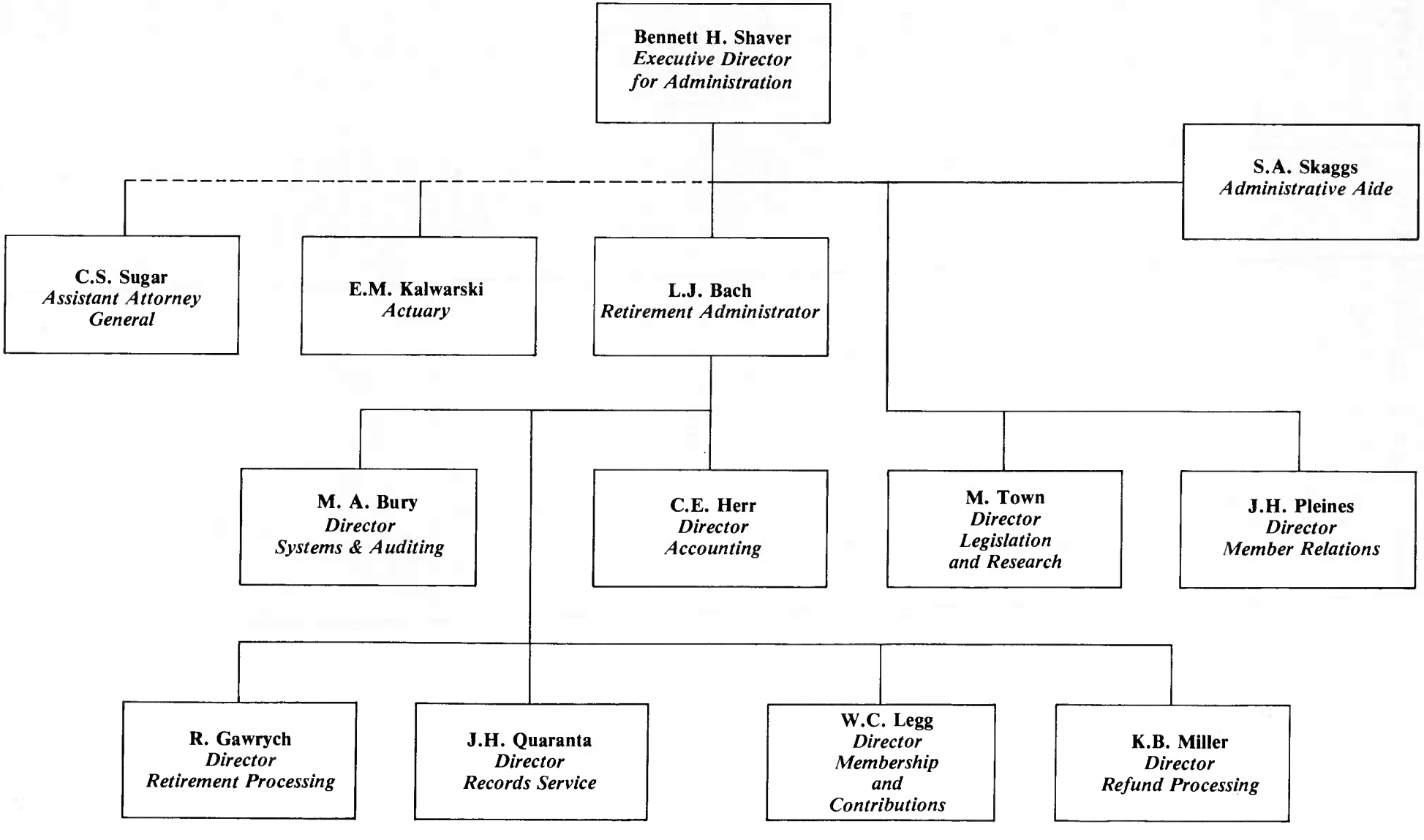
Medical Board

April 1, 1985

Norman Freeman, Jr., M.D.	John J. Fahey, M.D.
Alfred Wiedmann, M.D.	Richard W. Ferguson, M.D.

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Maryland State Retirement Agency
Organization Chart



MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Municipalities Participating in the Employees' Systems

June 30, 1984

Allegany County Board of Education
Allegany County Board of License Commissioners
Allegany Community College
Allegany County Commission
Allegany County Library
Allegany County Sanitary District
Allegany County Transit Authority
Annapolis, City of
Anne Arundel County Board of Education
Anne Arundel County Community College
Berlin, Town of
Brunswick, Town of
Calvert County Board of Education
Calvert County Commission
Cambridge, City of
Caroline County Board of Education
Carroll County Board of Education
Carroll County Board of Education—Cafeteria
Carroll County Commission
Cecil County Board of Education
Cecil County Commission
Charles County Community College
Chesapeake Bay Commission
Cheverly, Town of
Cresaptown Civic Improvement Association
Cumberland, City of
Cumberland, City of—Police Department
Dorchester County Board of Education
Dorchester County Commission
Dorchester County Roads Board
Elkton, Town of
Frederick County Board of Education
Frederick County Commission
Fruitland, City of
Garrett County Board of Education
Garrett County Board of Education—Cafeteria
Garrett County Commission
Garrett County Liquor Board
Garrett County Roads Board
Greenbelt, City of
Hagerstown, City of
Hagerstown Junior College
Harford Community College
Harford County Board of Education
Harford County Government
Housing Authority of Cambridge
Howard Community College
Howard County Board of Education
Howard County Government
Hurlock, Town of
Hyattsville, City of
Manchester, Town of
Maryland Food Center Authority
Maryland Health and Higher Education Facilities Authority
Maryland Higher Education Supplemental Loan Authority
Metropolitan Transit Authority
Middletown, Town of
Montgomery College
Mount Rainier, City of
New Carrollton, City of
Northeast Maryland Waste Disposal Authority
Pocomoke City
Prince George's Community College
Prince George's County Board of Education
Prince George's County Government
Prince George's County Memorial Library
Prince George's County Crossing Guards
Queen Anne's County Board of Education
Queen Anne's County Commission
Queen Anne's County Roads Board
Regional Educational Service Agency of Appalachian Maryland
Regional Planning Council
Saint Mary's County Board of Education
Saint Mary's County Commission
Saint Mary's Nursing Home
Salisbury, City of
Snow Hill, Town of
Somerset County Board of Education
Somerset County Commission
Somerset County Sanitary District, Inc.
Takoma Park, City of
Talbot County Board of Education
Talbot County Council
Upper Marlboro, Town of
Walkersville, Town of
Washington County Board of Education
Washington County Library
Westminster, City of
Wicomico County Department of Recreation and Parks
Worcester County Board of Education
Worcester County Commission
Worcester County Liquor Board
Worcester County Roads Board
Wor-Wic Tech Community College

STATISTICS

As of June 30, 1984	Total	Teachers' Retirement	Teachers' Pension
Active Members			
Females	90,458	27,933	19,225
Males	56,982	13,308	6,119
Total	147,440	41,241	25,344
Average Annual Salary			
Females	$17,541	$22,490	$16,870
Males	22,198	30,285	23,369
Retired Members			
Females	22,798	12,899	97
Males	15,264	4,825	56
Total	38,062	17,724	153
Average Annual Retirement Allowances			
Females	$ 8,442	$11,117	$ 3,494
Males	9,405	14,226	4,702
Vested Former Members			
Females	2,765	908	750
Males	1,814	616	348
Total	4,579	1,524	1,098
Members in Inactive Status	10,720	1,128	3,164

MENT AND PENSION SYSTEMS

bership Data

Employees' Retirement	Employees' Pension	State Police	Judges
15,010	28,208	58	24
15,880	19,995	1,467	213
30,890	48,203	1,525	237
$15,841	$13,973	$18,499	$48,423
20,979	17,052	22,535	54,807
9,444	291	45	22
9,529	334	383	137
18,973	625	428	159
$ 4,996	$ 2,006	$13,717	$15,416
6,713	2,425	16,351	26,396
544	563	0	0
379	456	6	9
923	1,019	6	9
662	5,754	11	1

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
Ten Year History of Membership Data By System

June 30,	Total All Systems	Teachers' Retirement	Teachers' Pension	Employees' Retirement	Employees' Pension	State Police Retirement
1984	162,739	43,893	29,606	32,722*	54,976	1,542
1983	161,427	46,926	26,816	35,655	50,467	1,563
1982	165,206	50,938	25,664	39,916	47,158	1,530
1981	161,849	56,241	20,768	45,665	37,635	1,540
1980	158,284	61,428	14,998	51,499	28,810	1,549
1979	155,389	76,395		77,458		1,536
1978	153,563	76,116		75,929		1,518
1977	151,665	76,781		73,447		1,437
1976	152,769	78,816		72,515		1,438
1975	146,436	75,882		69,134		1,420

* Includes 247 Judicial Plan members and 188 Legislative Plan members.

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
Ten Year History of Retirement Data By System

June 30,	Total All Systems	Teachers' Retirement	Teachers' Pension	Employees' Retirement	Employees' Pension	State Police Retirement
1984	38,062	17,724	153	19,132*	625	428
1983	33,411	16,129	98	16,422	393	369
1982	31,762	15,188	44	15,960	231	339
1981	29,409	14,174	24	14,824	101	286
1980	26,921	13,111		13,561		249
1979	24,706	12,143		12,347		216
1978	22,488	11,126		11,163		199
1977	20,295	10,192		9,934		169
1976	18,165	9,332		8,684		149
1975	16,390	8,643		7,628		119

* Includes 159 Judicial Plan annuitants and 112 Legislative Plan annuitants.

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Five Year History of Financial Data

(In Millions)	As of June 30,				
	1984	1983	1982	1981	1980
Total Actuarial Liabilities	$9,805.0	$8,738.4	$8,114.5	$7,316.7	$5,421.8
Actuarial Value of Assets	(3,706.2)	(3,292.2)	(2,794.5)	(2,535.6)	(2,278.3)
Unfunded Actuarial Liabilities	$6,098.8	$5,446.2	$5,320.0	$4,781.1	$3,143.5
Market Value of Assets	$3,900.6	$3,831.8	$2,656.7	$2,578.5	$2,321.9
Book Value of Assets	3,826.3	3,463.9	3,095.8	2,726.9	2,430.9
Member Payroll	2,851.5	2,802.0	2,762.6	2,588.8	2,344.0

	For Year Ended June 30,				
	1984	1983	1982	1981	1980
Employer Contributions	$ 448.4	$ 347.2	$ 298.3	$ 279.8	$ 214.5
Member Contributions	89.4	93.2	90.7	93.6	107.4
Total Contributions	$ 537.8	$ 440.4	$ 389.0	$ 373.4	$ 321.9
Benefit Payments	$ 338.9	$ 299.5	$ 256.6	$ 214.4	$ 179.9
Refunds to Members	29.9	30.3	35.0	26.0	157.2
Total	$ 368.8	$ 329.8	$ 291.6	$ 240.4	$ 337.1

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