MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

consolidated annual report 1985

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

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BOARD OF TRUSTEES
301 WEST PRESTON STREET
BALTIMORE, MARYLAND 21201-2363

February 3, 1986

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Dear Members and Beneficiaries:

It is an honor to present herewith the 58th Annual Report of the Board of Trustees of the Maryland State Retirement and Pension Systems. In accordance with Section 159 of Article 73B of the Annotated Code of Maryland, the report shows, on a combined basis:

1. The fiscal transactions of the several systems for the 1985 year,
2. the amount of accumulated cash and securities at June 30, 1985, and
3. a balance sheet showing the financial condition by means of an actuarial valuation of assets and liabilities.

As in past years the report is divided into five sections: Actuarial Valuation, Combined Financial Statements, Description of the Systems, Organizational Data, and Statistics. Many improvements in the presentation of information have been incorporated in the hope that the 1985 Report will become even more useful.

The report has been prepared in conformity with generally accepted accounting principles and, as appropriate, with generally recognized and accepted actuarial practices and principles. Significant accounting policies are enumerated in the Notes to Financial Statements, pages 13 to 18, by the Legislative Auditor.

Cordially,

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

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Letter of Transmittal

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HIGHLIGHTS OF FISCAL YEAR 1985

Maryland's Retirement and Pension Systems made important progress on almost every front in fiscal 1985. Assets increased, at market value, to $5.1 billion, covered members and former members numbered 202,000 and the average retirement allowance moved to $9,043. Salient features of the 1985 Annual Report of the Board of Trustees are discussed below.

Actuarial Valuation

As noted last year, Chapter 290 of the 1984 Act of Maryland's General Assembly provided for a change in the actuarial cost method from Unit Credit to Entry Age Normal. Under the new approach, the Actuary first establishes a normal cost rate as the level percentage of payroll which, together with any member contributions, will provide sufficient funds over the working lifetime of the System's members to fully fund their expected retirement allowances. The Actuary then calculates the amounts which would have been in the System Accumulation Funds if the normal cost had, in fact, always been paid. This is the Systems' Accrued Liability. The amount by which it exceeds the Actuarial Value of Assets is the System's unfunded liability.

The new method is expected to add further stability to pension costs from year to year. It also produces somewhat higher unfunded liabilities (currently) than the old unit credit cost method. This is not an indication of any deterioration in financial conditions but rather a natural by-product of the change in method.

The Actuarial Value of Assets at June 30, 1985 stood at $4.4 billion, up from $3.7 billion at the end of the previous year. This value is the result of a five year averaging technique which smooths out year to year fluctations in the securities market and represents an actuarial estimate of the true, long-term value of System assets. The increase of $.7 billion in 1985 is the largest year over year amount in the System's history.

As noted in the Actuary's certification, the Systems are in sound financial condition and will stay that way. In 1985, however, many salary increases were greater than those anticipated in the actuarial assumptions. This fact, compiled with a higher ratio of service and disability retirements as well as adverse experience in other less influential assumptions caused experience during the year to be unfavorable. The Board of Trustees has directed a continuing study of System experience as compared to assumptions.

Financial Statements

The System's combined financial statements have been audited and found to be in order. The Legislative Auditor's unqualified opinion can be found on page 8. A new and convenient format shows key financial information in an easy-to-follow concise "combined" basis. Members wishing an analysis by System may obtain additional detail by writing the State Retirement Agency in Baltimore.

Investment Results

Fiscal year 1985 was an especially productive period for the investment program of the Maryland Retirement and Pension Systems. Both the Combined Equity Fund and Fixed Income Fund scored noteworthy advances. Total return on combined invested assets averaged 28.5% in 1985 as compared to a small loss of 2.6% in 1984.

A full report on the investment activities of the State Investment Agency is available on request from that Agency.

Statistics

As noted in previous reports, active membership has not changed greatly in recent years as newly hired employees replace those whose membership terminates. The improving health of the population as a whole and national trends toward early retirement combine to significantly increase the ranks of retired members, 40,850 at year end, an increase of 2,788 or 6.8% over the previous year.

Legislation

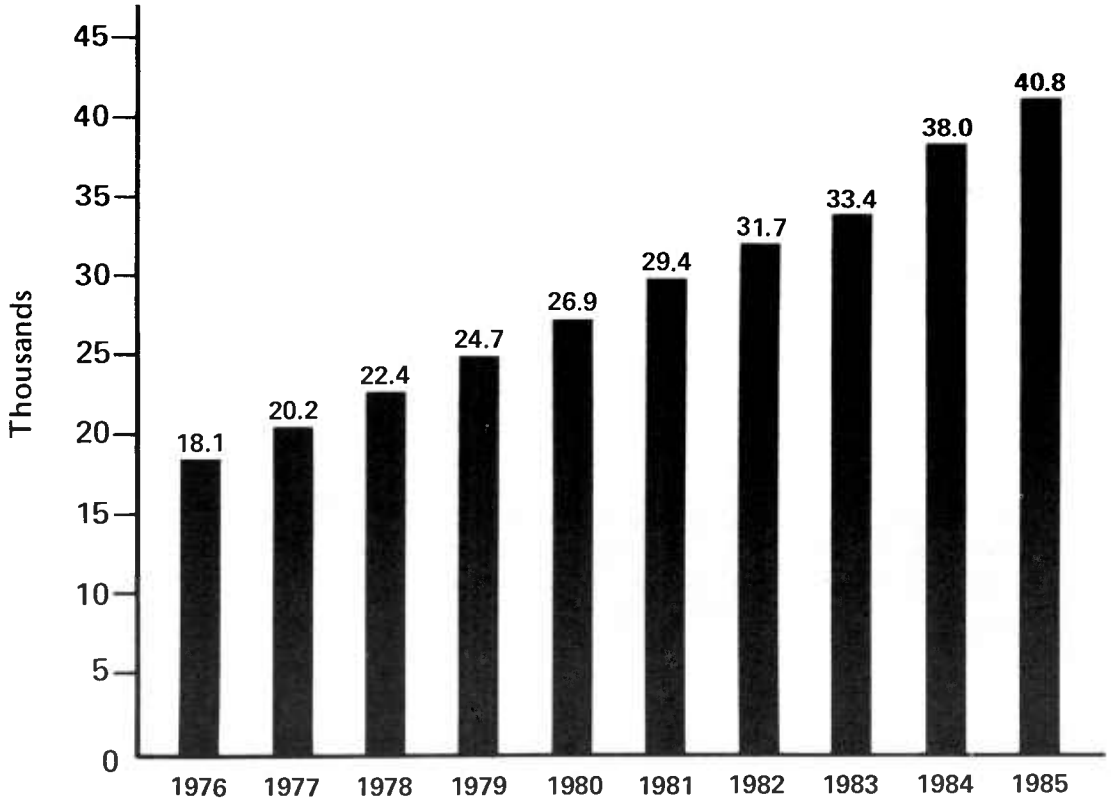
The 1985 Maryland General Assembly approved legislation which permits a more precise measurement of the retirement contributions due from the State for employees and a more timely deposit of these contributions to the Systems. In addition, legislation became effective which separated the State and participating municipal corporations for cost calculation purposes.

Board of Trustees

As required by law, election for two Board positions was held in 1985. Dr. Homer O. Elseroad was returned, unopposed, for a second term and Mr. Arthur N. Caple, Jr. was elected to fill the vacancy created by the retirement of Miss May Town. Miss Town served Maryland, the Board, and the Retirement Agency with dedication and distinction for 37 years.

In addition, Mr. Richard J. Benik was reappointed by Maryland's Board of Public Works. The Board of Trustees also welcomed Mr. John F. X. O'Brien as Secretary of Personnel. The Systems expect to benefit greatly from the experience and wisdom of these four outstanding members.

Number of Retirements



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STUART A. ROBERTSON, F.S.A.
CHAIRMAN EMERITUS

November 21, 1985

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, 1985. The results of the valuation are contained in the following report.

Overall, the experience of the Systems during the past year was slightly less favorable than anticipated. However, 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

Eugene M. Kalwarski, F.S.A.
Principal

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Analysis of Actuarial Liabilities and Assets

	For Fiscal Year Ended June 30,	
	1985	1984 (Restated)
Actuarial Liabilites for:		
Active Members	$ 6,734,324,314	$ 6,277,756,323
Retired and Disabled Members and Beneficiaries	5,084,048,880	4,556,498,305
Vested Deferred and Inactive Status Members	170,962,572	118,760,984
Total Actuarial Liability	11,989,335,766	10,953,015,612
Actuarial Value of Assets	(4,395,844,683)	(3,706,299,170)
Unfunded Actuarial Liability	$ 7,593,491,083	$ 7,246,716,442

Analysis of Pension Cost

For the Fiscal Year Ended June 30, 1985

	Paid During Year	Required for Year (1)
State of Maryland		
Employer	$ 445,017,143	$ 474,468,338
Member	93,598,764	76,513,883
Total	$ 538,615,907	$ 550,982,221
Municipal Corporations		
Employer	$ 24,966,889	$ 41,418,445
Member	6,393,753	5,608,574
Total	$ 31,360,642	$ 47,027,019
Total		
Employer	$ 469,984,032	$ 515,886,783
Member	99,992,517	82,122,457
Total	$ 569,976,549	$ 598,009,240

(1) Based on June 30, 1985 data.

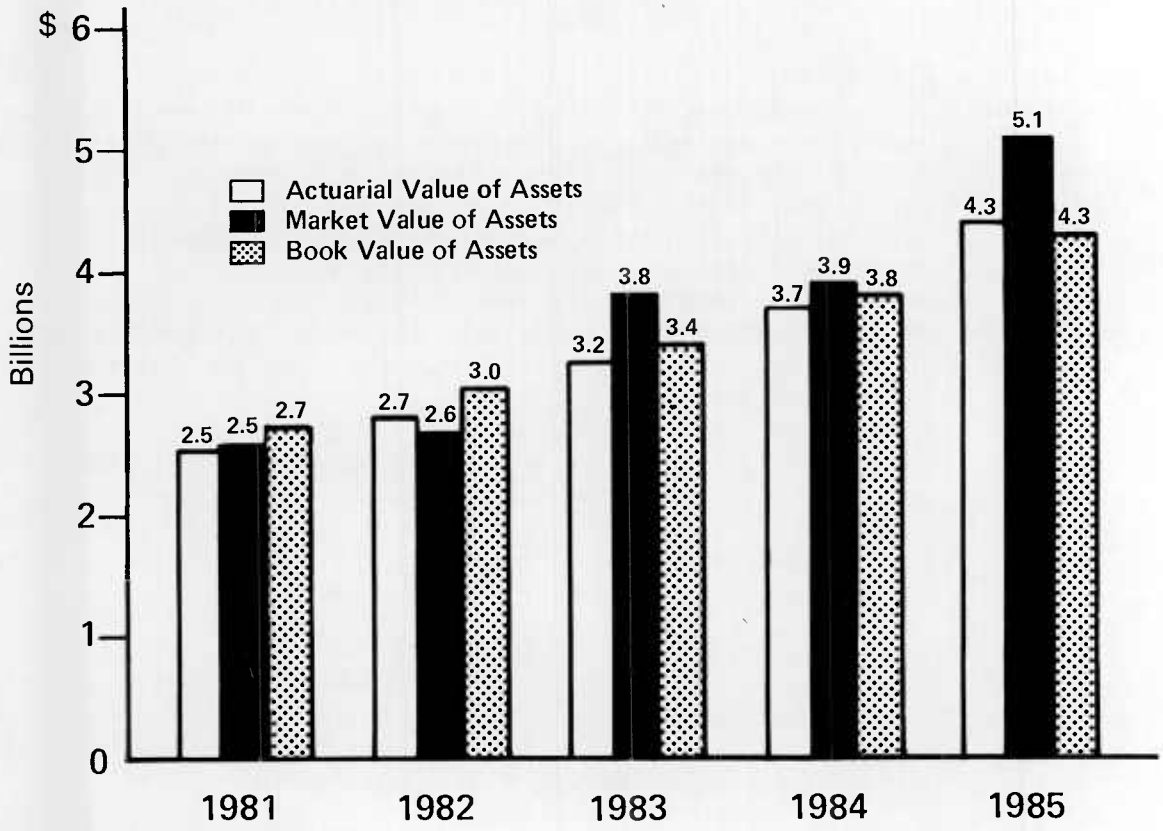
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Actuarial Liabilities and Assets By System

As of June 30, 1985

System	Actuarial Liabilities	Actuarial Value of Assets	Unfunded Actuarial Liabilities
Teachers Retirement	$ 7,343,239,259	$ 2,397,825,833	$ 4,945,413,426
Teachers Pension	529,934,455	240,772,034	289,162,421
Employees Retirement	3,337,019,500	1,232,824,881	2,104,194,619
Employees Pension	391,108,611	343,984,830	47,123,781
State Police Retirement	309,399,368	165,175,032	144,224,336
Judges Retirement	78,634,573	15,262,073	63,372,500
Total	$ 11,989,335,766	$ 4,395,844,683	$ 7,593,491,083

Five Year Growth in Assets



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 of 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 next 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 entry age normal to determine costs. Under this funding method a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded actuarial liability rate. In addition, the normal cost rate for the Teachers and Employees Systems is split into two sub-elements, the new entrant normal cost rate and the transitional liability rate.

For the Teachers Pension, Employees Pension, State Police, and Judges Systems an *individual entry age normal* cost rate is determined for a typical new entrant of each respective system. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary.

For members of the Teachers' and Employees' Retirement Systems, the new entrant normal cost rate is set at the same rate developed for the Teachers' and Employees' Pension Systems, respectively.

The *transitional liability* represents the excess of the present value of future normal costs determined under the Retirement System benefit provisions over the present value of future normal costs determined under the Pension System benefit provisions. The transitional rate is the level percent of active member payroll which, when applied to each year's payroll, is sufficient to amortize the transitional liability by June 30, 2020.

In addition to contributions required to meet the System's normal cost and transitional liability, contributions will be required to fund the System's *unfunded actuarial liability.* Actuarial liability is defined as the present value of future benefits less the present value of future normal costs and the transitional liability. 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.

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AUDIT MANAGERS

CHARLES C. PIAZZA, CPA
LEGISLATIVE AUDITOR

Board of Trustees
Maryland State Retirement and
Pension Systems

We have examined the combined financial statements of the Maryland State Retirement and Pension Systems as of and for the years ended June 30, 1985 and 1984. 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 combined financial statements referred to above present fairly the financial position of the Maryland State Retirement and Pension Systems as of June 30, 1985 and 1984, 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.

Our examinations were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining financial statements listed in the Supplement to the Annual Report are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Charles C. Piazza

Charles C. Piazza, CPA
LEGISLATIVE AUDITOR

Robert C. Koslowski

Robert C. Koslowski, CPA
AUDIT MANAGER

November 25, 1985

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Combined Balance Sheet

June 30, 1985 and 1984

	June 30, 1985	June 30, 1984
ASSETS		
Accounts Receivable		
Employers' contributions	$ 5,625,558	$ 18,768,431
Members' contributions	1,597,317	566,531
Due from Combined Investment Funds	0	3,025,000
Other	29,431	2,808,797
Total accounts receivable	7,252,306	25,168,759
Investments		
Combined Equity Fund, at amortized cost (market value $2,952,819,861 and $2,167,811,671 at June 30, 1985 and 1984, respectively)	2,269,583,960	1,943,621,083
Combined Fixed Income Fund, at amortized cost (market value $2,098,625,570 and $1,619,865,242 at June 30, 1985 and 1984, respectively)	2,028,207,872	1,769,770,158
Other, at cost (approximates market value)	81,734,177	87,827,076
Total investments	4,379,526,009	3,801,218,317
TOTAL ASSETS	$ 4,386,778,315	$ 3,826,387,076
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Provision for unpresented checks	$ 25,143,700	$ 23,786,320
Refunds payable	4,909,631	3,547,292
Amounts withheld from retirees	4,382,993	3,605,003
Other	2,226,364	3,413,358
Total liabilities	36,662,688	34,351,973
FUND BALANCES		
Annuity Savings Fund	1,012,638,715	985,335,097
Retirement Accumulation Fund	3,337,476,912	2,806,700,006
Total fund balances	4,350,115,627	3,792,035,103
TOTAL LIABILITIES AND FUND BALANCES	$ 4,386,778,315	$ 3,826,387,076

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

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Combined Statement of Revenue and Expenses by Fund

For the Fiscal Years Ended June 30, 1985 and 1984

	Fiscal Year Ended June 30,	
	1985	1984
ANNUITY SAVINGS FUND		
Revenue		
Members' contributions	$ 99,992,517	$ 89,496,359
Expenses		
Refunds	59,681,612	29,954,363
EXCESS OF REVENUE OVER EXPENSES	$ 40,310,905	$ 59,541,996
RETIREMENT ACCUMULATION FUND		
Revenue		
Employers' contributions	$ 469,984,032	$ 448,435,183
Investment income	426,481,839	199,464,305
Total revenue	896,465,871	647,899,488
Expenses		
Benefit payments	371,092,749	338,911,944
Administrative expenses	7,603,503	5,910,944
Total expenses	378,696,252	344,822,888
EXCESS OF REVENUE OVER EXPENSES	$ 517,769,619	$ 303,076,600

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

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Combined Statement of Changes in Fund Balances

For the Fiscal Years Ended June 30, 1985 and 1984

	Annuity Savings Fund	Retirement Accumulation Fund
Balances, June 30, 1983	$ 956,277,217	$ 2,473,139,290
Excess of revenue over expenses	59,541,996	303,076,600
Transfers to the Annuity Savings Fund from the Retirement Accumulation Fund for interest credited to members' accounts	38,100,812	(38,100,812)
Transfers to the Retirement Accumulation Fund from the Annuity Savings Fund for contributions of retiring members	(68,584,928)	68,584,928
Balances, June 30, 1984	985,335,097	2,806,700,006
Excess of revenue over expenses	40,310,905	517,769,619
Transfers to the Annuity Savings Fund from the Retirement Accumulation Fund for interest credited to members' accounts	47,254,287	(47,254,287)
Transfers to the Retirement Accumulation Fund from the Annuity Savings Fund for contributions of retiring members	(60,261,574)	60,261,574
Balances, June 30, 1985	$ 1,012,638,715	$ 3,337,476,912

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

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Combined Statement of Changes in Financial Position

For the Fiscal Years Ended June 30, 1985 and 1984

	Fiscal Year Ended June 30,	
	1985	1984
SOURCES OF FINANCIAL RESOURCES		
Excess of revenue over expenses		
Annuity Savings Fund	$ 40,310,905	$ 59,541,996
Retirement Accumulation Fund	517,769,619	303,076,600
Decrease in accounts receivable	17,916,453	0
Increase in liabilities	2,310,715	0
TOTAL SOURCES OF FINANCIAL RESOURCES	$ 578,307,692	$ 362,618,596
USES OF FINANCIAL RESOURCES		
Increase in investments	$ 578,307,692	$ 362,207,886
Increase in accounts receivable	0	266,714
Decrease in liabilities	0	143,996
TOTAL USES OF FINANCIAL RESOURCES	$ 578,307,692	$ 362,618,596

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

MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Notes to Financial Statements

I. DESCRIPTION OF THE SYSTEMS

A description of each of the systems begins on page 19.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Method of Reporting

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

B. Reclassifications

In previous years, the Systems presented separate financial statements for each system. Beginning with fiscal year 1985, the Systems' financial statements are presented on a combined basis. Accordingly, for comparative purposes, the fiscal year 1984 statements have also been presented on a combined basis in this report. In addition, certain reclassifications were made to 1984 combined financial statements to conform with the 1985 combined financial statement presentation.

C. Contributions Receivable

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

D. Investments

The 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 (see following schedule). 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 Systems purchase 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 of $81,734,177 at June 30, 1985 and $87,827,076 at June 30, 1984.

Net assets of the combined investment funds at June 30, 1985 and 1984 are as follows:

	JUNE 30, 1985			
	Combined Fixed Income Fund		Combined Equity Fund	
	Cost	Market Value	Cost	Market Value
Investments				
Bonds	$ 1,830,729,060	$ 1,907,800,560	$ 12,219,030	$ 13,370,958
Stocks	0	0	2,159,008,943	2,841,092,916
Short-term investments	119,832,919	119,832,919	99,264,247	99,264,247
Mortgages and ground rents	39,651,193	32,997,391	0	0
Accounts receivable-stock sales	0	0	9,556,426	9,556,426
Other assets	37,998,700	37,998,700	10,788,478	10,788,478
Total Assets	2,028,211,872	2,098,629,570	2,290,837,124	2,974,073,025
Accounts Payable				
Stock purchased	0	0	(21,253,164)	(21,253,164)
Due to Systems	(4,000)	(4,000)	0	0
Total Liabilities	(4,000)	(4,000)	(21,253,164)	(21,253,164)
Net Assets	$ 2,028,207,872	$ 2,098,625,570	$ 2,269,583,960	$ 2,952,819,861

	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

Short-term investments consist of commercial paper, repurchase agreements and money market investments. Accounts receivable-stock sales represents receivables from brokers for stocks sold for which the proceeds had not yet been received. Accounts payable-stock purchased represents payables to brokers for stocks purchased for which payment had not yet been made.

Investment Income

Investment income includes interest, dividends and the amortization of discounts, reduced for amortization of premium and accrued interest paid on securities purchased. Gains and losses due to liquidation are recorded in the fiscal period in which the transaction occurs. The cost of common stock sold is determined using the average cost method. Net income of the combined investment funds for the fiscal years ended June 30, 1985 and 1984 is as follows:

	1985	
	Combined Fixed Income Fund	Combined Equity Fund
Interest		
Bonds	$ 179,854,188	$ 1,180,396
Short-term investments	21,949,097	10,198,173
Mortgages and ground rents	3,321,929	0
Other	13,518,815	401,814
Dividends	0	98,618,274
Profit on sale of investments	18,714,685	74,164,220
Net Investment Income	$ 237,358,714	$ 184,562,877

	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

The following is a detailed analysis of investment income:

	1985	1984
FROM COMBINED INVESTMENT FUNDS		
Combined Fixed Income Fund	$ 237,358,714	$ 15,801,126
Combined Equity Fund	184,562,877	179,761,417
Net Investment Income From Combined Funds	421,921,591	195,562,543
FROM SYSTEMS		
Interest on short-term investments	4,560,248	3,901,762
TOTAL INVESTMENT INCOME	$ 426,481,839	$ 199,464,305

E. Provision for Unpresented Checks

The provision for unpresented checks represents 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' Contributions

Members' contributions together with interest thereon, at predetermined interest rates, 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.

G. Retirement Accumulation Fund — Contributions

Contributions made by employers are credited to the Retirement Accumulation Fund. All death and retirement benefits are paid from this Fund. The employer's contributions to the Systems, 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 Systems and for subsequent amendments.

H. Administrative Expenses

The operations of the Systems are centralized. The administrative expenses applicable to the 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. Administrative expenses applicable to the Systems during years 1985 and 1984 totaled $7,603,503 and $5,910,944, respectively.

III. ACTUARIAL VALUATIONS

The Systems have engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services. 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 Systems, all benefits of the Systems are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' normal and accrued liability contribution rates and the unfunded accrued liability.

According to the actuarial valuation prepared by the consulting firm, the Systems' unfunded accrued liabilities at June 30, 1985 were as follows:

	Unfunded Accrued Liability at June 30, 1985
Employees' Retirement System	$ 2,167,567,119
Teachers' Retirement System	4,945,413,426
Employees' Pension System	47,123,781
Teachers' Pension System	289,162,421
State Police Retirement System*	144,224,336
Total	$ 7,593,491,083

The liquidation period for the unfunded accrued liabilities (as provided by law) is 35 years from June 30, 1985. The unfunded accrued liabilities were based on the assumption of full funding for all benefits and on these economic assumptions: interest on investments of 7%, annual cost of living increases ranging from 3% to 6% depending on the system and annual increases in members' salaries ranging from 5.39% to 11.07% depending on the system and the member's age.

Selected data as of June 30, 1985, compiled by the Systems' consulting actuary is as follows:

Actuarial Present Value of Accrued Benefits at June 30, 1985

System	Accrued Benefits of Participants Currently Receiving Payments	Accrued Benefits of Former Vested Members	Accrued Benefits of Active Members	Total Accrued Benefits	Net Assets Available for for Plan Benefits at June 30, 1985
Employees Retirement	$ 1,287,553,134	$ 30,432,920	$ 762,295,605	$ 2,080,281,659	$ 1,451,528,294
Teachers Retirement	2,467,888,075	54,064,164	1,606,494,223	4,128,446,462	2,786,402,325
Employees Pension	19,598,515	10,243,436	121,793,177	151,635,128	397,788,977
Teachers Pension	8,567,848	12,290,288	111,734,972	132,593,108	276,177,412
State Police Retirement*	77,777,317	820,898	80,134,032	158,732,247	191,524,593
Total	$ 3,861,384,889	$ 107,851,706	$ 2,682,452,009	$ 6,651,688,604	$ 5,103,421,601

The present value of accrued benefits as of June 30, 1985 was determined using interest rates which ranged from 4% to 9.75% depending on the date retirement benefit payments begin. Net assets available for plan benefits were based on market value.

*For purposes of the actuarial valuation, the State Police Pension Fund is included with the State Police Retirement System.

IV. PENSION LEGISLATION

Chapter 7, Laws of Maryland, 1984, effective June 1, 1984, required all members of the Employees' Retirement System (except for State correctional officers, judges and members of the Maryland General Assembly) and members of the Teachers' Retirement System to select one of three benefit plans offered under the respective retirement system or to transfer to the Employees' or Teachers' Pension Systems. 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 30, 1984 restraining the implementation of this legislation pending 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, members were required to notify the Systems of their selection by April 10, 1985. These selections were retroactive to July 1, 1984. The teacher and employee associations appealed the decision of the United States District Court for the District of Maryland. This appeal was heard by the United States Court of Appeals for the Fourth Circuit on October 7, 1985. On December 5, 1985, the United States Court of Appeals for the Fourth Circuit affirmed the decision of the United States District Court for the District of Maryland, thereby upholding the legislation in favor of the State.

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. 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. In addition, effective July 1, 1984, existing members of the Teachers' Retirement System were required to elect one of three plan selections that maintained or modified the benefits under the plan. The plan selections are: A — continue all existing benefits by increasing employee contribution; B — modify cost of living adjustments by continuing existing employee contribution; C — maintain existing benefits earned prior to selection while modifying future benefits to those of the Teachers' Pension System. Existing members of the Teachers' Retirement System also have the option of 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. However, for a member who choses plan selection C, the benefit earned after June 30, 1984 is computed under the formula for the Teachers' Pension System. 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. However, for the benefit earned after electing plan selection C, the annual increase 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.

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 Teacher's 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 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 the 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. In addition, effective, July 1, 1984, existing members of the Employees' Retirement System were required to elect one of three plan selections that maintained or modified the benefits under that plan. The plan selections are: A — continue all existing benefits by increasing employee contribution; B — modify cost of living adjustments by continuing existing employee contribution; C — maintain existing benefits earned prior to selection while modifying future benefits to those of the Employees' Pension System. Existing members of the Employees' Retirement System, unless exempted by law, also 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 member's three highest years of paid salary) multiplied by the number of years of creditable service. However, for a member who chooses plan selection C, the benefit earned after June 30, 1984 is computed under the formula for the Employees' Pension System. 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. However, for the benefit earned after electing plan selection C, the annual increase 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.

IV. Employees' Pension System

A. Organization and Purpose

The Employees' Pension System of the State of Maryland, a basically non-contibutory 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 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 member'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 the 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

January 1, 1986

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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, 1985 — July 31, 1989
Col. George Brosan	Ex Officio since November 1, 1985
Arthur N. Caple, Jr.	August 1, 1985 — July 31, 1989
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Dr. Homer O. Elseroad	August 1, 1985 — July 31, 1989
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Major James A. Jones	August 1, 1982 — July 31, 1986
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January 1, 1986

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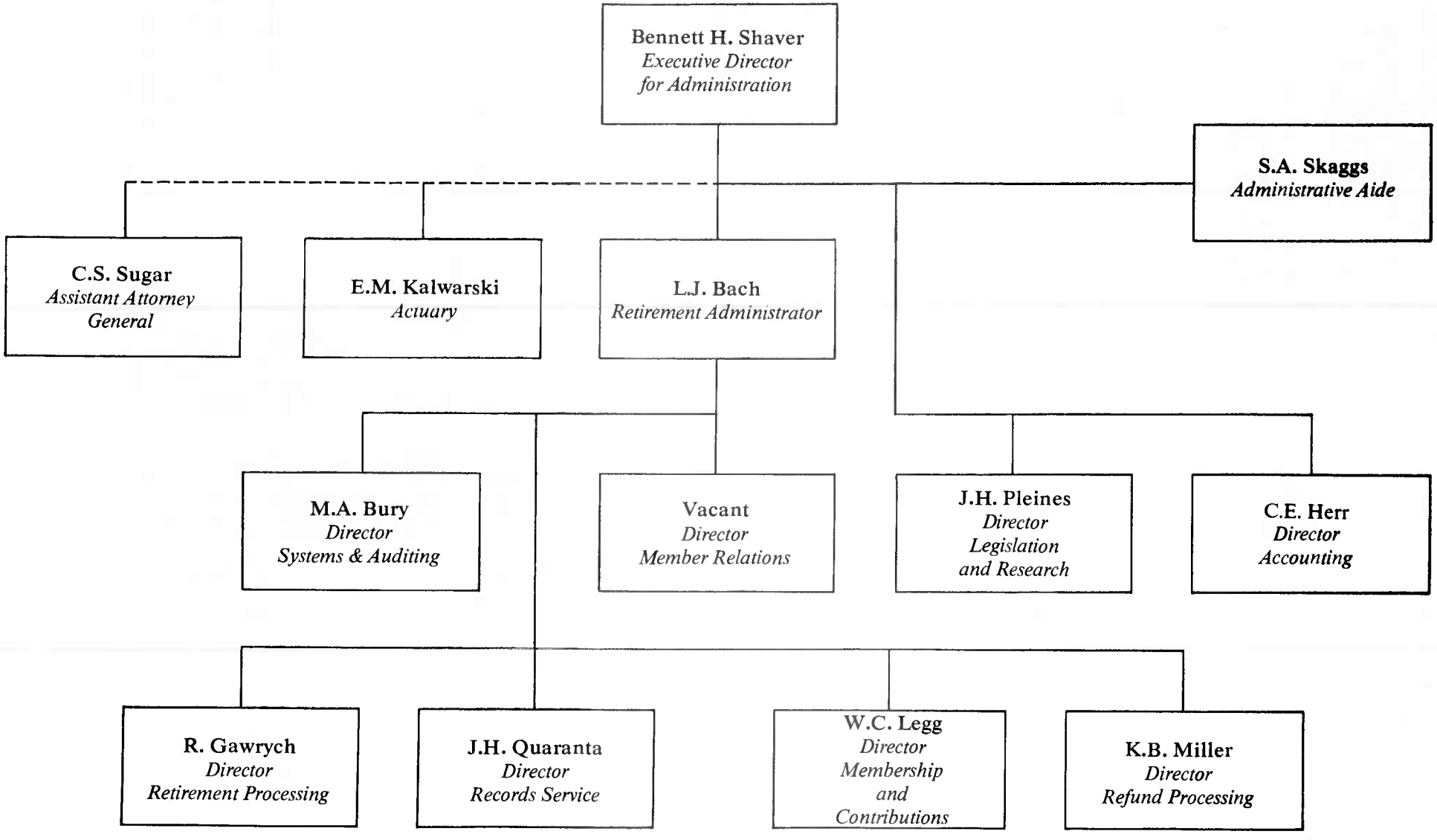
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Maryland State Retirement Agency

Organization Chart

January 1, 1986



MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Municipalities Participating in the Employees' Systems

June 30, 1985

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
Carroll County Public Library Employees
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
Eastern Shore Regional Library
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
Westminister, 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

MARYLAND STATE RETIRE

Summary of Mem

As of June 30, 1985	Total	Teachers Retirement	Teachers Pension
Active Members			
Females	91,359	24,195	23,710
Males	56,348	11,870	7,108
Total	147,707	36,065	30,818
Average Annual Salary			
Females	$ 18,713	$ 24,636	$ 18,224
Males	23,635	32,796	25,048
Retired Members			
Females	24,536	13,743	147
Males	16,314	5,284	73
Total	40,850	19,027	220
Average Annual Retirement Allowances			
Females	$ 8,540	$ 11,270	$ 3,228
Males	9,798	14,693	5,332
Vested Former Members			
Females	8,717	1,765	3,153
Males	4,802	907	1,137
Total	13,519	2,672	4,290

MENT AND PENSION SYSTEMS

bership Data

Employees Retirement	Employees Pension	State Police	Judges
12,785	30,582	62	25
14,053	21,654	1,447	216
26,838	52,236	1,509	241
$ 17,189	$ 15,010	$ 20,358	$ 54,250
22,635	18,416	23,927	60,021
10,143	434	48	21
9,921	460	435	141
20,064	894	483	162
$ 5,155	$ 2,079	$ 13,642	$ 16,284
6,998	2,620	16,482	28,485
908	2,890	0	1
633	2,101	10	14
1,541	4,991	10	15

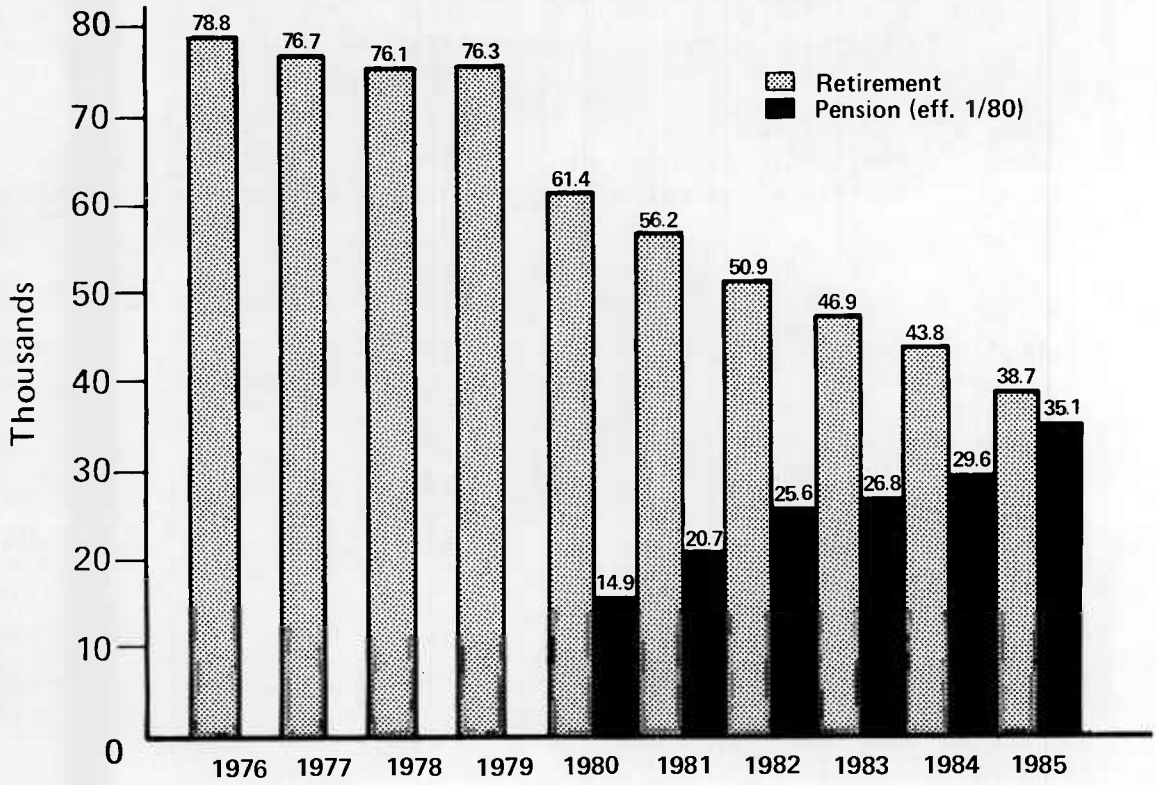
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

Ten Year History of Membership Data By System

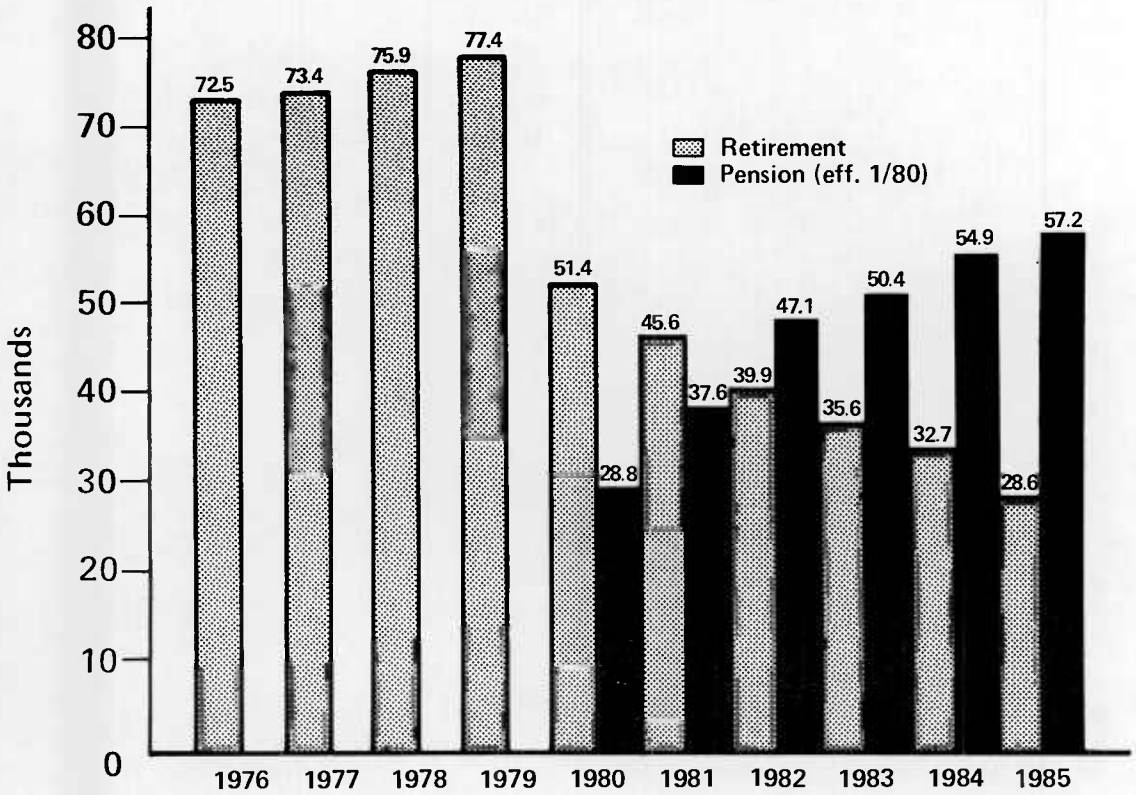
June 30,	Total All Systems	Teachers Retirement	Teachers Pension	Employees Retirement	Employees Pension	State Police Retirement
1985	161,226	38,737	35,108	28,635*	57,227	1,519
1984	162,739	43,893	29,606	32,722	54,976	1,542
1983	161,427	46,926	26,816	35,655	50,467	1,563
1982	165,206	50,938	25,664	39,916	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

*Includes 256 Judicial Plan members and 194 Legislative Plan members.

Membership in Teachers Systems



Membership in Employees Systems



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
1985	40,850	19,027	220	20,226*	894	483
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

*Includes 162 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,				
	1985	1984	1983	1982	1981
Total Actuarial Liabilities	$ 11,989.3	$ 10,953.0	$ 8,738.4	$ 8,114.5	$ 7,316.7
Actuarial Value of Assets	(4,395.8)	(3,706.3)	(3,292.2)	(2,794.5)	(2,535.6)
Unfunded Actuarial Liabilities	$ 7,593.5	$ 7,246.7	$ 5,446.2	$ 5,320.0	$ 4,781.1
Market Value of Assets	$ 5,103.4	$ 3,900.6	$ 3,831.8	$ 2,656.7	$ 2,578.5
Book Value of Assets	4,349.8	3,826.3	3,463.9	3,095.8	2,726.9
Member Payroll	3,041.3	2,851.5	2,802.0	2,762.6	2,588.8

	For Fiscal Year Ended June 30,				
	1985	1984	1983	1982	1981
Employer Contributions	$ 469.9	$ 448.4	$ 347.2	$ 298.3	$ 279.8
Member Contributions	99.9	89.4	93.2	90.7	93.6
Total Contributions	$ 569.8	$ 537.8	$ 440.4	$ 389.0	$ 373.4
Benefit Payments	$ 371.0	$ 338.9	$ 299.5	$ 256.6	$ 214.4
Refunds to Members	59.6	29.9	30.3	35.0	26.0
Total	$ 430.6	$ 368.8	$ 329.8	$ 291.6	$ 240.4

NOTE: Liabilities and Contributions determined by Entry Age Cost Method beginning in 1984. Unit Credit Cost Method used previously.