MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Comprehensive Annual Financial Report

Maryland State Retirement and Pension System
A Pension Trust Fund of the State of Maryland
For the Year Ended June 30, 2009

2009

Comprehensive Annual Financial Report
Maryland State Retirement and Pension System

A Pension Trust Fund of the State of Maryland

For the Year Ended June 30, 2009

Prepared by:
State Retirement Agency of Maryland
120 East Baltimore Street
Baltimore, Maryland 21202

Introductory Section:

Financial Section:

Investment Section:

December 15, 2009

Dear Members, Retirees and Beneficiaries:

On behalf of the Board of Trustees for the State Retirement and Pension System, we are pleased to present the System's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This report provides information on the financial status of the retirement system and highlights certain changes that have occurred over the course of the year.

Indeed the past twelve months have been unprecedented in terms of upheaval and change in the financial markets. The global economic crisis had a devastating impact on capital markets worldwide. As a result, the System's investment portfolio witnessed an overall negative return of 20.0 percent. During this period, the System transformed the emerging manager program into a "small manager program" and was named the "Terra Maria Program." The program has continued to provide strong performance and has received recognition for its innovative approach to diversifying the base of investment managers utilized by the System.

Another significant development has been the Board's adjustments to the System's asset allocation. These adjustments included reductions in the target allocations for domestic equities and fixed income combined with increases in target allocations for international and global equities, as well as private equity, real estate, real return and absolute return. As always, the Board of Trustees continues to work diligently to ensure that the System's portfolio reflects market opportunities while maintaining an appropriate level of risk.

We are also very pleased that progress continues to be made in the development of the Maryland Pension Administration System (MPAS-1) project that has been designed to replace the Legacy Pension System (LPS). The new custom-developed system will perform the same functions as the LPS, but with a modern technology architecture that can be more easily maintained and enhanced. This updated information technology will ensure that the Retirement Agency's business operations maintain optimal efficiency. The new system is entering the final stages of testing and acceptance and is on scheduled for implementation in July 2010.

The Board's fundamental purpose is to ensure that the System is well funded, effectively administered, and as a result, provides your promised benefits in an accurate and timely manner. Yours is a retirement system that remains administratively and financially strong. As a participant in the System, you can remain confident that your pension benefits are secure and that the services you require, either before or during your retirement, will be effectively delivered. As always, your support and participation are greatly appreciated. Please do not hesitate to contact us with questions, or if we can be of assistance.

Sincerely,

Nancy K. Kopp

NANCY K. KOPP
Chairman

Peter Franchot

PETER FRANCHOT
Vice Chairman

MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

STATE RETIREMENT AGENCY
120 East Baltimore Street
Baltimore, MD 21202
Tel: 410-625-5555
1-800-492-5909
TDD/TTY 410-625-5535
www.sra.state.md.us

LETTER OF TRANSMITTAL

December 15, 2009

Madam Chairman & Members of the Board of Trustees:

We are pleased to submit the Comprehensive Annual Financial Report for the Maryland State Retirement and Pension System (the "System") for the fiscal year ended June 30, 2009. This report accurately presents the operating results achieved during this 12-month reporting period.

Members covered by the plans include State employees, teachers, law enforcement officers, and correctional personnel whose employers have elected to participate in the System. The System is responsible for properly administering retirement, disability, and death benefits. At the same time, it strives to maximize investment returns while maintaining an acceptable level of risk to keep employer contribution rates as reasonable as possible.

The System currently provides monthly allowances to more than 116,000 retirees and beneficiaries, and is an essential element of the future financial security for over 199,000 active participating members. Descriptions of the membership requirements and benefits provided by each plan administered by the System are included in the Plan Summary Section starting on page 102.

This Comprehensive Annual Financial Report contains six sections. The Introductory Section provides information about the administrative structure of the System. The Financial Section provides a comprehensive review of the System's financial position, the results of its operations and its funded status. The Financial Section also contains the report from the System's independent auditor, the combined financial statements and supplementary financial data related thereto. The Investment Section includes a report highlighting the System's investment performance in addition to various summary level portfolio compositions and other investment data. The Actuarial Section contains the independent actuary's report on the results of the System's annual actuarial valuation. The Statistical and Plan Summary Sections detail the demographic composition of the System's membership segments affected by each plan and provide detailed descriptions of the various plans' provisions. In addition to this Letter of Transmittal, additional narrative, overview, and analysis can be found in Management's Discussion and Analysis beginning on page 17.

INVESTMENTS

The global economic crisis had a devastating impact on capital markets worldwide during fiscal year 2009. These conditions resulted in significant losses for most investors, including the System. Fund investments returned a 20.0% loss in fiscal year 2009, falling below the System's actuarially determined target investment return of 7.75%, net of expenses.

The System's target asset allocation as of the end of fiscal year 2009 was 37% public equities, 15% private equities, 15% fixed income, 10% real estate, 10% real return, 10% absolute return and 3% cash. The System's investment outlook is long term allowing the portfolio to take advantage of equity-linked asset classes. The portfolio is globally diversified and structured in a risk controlled manner.

MAJOR ISSUES AND INITIATIVES

Despite the recent economic events and market volatility, the System is financially sound and committed to its long term funding goals. However, the Board continues to be deeply concerned with the Corridor Funding Method used to calculate annual employer contributions to the trust fund for the two largest systems, State

Employees' and Teachers'. Under the Corridor Funding Method, contribution rates for the two largest systems are fixed from year to year as long as the funded status for each of these systems remains in a "corridor" of 90% to 110%. The Board remains committed to its recommendation to cease use of this methodology, and thereby eliminate the impact it is having on the System's funded status. Primarily as a result of the investment losses recognized during fiscal year 2009 and the impact of corridor funding on contributions, the System's funded ratio decreased from 78.62% at June 30, 2008 to 65.02% at June 30, 2009.

Under the leadership of the System's Chief Investment Officer, implementation of the asset allocation adopted by the Board of Trustees in September 2008 has continued to proceed successfully. Consequently, System investments in the public equity, real estate, global equity, and real return asset classes have increased. Additionally, the System's small manager program, the Terra Maria Program, was fully funded as of December 2008. Further discussion regarding these major initiatives in the investment area can be found in the Chief Investment Officer's letter located in the Investment Section of this report.

In benefits administration, the Agency continues its program to provide employer payroll reporting education and training to participating employers. The Agency continues its development of the Maryland Pension Administration System (MPAS) project. MPAS is being developed in phases. The goal of the first phase is to create new, agile technology architecture as a platform for future improvements. The first phase of the project will be implemented July 2010.

FINANCIAL INFORMATION

System management is responsible for the contents of this report and has committed the resources necessary to maintain an internal control structure that provides reasonable assurance that assets are adequately safeguarded, financial records are consistently and accurately maintained, and transactions are properly executed to permit preparation of financial statements in accordance with generally accepted accounting principles. The System's internal control structure includes written policies and procedures and an internal audit division that reports to the Board.

ACCOUNTING SYSTEM AND REPORTS

The System reports its transactions on the accrual basis of accounting. Under this method, revenues are reported in the accounting period they are earned and become measurable, and expenses are reported when the related liability is incurred and measurable. Investments are reported at fair value at fiscal year end. Investment purchases and sales are reported in the accounting period in which the related trade dates occur.

REVENUES

The reserves necessary to finance retirement allowances and other benefits are accumulated through investment earnings and the collection of employer and member contributions. During fiscal year 2009, investment losses were $7.4 billion, while revenues from employer and member contributions were $1.11 billion and $532 million, respectively. For fiscal year 2009, member contribution rates increased from 4% to 5%, while employer rates varied depending on the plan.

EXPENSES

The System's expenses consist of monthly retirement allowances, refunds of contributions to terminated and transferring members and withdrawing employers, and the administrative cost of System operations. Payments to retirees, beneficiaries and transferring or withdrawing members and employers continued to be the System's primary disbursements during 2009, totaling $2.3 billion. In addition, the System disbursed $156.4 million to manage the investment portfolio and to administer the System, of which $128.9 million was paid for investment management, portfolio custody, and securities lending services and $27.9 million used to fund the System's administrative operations.

FUNDING

Funds are derived from the excess of additions, which include contributions and investment earnings, over deductions, which are comprised of benefits and administrative expenses. Funds are accumulated to meet future benefit obligations to retirees and beneficiaries. This accumulated balance is referred to as the "net assets held in trust for pension benefits" in the Statement of Pension Net Assets in the Financial Section of this report. The actuarial accrued liability is not disclosed in the basic financial statement but is disclosed in note nine to the basic financial statements. The funded status schedule presented in note nine shows the actuarial value of assets, which is based on a five-year smoothed expected rate of return, wherein the excess or shortfall of investment income over or under the actuarial assumed income of 7.75% is recognized over a five-year period. This is the value of assets used by the actuary in determining contribution rates for the plans as disclosed in note four to the basic financial statements.

The actuary determines the actuarial accrued liability of the Systems. It is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to current retirees, beneficiaries and employees for service earned to date. The percentage computed by dividing the actuarial value of net assets available for benefits by the actuarial accrued liability is generally referred to as the "funded ratio". This ratio provides an indication of the funded status of the System on a going-concern basis and generally, the greater this percentage, the stronger the system.

At June 30, 2009, the System's actuarial accrued liability was $57.2 billion and the unfunded actuarial accrued liability totaled $18.4 billion, resulting in a funded status ratio of 65.02%. The portion of the unfunded actuarial accrued liability that existed at June 30, 2000 will continue to be amortized over the remaining 11-year period to June 30, 2020, whereas each subsequent annual liability layer will be amortized over a 25 year period.

PROFESSIONAL SERVICES

The System contracts for the services of various independent consulting, investment advisory and financial professionals to assist the Board of Trustees in carrying out its fiduciary responsibility to efficiently and effectively manage the System. Actuarial services were provided by Gabriel Roeder Smith & Company and independent financial statement audit services were provided by Abrams, Foster, Nole & Williams, PA. The System's asset custody and portfolio accounting services were provided by the State Street Bank & Trust Company under a multi-year, master custody arrangement. Ennis Knupp & Associates serves as the System's general investment consultant. Specialty consulting services are provided by Altius Associates Limited and Pension Consulting Alliance Real Estate Advisors, Inc. for private equity and real estate, respectively. A complete listing of the System's professional consultants and external investment advisors is presented on page 11.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland State Retirement and Pension System for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twentieth consecutive year (1989 through 2008) the System has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the Maryland Retirement and Pension System received the Public Pension Coordinating Council's (PPCC) 2009 Recognition Award for Administration, in recognition of meeting the council's professional standards for plan administration as set forth in the Public Pension Standards.

The PPCC is a coalition of the following associations that represent public pension funds that cover the vast majority of public employees in the U.S.:

- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. The Maryland State Retirement and Pension System is proud to be a recipient of this award.

ACKNOWLEDGMENTS

This annual report reflects the dedicated efforts of the System's staff under the steady direction of the Board of Trustees. We extend our sincere gratitude to each member of the Board, the System's staff, the Board's advisors and the many people who worked with diligence and dedication throughout 2009 in support of these efforts.

R. Dean Kenderdine
Executive Director
Secretary to the Board

Melody Countess, CPA
Chief Operating Officer

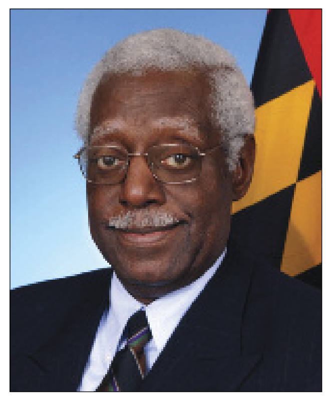
BOARD OF TRUSTEES

Nancy K. Kopp, *Chairman*
State Treasurer
Ex Officio since February 14, 2002
Member, Investment Committee
Member, Administrative Committee
Member, Corporate Governance Committee

Peter Franchot, *Vice Chairman*
State Comptroller
Ex Officio since January 22, 2007
Member, Investment Committee
Member, Corporate Governance Committee

David S. Blitzstein
April 1, 2008 – July 31, 2012
Member, Investment Committee
Member, Corporate Governance Committee

William D. Brown
August 1, 1997 – July 31, 2013
Vice Chair, Investment Committee
Member, Corporate Governance Committee



John W. Douglass
May 18, 2004 – July 31, 2011
Member, Administrative Committee
Vice Chairman, Audit Committee

Eloise Foster
Ex Officio since January 17, 2007
Member, Administrative Committee
Member, Investment Committee

James M. Harkins
July 1, 2006 - June 30, 2010
Chairman, Administative Committee
Member, Audit Committee

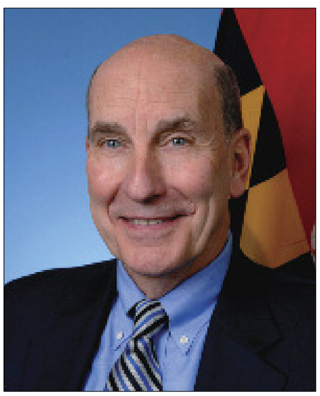
Sheila Hill
October 19, 2004 – July 31, 2013
Member, Administrative Committee
Member, Investment Committee
Chairman, Corporate Governance Committee

BOARD OF TRUSTEES

F. Patrick Hughes
July 1, 2003 - June 30, 2013
Chairman, Audit Committee
Member, Investment Committee

Major Morris L. Krome
August 1, 1998 – July 31, 2010
Vice Chairman, Administrative Committee
Member, Audit Committee
Member, Investment Committee

Theresa Lochte
August 1, 2007 – July 31, 2011
Member, Administrative Committee
Member, Audit Committee

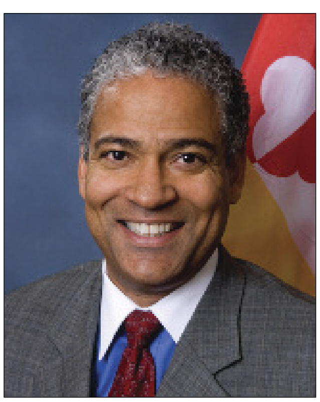


Robert W. Schaefer
August 1, 2007 – July 31, 2011
Chairman, Investment Committee

Harold Zirkin
September 10, 2007 - July 31, 2011
Member, Investment Committee
Member, Audit Committee

Thurman Zollicoffer, Jr.
September 12, 2007 - July 31, 2011
Member, Investment Committee
Vice Chairman, Corporate Governance Committee

ADVISORS TO THE INVESTMENT COMMITTEE

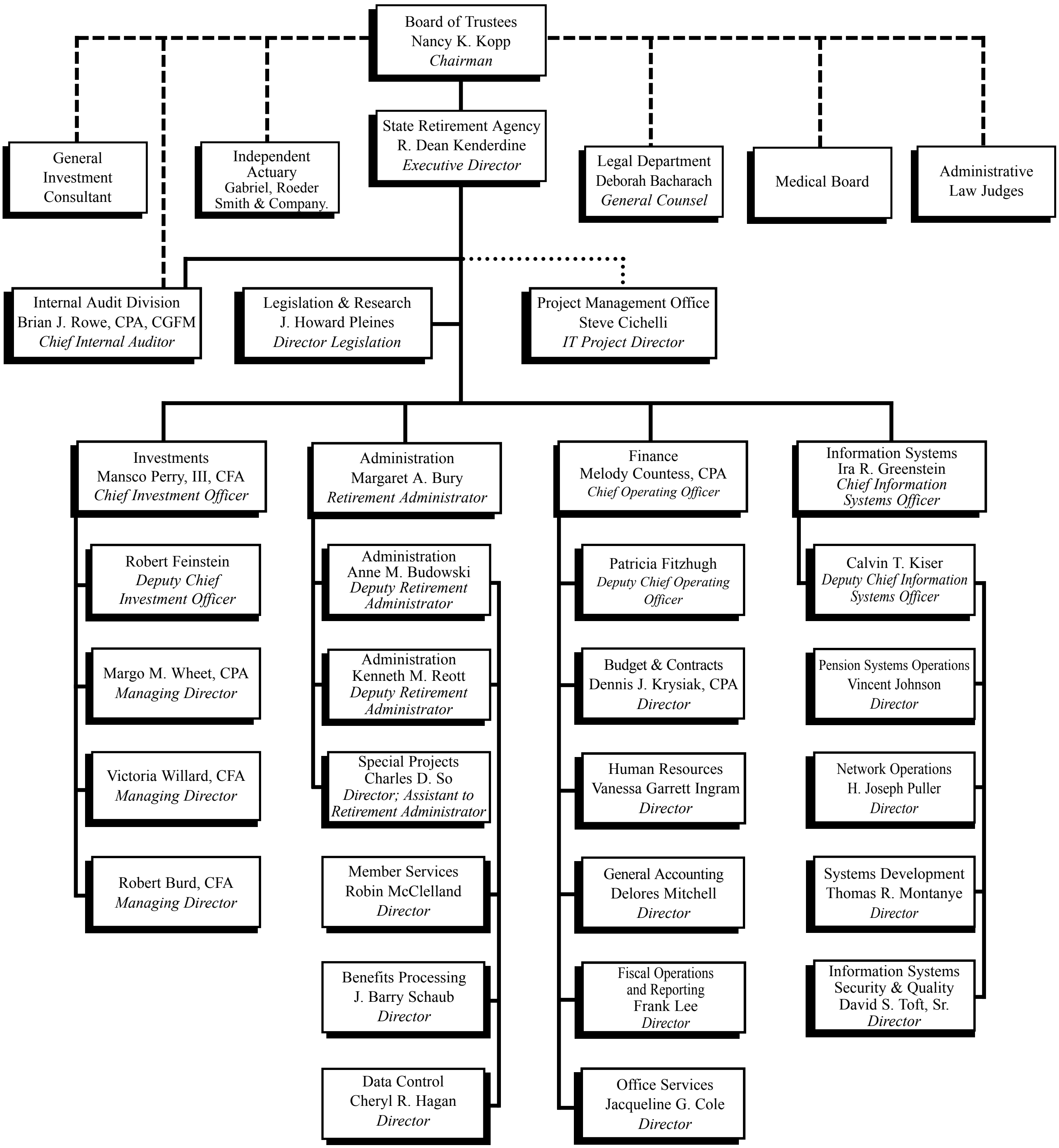


Larry E. Jennings, Jr.

Wayne H. Shaner

Brian B. Topping

ORGANIZATIONAL CHART (November, 2009)



*Additional information regarding investment professionals who provide services to the System can be found on pages 11, 56-59, and 68.

PROFESSIONAL SERVICES

Asset & Income Verification Services

Financial Control Systems, Inc.
Chadds Ford, Pennsylvania

Global Custodial Bank &
Security Lending

State Street Bank and Trust Company
Boston, Massachusetts

Hearing Officers

Office of Administrative Hearings
Baltimore, Maryland

Independent Actuary

Gabriel Roeder Smith & Company
Southfield, Michigan

Independent Auditor

Abrams, Foster, Nole & Williams, P.A.
Baltimore, Maryland

Independent Investment Consultants

Altius Associates Limited
Richmond, Virginia

Ennis Knupp & Associates
Chicago, Illinois

Pension Consulting Alliance
Encino, California

Medical Board

John J. Fahey, M.D.
Norman Freeman, Jr. M.D.
Arthur Hildreth, M.D.
Bruce Z. Kohrn, M.D.
William B. Russell, M.D.
Alfred Wiedmann, M.D.

Operational Banking Services

M & T Bank
Baltimore, Maryland

The Harbor Bank of Maryland
Baltimore, Maryland

System Development

Saber Software Inc.
Vancouver, Washington

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State Retirement and Pension System of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Public Pension Coordinating Council

Recognition Award for Administration 2009

Presented to

State Retirement and Pension System of Maryland

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

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Financial Section

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants

2 Hamill Road, Suite 272 N. Quadrangle
Baltimore, MD 21210-1815
(410) 433-6830 / Fax (410) 433-6871

Member: American Institute of Certified Public Accountants
and Maryland Association of Certified Public Accountants

INDEPENDENT PUBLIC ACCOUNTANTS' REPORT

Board of Trustees
State Retirement and
Pension System of Maryland

We have audited the accompanying basic financial statements of the Maryland State Retirement and Pension System, which is a pension trust fund of the State of Maryland, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State Retirement and Pension System of Maryland as of June 30, 2009 and 2008, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information and other supplementary information, as listed in the table of contents, are presented to provide supplementary information required by accounting standards generally accepted in the United States of America or for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abrams, Foster, Nole & Williams, P.A.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

November 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

To help facilitate a better understanding of the Maryland State Retirement and Pension System's (the "System") financial condition as of June 30, 2009, the results of its operations for the fiscal year then ended and the fiscal policies that govern its significant business operations, management has prepared this narrative analysis. This narrative is intended to supplement the System's audited financial statements and, as such should be read in conjunction with these statements, which are presented beginning on page 22.

OVERVIEW OF THE FINANCIAL STATEMENTS

As required by generally accepted accounting principles, the System's basic financial statements comprise the comparative Statements of Plan Net Assets and Statements of Changes in Plan Net Assets, along with the related note disclosures. In addition, the System's financial statements include certain required supplementary information (e.g., schedules of funding progress, and employer contributions) as well as other supplementary schedules considered relevant to the financial statement user (e.g., schedules of fund balances, administrative and investment expenses, plan net assets and related changes by system). To better understand the relevance of the information presented in the System's financial statements and related notes and supplementary information, it is helpful to first consider what purpose each component is intended to serve.

The Statements of Plan Net Assets present a comparative, summary-level snapshot, as of a specific point in time (i.e., June 30th – the last day of the System's fiscal year), of the market value of the net assets available to pay future pension benefits to retirees and beneficiaries. To assist the reader in understanding the composition of the System's accumulated net assets the most significant components (e.g., cash and cash-equivalent securities, investments) are separately disclosed. In this regard, cash and cash equivalents represent that portion of the System's assets that, as of the end of the fiscal year, reside in the form of actual cash or short-term, highly liquid, investment securities. This amount gives an indication of the System's liquidity at fiscal year end. Conversely, the amounts shown as investments represent those funds invested in longer-term securities (e.g., stocks, bonds, real estate) held for the purpose of generating investment income. The sum of these assets, reduced by any liabilities owed by the System at fiscal year-end, represents the net assets held in trust to pay pension benefits.

By contrast, the Statements of Changes in Plan Net Assets are intended to show, on a comparative basis, the major categories of income earned (additions to plan net assets) and expenses incurred (deductions from plan net assets) by the System during the previous fiscal year. As such, the System's net income or loss accounts for the entire change in the net assets held in trust to pay pension benefits during the fiscal year as a result of System operations. As with the System's assets and liabilities, significant categories of income and expense, as reported on the Statements of Changes in Plan Net Assets, are separately disclosed to help clarify the major sources and uses of System resources.

Finally, the note disclosures are provided as an integral component of the financial statements to help explain in narrative form some of the more complex or less obvious elements of the statements. Further, the notes to the financial statements provide additional information (e.g., significant accounting policies, varying types of investment risk) that is essential for a comprehensive understanding of the System's financial condition and the results of its operations.

Beyond the basic financial statements, the System provides certain required schedules and related note disclosures that collectively demonstrate the System's annual progress toward funding its actuarial accrued liability (i.e., Schedule of Funding Progress) and discloses a ten-year history of required employer contributions (i.e., Schedule of Required Contributions from Employers and Other Contributing Entity). The importance of these schedules is best explained by reference to the previously discussed basic financial statements.

The Schedule of Funding Progress, while similar in scope to the Statements of Plan Net Assets in that it is primarily focused on reporting on the accumulation of assets, differs from such statements both in its method for valuing such assets and in its approach to explaining their relevance to the liability they are being accumulated to satisfy. In this regard, the Schedule of Funding Progress first takes a long-term, actuarial view toward valuing the System's investment portfolio, as opposed to the market value approach reflected on the Statements of Plan Net Assets. Specifically, the System's assets are valued (for funding purposes) using a methodology that distributes investment gains and losses over a five-year period in order to minimize the effects of annual market volatility on employer contribution rates. The schedule then discloses the total actuarial accrued liability as projected to reflect the estimated effects of actuarial assumptions about future membership, service credit and covered payroll. Thus computed, the actuarial value of assets and the actuarial accrued liability are compared to disclose both the changes in the amount of unfunded actuarial liability, over a ten-year period, and the System's progress toward accumulating the necessary assets. This final piece, progress toward funding the actuarial accrued liability, is measured on the schedule in two significant ways. First is the funded ratio, which measures the System's ability to pay all projected benefits as they become due. Second is the unfunded liability, as a percentage of covered payroll, which measures the participating employers' capacity to pay all contributions required to fund the actuarial liability.

The Schedule of Required Contributions from Employers and Other Contributing Entity, much like the Schedule of Funding Progress, shares common characteristics with data disclosed in the basic financial statements. In this regard, both the Statements of Changes in Plan Net Assets and the Schedule of Required Contributions from Employers and Other Contributing Entity disclose the amount of contributions received from participating employers. However, the Schedule of Contributions from Employers and Other Contributing Entity differs from the Statements of Changes in Plan Net Assets in that the schedule's primary focus is to disclose the contributions required to be made in accordance with the System's funding policy and the percentage of the required contributions actually made during the fiscal years presented.

Finally, the other supplementary schedules, presented immediately after the required supplementary information, summarize the changes in fund balances, disclose major categories of operating and investment expenses and provide combining, plan-level detail related to asset, liability, income and expense amounts summarized in the basic financial statements.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The System's overall funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer and member contributions as well as earning an adequate long-term rate of return on its investments are essential components of the System's plan for accumulating the funds needed to finance future retirement benefits.

Fiscal Year 2009 compared to 2008

The following Condensed Comparative Statement of Net Assets for the fiscal years ended June 30, 2009 and 2008 indicates a decrease in net assets of $8,043 million (-22%). This decrease in net assets is primarily attributable to poor performance in the Domestic corporate obligations, Stocks, Alternative Investments and Real Estate markets for most of Fiscal Year 2009. An offsetting increase in U.S. Government obligations and Cash & cash equivalents was experienced primarily due to additional investments made in these asset classes throughout the year. Additional information on our investment activities in 2009 can be found in the Investment Section.

A schedule of the System's investments and changes (by type) from fiscal year 2008 to 2009 is as follows (*expressed in millions*):

	June 30,		**Change**	
	2009	**2008**	**Amount**	**%**
Cash & cash equivalents	$ 3,360.9	$ 1,737.6	$ 1,623.3	93.4%
U.S. Government obligations	1,828.8	1,080.0	748.8	69.3%
Domestic corporate obligations	3,656.1	6,893.3	(3,237.2)	-47.0%
International obligations	66.5	327.6	(261.1)	-79.7%
Domestic stocks	8,593.2	14,424.5	(5,831.3)	-40.4%
International stocks	7,912.6	8,555.3	(642.7)	-7.5%
Mortgages & mortgage related securities	2,178.3	2,218.8	(40.5)	-1.8%
Real estate	338.5	505.9	(167.4)	-33.1%
Alternative investments	1,655.0	2,164.1	(509.1)	-23.5%
Total managed investments	29,589.9	37,907.1	(8,317.2)	--21.9%
Collateral for loaned securities	5,017.1	1,826.5	3,190.6	174.7%
Total investments and cash & cash equivalents	34,607.0	39,733.6	(5,126.6)	-12.9%
Receivables	589.7	873.4	(283.7)	-32.5%
Total Assets	35,196.7	40,607.0	(5,410.3)	-13.3%
Liabilities	6,626.3	3,993.3	2,633.0	65.9%
Total Net Assets, End of Year	$28,570.4	$36,613.7	$(8,043.3)	-22.0%

As depicted in the following Comparative Statement of Changes in Net Assets for fiscal year ended June 30, 2009 and 2008, contributions collected by the System increased considerably for fiscal year 2009 primarily due to mandated increases to member contribution rates as a result of the Employees' and Teachers' Retirement Enhancement Act of 2006. Declining financial markets significantly affected most of the economic sectors in which the System held investments during fiscal year 2009 producing a negative weighted average investment return of 20.0%. As a result, the System experienced a $7,355 million net investment loss. Additionally, the System's continuance to pay out more in benefits than collected in contributions coupled with an increase of $158.6 million in benefits paid to retirees resulted in a 7.8% increase in total deductions during fiscal year 2009. The net investment loss, when coupled with a $687.3 million excess of benefits, refunds, and administrative expenses incurred over employer and member contributions collected and other contribution interest, resulted in a $8,043 million reduction in System net assets for fiscal year 2009.

A schedule of the System's additions to and deductions from plan net assets and related changes (by major category) from fiscal year 2008 to 2009 is as follows (expressed in millions):

	June 30,		**Change**	
	2009	**2008**	**Amount**	**%**
Employer contributions	$ 443.5	$ 443.2	$ 0.3	0.1%
Member contributions	532.1	420.5	111.6	26.5%
Other & contribution interest	666.0	604.8	61.2	10.2%
Net investment income (loss)	(7,355.9)	(2,139.7)	(5,216.2)	243.8%
Total additions	(5,714.3)	(671.2)	(5,043.1)	751.4%
Benefit payments	2,279.1	2,120.5	158.6	7.5%
Refunds	22.3	16.2	6.1	37.7%
Administrative expenses	27.5	23.1	4.4	19.0%
Total deductions	2,328.9	2,159.8	169.1	7.8%
Net increase (decrease) in plan net assets	$(8,043.2)	$(2,831.0)	$(5,212.2)	184.1%

Fiscal Year 2008 compared to 2007

The System's net assets at the end of 2008 decreased by $2,831 million (-7.2%) from the prior year's net asset balance. This decrease is primarily attributable to poor performance of the domestic securities markets for most of fiscal year 2008. Domestic equity and corporate obligations experienced notable decreases in these asset classes due to the poor performance of the equity and debt markets. Alternative investments' strong performance along with additional investments during fiscal year 2008 drove the increase in this asset class.

A schedule of the System's investments and changes (by type) from fiscal year 2007 to 2008 is as follows (expressed in millions):

	June 30,		Change	
	2008	2007	Amount	%
Cash & cash equivalents	$ 1,737.6	$ 1,530.4	$ 207.2	13.5%
U.S. Government obligations	1,080.0	1,302.4	(222.4)	-17.1%
Domestic corporate obligations	6,893.3	8,426.1	(1,532.8)	-18.2%
International obligations	327.6	181.7	145.9	80.3%
Domestic stocks	14,424.5	16,921.5	(2,497.0)	-14.8%
International Stocks	8,555.3	8,114.5	440.8	5.4%
Mortgages & mortgage related securities	2,218.8	2,752.7	(533.9)	-19.4%
Real estate	505.9	893.8	(387.9)	-43.4%
Alternative investments	2,164.1	476.6	1,687.5	354.1%
Total managed investments	37,907.1	40,599.7	(2,692.6)	-6.6%
Collateral for loaned securities	1,826.5	1,897.3	(70.8)	-3.7%
Total investments and cash & cash equivalents	39,733.6	42,497.0	(2,763.4)	-6.5%
Receivables	873.4	712.9	160.5	22.5%
Total Assets	40,607.0	43,209.9	(2,602.9)	-6.0%
Liabilities	3,993.3	3,765.1	228.2	6.1%
Total net assets	$36,613.7	$39,444.8	$(2,831.1)	-7.2%

The increase in System additions during fiscal year 2008 was primarily due to mandated increases to member contribution rates in the Employees' and Teachers' Retirement Enhancement Act of 2006. Declining financial markets significantly affected most of the economic sectors in which the System held investments during fiscal year 2008 producing a negative return of 5.4%. As a result, the System experienced a $2.1 billion net investment loss. Additionally, the System's continuance to pay out more in benefits than collected in contributions coupled with an increase of $156.6 million in benefits paid to retirees resulted in a 7.8% increase in total deductions during fiscal year 2008.

A schedule of the System's additions to and deductions from plan net assets and related changes (by major category) from fiscal year 2007 to 2008 is as follows (expressed in millions):

	June 30,		Change	
	2008	**2007**	**Amount**	**%**
Employer contributions	$ 443.2	$ 358.4	$ 84.8	23.7%
Member contributions	420.5	319.3	101.2	31.7%
Other & contribution interest	604.8	475.3	129.5	27.2%
Net investment income	(2,139.7)	5,924.1	(8,063.8)	-136.1%
Total additions	(671.2)	7,077.1	(7,748.3)	-109.5%
Benefit payments	2,120.5	1,965.9	154.6	7.9%
Refunds	16.2	16.0	0.2	1.3%
Administrative expenses	23.1	21.3	1.8	8.5%
Total deductions	2,159.8	2,003.2	156.6	7.8%
Net increase (decrease) in plan net assets	$(2,831.0)	$5,073.9	$(7,904.9)	-155.8%

ANALYSIS OF FUNDED STATUS

The unfunded actuarial liability is being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000 actuarial valuation is being amortized over a 40-year period (as provided by law) from July 1, 1980. Also as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, will be amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. The most recent available valuation showed the funded status of the System decreased from 78.62% at June 30, 2008 to 65.02% at June 30, 2009. The decrease was primarily driven by the investment losses experienced by the System during the fiscal year and an increase in the System's actuarial accrued liability.

In analyzing the System's overall funded status, it is important to remember that a retirement system's funding plan is based on a long time horizon, in which fluctuations in the market are expected. The more critical factor is that the System be able to meet the current actuarial assumed rate of return of 7.75%. A schedule of funding progress presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits can be found on page 37. Additional information on the plan's funding progress is also presented in the Actuarial Section of this CAFR.

REQUESTS FOR INFORMATION

Members of the System's Board of Trustees and senior management are fiduciaries of the pension trust fund and, as such, are charged with the responsibility of ensuring that the System's assets are used exclusively for the benefit of plan participants and their beneficiaries. This financial report is designed to provide an overview of the System's finances and to demonstrate accountability for the resources entrusted to the System for the benefit of all of the System's stakeholders. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

State Retirement and Pension System of Maryland
Attn: Melody Countess
120 E. Baltimore Street, Suite 1660
Baltimore, Maryland 21202-1600

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

STATEMENTS OF PLAN NET ASSETS
As of June 30, 2009 and 2008
(Expressed in Thousands)

	2009	2008
Assets:		
Cash & cash equivalents (note 3)	$ 3,360,915	$ 1,737,586
Receivables:		
Contributions:		
Employers	11,514	10,177
Employers – long term (note 5)	51,501	54,222
Members	9,085	1,800
Accrued investment income	48,715	61,272
Investment sales proceeds	468,873	745,894
Total receivables	589,688	873,365
Investments, at fair value (notes 2 & 3):		
U.S. Government obligations	1,828,768	1,080,016
Domestic corporate obligations	3,656,103	6,893,322
International obligations	66,548	327,628
Domestic stocks	8,593,233	14,424,483
International stocks	7,912,626	8,555,256
Mortgages & mortgage related securities	2,178,258	2,218,785
Real estate	338,480	505,885
Alternative investments	1,655,023	2,164,142
Collateral for loaned securities	5,017,132	1,826,516
Total investments	31,246,171	37,996,033
Total assets	35,196,774	40,606,984
Liabilities:		
Accounts payable & accrued expenses (note 7)	42,873	41,726
Investment commitments payable	1,564,457	2,123,389
Obligation for collateral for loaned securities	5,017,132	1,826,516
Other liabilities	1,838	1,643
Total liabilities	6,626,300	3,993,274
Net assets held in trust for pension benefits	28,570,474	$36,613,710
(A schedule of funding progress is presented on page 37)		

The accompanying notes are an integral part of these financial statements.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS
for the Fiscal Years Ended June 30, 2009 and 2008

(Expressed in Thousands)

	2009	2008
Additions:		
Contributions (note 4)**:**		
Employers	$ 443,524	$ 443,207
Members	532,101	420,461
Other	656,333	598,575
Contribution interest (note 5)	9,706	6,181
Total contributions	1,641,664	1,468,424
Investment income:		
Net appreciation in fair value of investments	(7,841,176)	(2,666,856)
Interest	312,877	340,628
Dividends	245,465	237,938
Real estate operating net income	21,600	25,096
Income before securities lending activity	(7,261,234)	(2,063,194)
Gross income from securities lending activity	34,255	89,962
Securities lending borrower rebates	(12,404)	(70,077)
Securities lending agent fees	(3,513)	(3,256)
Net income from securities lending activity	18,338	16,629
Total investment income	(7,242,895)	(2,046,565)
Investment expenses (note 2E)	(113,011)	(93,097)
Net investment income	(7,355,906)	(2,139,662)
Total additions	(5,714,242)	(671,238)
Deductions:		
Benefit payments	2,279,171	2,120,463
Refunds (note 6)	22,324	16,223
Administrative expenses (note 2E)	27,499	23,147
Total deductions	2,328,994	2,159,833
Net increase(decrease) in plan assets	(8,043,236)	(2,831,071)
Net assets held in trust for pension benefits:		
Beginning of the fiscal year	36,613,710	39,444,781
End of the fiscal year	28,570,474	$36,613,710

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL DESCRIPTION OF THE SYSTEM

A. Organization

The State Retirement Agency (the "Agency") is the administrator of the Maryland State Retirement and Pension System (the "System"). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 14-member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool". The "State Pool" consists of the State agencies, boards of education, community colleges and libraries. The "Municipal Pool" consists of the participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus, participating governmental units that elect to join the System (the "Municipal Pool") cost-share in the liabilities of the Municipal Pool only.

The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the System is accounted for as a single plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State's reporting entity and disclosed in its financial statements as a pension trust fund.

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System.

B. Covered Members

The Teachers' Retirement System was established on August 1, 1927 to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979 became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979 became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 100 governmental units participate in the Employees' Systems.

The State Police Retirement System was established on July 1, 1949 to provide retirement allowances and other benefits to any police employee or cadet of the Maryland State Police.

The Judges' Retirement System was established on June 30, 1969 to provide retirement allowances and other benefits for State and local, appointed, or elected judges.

The Law Enforcement Officers' Pension System was established on July 2, 1990 to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of this System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in this System, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

The following table presents a summary of membership by system as of June 30, 2009, with comparative 2008 totals:

	Inactive & Deferred Vested	Retirees & Beneficiaries	Active Plan Participants		
			Vested	Non-vested	Total
Teachers' Retirement & Pension Systems	22,995	55,756	74,762	31,345	106,107
Employees' Retirement & Pension Systems	28,608	56,610	62,521	26,927	89,448
Judges' Retirement System	6	348	297	-	297
State Police Retirement System	68	2,226	968	440	1,408
Law Enforcement Officers' Pension System	189	1,067	1,760	685	2,445
Totals as of June 30, 2009	51,866	116,007	140,308	59,397	199,705
Totals as of June 30, 2008	51,795	112,422	131,925	67,330	199,255

C. Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. Retirement allowances are computed using both the highest three years' average final compensation (AFC) and the actual number of years of accumulated creditable service. Pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors. A brief summary of the retirement eligibility requirements of and the benefits available under, the various systems follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of eligibility service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. Generally, the annual pension allowance for a member of either the Teachers' or Employees' Pension System equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. However, the annual pension allowance for a member of the Employees' Pension System, who is employed by a participating governmental unit that does not provide the enhanced pension benefits, equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service. On April 25, 2006, new legislation was enacted with an effective date of July 1, 2006, that enhanced the pension benefits for active members, as of June 30, 2006, of the Pension System. According to the State Employees' and Teachers' Retirement Enhancement Benefit Act of 2006, the annual service retirement allowance remains equal to 1.2% of average final compensation times service credit to June 30, 1998 and increases to 1.8% of average final compensation times service credit from July 1, 1998 forward.

A member of the State Police Retirement System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 22 years of eligibility service regardless of age. The annual retirement allowance equals 2.55% of the member's AFC multiplied by the number of years of accumulated creditable service and may not exceed 71.4% of the member's AFC.

A member of the Judges' Retirement System is eligible for full retirement benefits upon attaining age 60. The annual retirement allowance for a member with at least 16 years of accumulated creditable service equals 2/3 (66.7%) of the salary of an active judge holding a comparable position. The annual retirement allowance is prorated if the member retires with fewer than 16 years of accumulated creditable service.

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum benefit of 60% (30 years of credit).

Vested Allowances

Any member (other than a judge) who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Judges have no minimum service requirements prior to vesting. Legislators become eligible for a vested retirement allowance upon accumulating 8 years of eligibility services. A member who terminates employment prior to attaining retirement age and before accumulating 5 years of eligibility service receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of eligibility service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30 percent. A member of either the Teachers' or Employees' Pension System may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for a Teachers' or Employees' Pension System member is 42%. Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the consumer price index. Generally, for Teachers' and Employees' Pension System retirees, the pension allowance adjustments are limited to 3% of the preceding year's allowance. However, annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance. Retirement allowances for legislators and judges are recalculated when the salary of an active member holding a comparable position is increased.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer and Member contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

B. Investment Limitations

The State Personnel and Pensions Article of the Annotated Code of Maryland authorizes the System to invest plan assets in stocks, bonds, notes, certificates of indebtedness, mortgage notes, real estate, debentures or other obligations, subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the State Retirement and Pension System of Maryland.

C. Portfolio Valuation Method

The System investments are reported at fair value. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on independent appraisals. Fair value for alternative investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers (generally the last available independently audited Financial Statements adjusted for cash flows). Investment amounts presented in the Statement of Plan Net Assets represent the fair value of the respective portfolios as of the fiscal year-end. Similarly, investment income amounts reported in the Statements of Changes in Plan Net Assets represent the income or loss derived from such investments for the year then ended. Accordingly, significant market fluctuations could periodically occur subsequent to the financial statement valuation date, which are not reflected in either the fair value of investments or the related investment income presented in these financial statements.

D. Derivatives

The System may invest in derivatives as permitted by guidelines established by the Board of Trustees. Compliance with these guidelines is monitored by Agency staff. Pursuant to such authority, the System invests in foreign currency forward contracts, options, futures, swaps, collateralized mortgage obligations, mortgage related securities, interest-only and principal-only securities. No derivatives were purchased with borrowed funds.

Derivatives are generally used to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the System's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Additionally, mortgage related securities are subject to prepayment risk when interest rates are falling. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System, which is the risk that the counterparty might be unable to meet its obligations.

The System enters into forward foreign currency exchange contracts for hedging purposes to minimize the short-term impact of foreign currency fluctuations on the asset positions of foreign investments. These foreign currency exchange contracts are reported at fair value based on published market prices and quotations from major investment firms. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The System seeks to minimize risk from counterparties by establishing minimum credit quality standards.

E. Administrative and Investment Expenses

All of the System's administrative and investment expenses (e.g., salaries of Agency employees, investment advisory fees) are incurred centrally and charged to each individual retirement or pension system on the basis of its percentage ownership in the System's net assets. All of the System's administrative and investment expenses are funded from investment income. See pages 40 and 41 for detailed Schedules of Administrative and Investment Expenses, respectively.

F. Federal Income Tax Status

During the fiscal years ended June 30, 2009 and 2008, the System qualified under Section 401(a) of the Internal Revenue Code and was exempt from federal income taxes under Section 501(a) of the Code.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Legal Provisions

The Board of Trustees is authorized by Section 21-116(c) State Personnel & Pensions Article, Annotated Code of Maryland, to establish and maintain the Investment Policy Manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to the following:

- Public Equity - Common stock, preferred stock, convertible securities, warrants, and similar rights of U.S. and non-U.S. companies, wherever organized shares in investment funds and trusts may be purchased. The System's current target for pubic equity is 35.6%.
- Cash Portfolio - Consisting of Money Market Funds, US Treasury Bills, Commercial Paper, Currency and other Short Term Investments. The System currently has a strategic target allocation of 3%; however for the fiscal year ending June 30, 2009, the percentage held in the cash portfolio was 7.5%, exceeding the target by 4.5%. The System made a strategic decision to exceed its target due to (a) its assessment of the severity of the disruptions in global financial markets and (b) desire to insure sufficient liquidity for upcoming benefit payments, future manager fundings and anticipated private fund draw-downs.
- Private Equity Program – The System currently has a 15% target.
- Real Estate Program – The System currently has a 10% target for the Real Estate Program, which consists of three components: (a) Real Estate Investment Trusts (REITS) – The System employs investment managers specializing in both Domestic and Global REITS, (b) Directly Owned Real Estate and (c) Private Real Estate Funds.
- Fixed Income - Fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, wherever organized, and supranational organizations. Any limits are governed by the System's contract with each manager. The System currently has a 15% target.
- Absolute Return – This asset class may include an array of hedge fund strategies, including distressed debt, arbitrage managers, long/short market neutral managers as well as macro and multi strategy managers. The System's current strategic target is 10%.
- Real Return – This asset class may include: Treasury inflation protected securities, Global inflation-linked securities, Commodities, Energy related, infrastructure, natural resources and multi-asset class portfolios with a real return mandate. The System currently has a 10% target.

- Commingled funds offered by Managers, or affiliates thereof, that invest in permissible investments.
- Futures and other derivatives - The System may employ financial futures that are traded on a recognized exchange and other derivatives. Allowable instruments will include, but will not be limited to, fixed income and currency futures, options, forward contracts, swaps and derivative mortgage-backed securities. Futures and other derivatives may not be used to take asset allocation outside the target ranges or to leverage the portfolio.

The Systems' policy is to consider all major sectors of the capital market in order to diversify and minimize total investment program risk.

The System is also authorized by its Board of Trustees to operate a securities lending program, and has contracted with its custodian bank to reinvest cash collateral received from the transfer of securities in any investment instrument authorized by the investment policy. The System's Board of Trustees has determined the collateralization percentages necessary for both foreign and domestic demand deposits. The Board of Trustees has established a policy to require collateral equal to 105% for international equity securities and 102% for all other securities, which is marked to market daily.

B. Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it.

The System does not have any funds or deposits that are not covered by depository insurance, that are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the System's name and there are no legal or contractual provisions for deposits and investments. Nor does the System have any investments that are not registered in their name and are either held by the counterparty or the counterparty's trust department or agent, but not in the System's name.

The amount of the System's total cash and cash equivalents as of June 30, 2009 and June 30, 2008 was $3,360,915,357 and $1,737,585,683, respectively.

C. Investments

These investments are accounted for as the System and are allocated to Teachers' Retirement and Pension, Employees' Retirement and Pension, Judges' Retirement, State Police Retirement and Law Enforcement Officers' Pension.

All investments are governed by the prudent person rule as described in SPP Section 21-203. A fiduciary shall discharge the fiduciary's duties with respect to the several systems solely in the interest of the participants and as follows with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; by diversifying the investments of the several systems.

Investment Restrictions are determined by each investment manager's mandate, and are specified in their contracts.

D. Interest Rate Risk

As of June 30, 2009, the System had the following fixed income investments listed by specific identifier with the exception of the Mutual Funds, which are based on their average maturity:

Investment Type:	Fair Value (in thousands)	Investment Maturities (in years) Less than 1	1 thru 5	5+ thru 10	More than 10
Alternative investments	$ 1,042,387	$ 403,508	$ 191,712	$ 447,167	$ 0
Asset backed securities	180,009	9,099	46,217	21,606	103,087
CMBS	21,609	0	0	0	21,609
Bond commingled funds	359,319	17,970	318,913	22,436	
Collateralized mortgage obligations	379,646	0	173	8,355	371,118
Convertible bonds	12,666	0	6,357	1,493	4,816
Domestic corporate obligations	1,641,125	29,563	674,196	670,732	266,634
International obligations	39,352	0	10,578	8,960	19,814
Mortgage pass-throughs	1,796,906	0	3,229	60,669	1,733,008
Municipals	52,860	0	527	3,498	48,835
Options	-780	-780	0	0	0
Private Placement	41,054	300	14,280	20,077	6,397
Short term	3,148,567	3,148,567	0	0	0
Swaps	-1,702	-2,096	604	145	-355
U.S. government agency	210,257	20,414	136,016	40,724	13,103
U.S. treasury bonds	430,186	0	0	12,399	417,787
U.S. treasury notes	1,179,178	71,885	531,503	189,603	386,187
U.S. treasury strips	9,147	0	0	1,354	7,793
Yankee bonds	340,530	19,557	154,023	112,862	54,088
Totals	$10,882,316	$ 3,717,987	$ 2,088,328	$ 1,622,080	$ 3,453,921

Market or interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. Derivative securities, variable rate investments with coupon multipliers greater than one, and securities with long terms to maturity are examples of investments whose fair values may be highly sensitive to interest rate changes. These securities are reported at fair value in the statement of plan net assets.

Futures, options, swaps and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives should not materially alter the characteristics, including the investment risk, of the Account. The Manager must at all times have, in place and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. No single derivative based strategy should subject the account to greater variance than would be typical of the manager's physical portfolio strategy under a worst-case scenario.

Invest guidelines developed for each mandate determines the amount of interest rate risk allowable for each manager.

Examples of securities that would qualify as “highly interest rate sensitive” include IOs, POs and inverse floaters, of which the System had no significant holdings as of June 30, 2009.

At June 30, 2009, the System had $1.8 billion invested in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

E. Credit Risk

The System’s exposure to credit risk as of June 30, 2009:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments
(Expressed in Thousands)

Rating	2009 Fair Value	Percentage Total Investments	2008 Fair Value	Percentage Total Investments
AAA	$3,553,069	12.436%	$2,793,001	7.351%
AA	196,929	0.689%	153,775	0.405%
A	2,745,791	9.611%	1,350,084	3.553%
BAA	88,844	0.311%	20,240	0.053%
BA	18,353	0.064%	775	0.002%
BBB	604,826	2.117%	359,309	0.946%
BB	188,905	0.661%	53,834	0.142%
B	127,341	0.446%	37,361	0.098%
CAA	69,045	0.242%	15,435	0.041%
CA	594	0.002%	403	0.001%
CCC	79,252	0.277%	16,193	0.043%
CC	7,938	0.028%	0	0.000%
C	1,825	0.006%	0	0.000%
D	5,793	0.020%	7	0.000%
NR	527,707	1.847%	6,970,642	18.346%

The current policy regarding credit risk requires each fixed income investment manager to maintain a minimum average credit quality of "A" for their total account. The above listed ratings are based on the most conservative rating when multiple ratings were offered. NR represents securities not rated; primarily made up of swaps, commingled funds, and alternative investments, which by nature do not have credit quality ratings.

Note: The System reallocated a significant number of assets from Commingled to Separately Managed funds during the fiscal year, resulting in a reduction to the NR category.

F. Foreign Currency Risk

The System's exposure to foreign currency risk as of June 30, 2009 is as follows:

International Investment Securities – At Fair Value as of June 30, 2009
(U.S. Dollars in Thousands)

Currency	Equity	Income	Fixed Income	Alternate Investments	Mutual Funds	Total
Australian Dollar	$ 324,459	$ 410	$ 732	$ 46,167	$	$ 371,768
Brazilian Real	22,202		235	1,208		23,645
Canadian Dollar	403,533	434	1,874	5,446		411,287
Czech Koruna	235		125			360
Danish Krone	83,137		371			83,508
Egyptian Pound	233					233
Euro Currency	1,788,864	27,710	13,967	213,421		2,043,962
Hong Kong Dollar	265,523		1,822	124,149		391,494
Hungarian Forint			297			297
Indian Rupee	5,126		19			5,145
Israeli Shekel	572		44			616
Japanese Yen	1,157,367	2,750	13,635	110,949		1,284,701
Malaysian Ringgit	2,534		182			2,716
Mexican Peso	9,674		11			9,685
New Taiwan Dollar	4,601		9,612			14,213
New Turkish Lira	4,439		2			4,441
New Zealand Dollar	4,113	455	49			4,617
Norwegian Krone	35,721		801			36,522
Philippine Peso	348					348
Polish Zloty	1,082		1			1,083
Pound Sterling	1,083,455	10,646	4,389	100,806		1,199,296
Singapore Dollar	82,134		208	16,068		98,410
South African Rand	9,060		294			9,354
South Korean Won	28,745		434			29,179
Swedish Krona	147,349	616	655	3,515		152,135
Swiss Franc	434,678		1,788	4,077		440,543
Thailand Baht	1,513		58			1,571
Turkish Lira	1,927					1,927
Multiple		874		76,194	1,266,609	1,343,677
Total Holdings Subject to Foreign Currency Risk	$ 5,902,624	$ 43,895	$ 51,605	$ 702,000	$ 1,266,609	$ 7,966,733

The majority foreign currency-denominated investments are in non-US. stocks.

Note: This schedule does not agree with the total International obligations and International equities as listed on the Statement of Plan Net Assets due to American Depository Receipts and International obligations valued in U. S. dollars but classified as International. Mutual Funds listed have exposure to multiple currencies; however, are valued in U.S. dollars.

G. Security Lending Transactions

The System accounts for securities lending transactions in accordance with (GASB) Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions", which established standards of accounting and financial reporting for securities lending transactions.

The following table details the net income from securities lending for the period ending June 30, 2009 (*in thousands*):

	2009	2008
Interest income	$ 34,255	$ 89,962
Less:		
Interest expense	12,404	70,077
Program fees	3,513	3,256
Expenses from securities lending	15,917	73,333
Net income from securities lending	$ 18,338	$ 16,629

The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of these financial statements. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2009 are long-term U.S. government and agency obligations, domestic and international equities as well as domestic and international obligations. At the initiation of a loan, borrowers are required to provide collateral amounts of 102% (domestic equities and bonds) and 105% (international equities) of the fair value of the securities lent. In the event the collateral fair value falls below the respective collateral percentages, the borrower is required to provide additional collateral by the end of the next business day. The contractual agreement with the System's custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. There have been no significant violations of the provisions of the agreement during the period of these financial statements.

During the Fiscal Year, the System maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed Maryland Collateral Pool, which at June 30, 2009 had a weighted average maturity of 50.12 days and an average expected maturity of 52.04 days. The system cannot pledge or sell collateral securities received unless and until a borrower defaults. Investments made with cash received as collateral and the corresponding liabilities are reported in the Statement of Plan Net Assets. At year-end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System.

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2009 (in thousands):

Securities Lent	**Fair Value Loaned Securities**	**Collateral Fair Value**	**Percent Collateralized**
Lent for cash collateral:			
U.S. government and agency	$1,725,212	$1,759,496	102%
Domestic fixed income	287,166	295,844	103%
Domestic equity	2,017,223	2,078,177	103%
International fixed	1,349	1,432	106%
International equity	829,560	882,184	106%
Lent for noncash collateral:			
U.S. government and agency	238	241	101%
Domestic equity	6,167	7,253	118%
International equity	600	0	0%
Total securities lent	$4,867,515	$5,024,627	103%

The securities collateral value is based on the System's pro rata share of the value of the securities collateral maintained in a pool at State Street Bank for all lending clients participating in the lending program. Collateral value listed above includes all collateral for securities on loan; whereas, collateral for loaned securities disclosed on the Statements of Plan Net Assets includes only cash collateral, per GASB Statement No. 28.

H. Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the presentation in the current year's financial statements.

4. CONTRIBUTIONS

The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the System. Rates for required contributions by active members are established by law. Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% or 5% of earnable compensation depending upon the retirement option selected. Members of the State Police and Judges' Retirement Systems are required to contribute 8% and 6% of earnable compensation, respectively. Members of the Teachers' and Employees' Pension System, Alternate Contributory Pension Selection (ACPS), are currently required to contribute 5% of earnable compensation. However, members of the Employees' Pension System who are employed by a participating governmental unit that elected to remain in the Contributory Pension System are required to contribute 2% of earnable compensation. The members of the Employees' Pension System who are employed by participating governmental units who elected to remain in the Non-Contributory Pension System are only required to contribute 5% of earnable compensation in excess of the social security taxable wage base.

Contribution rates for employer and other "nonemployer" contributing entities are established by annual actuarial valuations using the entry age normal cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The unfunded actuarial liability is being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2000 actuarial valuation is being amortized over a 40-year period (as provided by law) from July 1, 1980. Also as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, will be amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose.

Effective July 1, 2002, the law provides that the contribution rates may be more or less than the actuarially determined rates as described above for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. When the funding ratio for each of the combined Systems is at least 90% but not more than 110 %, the contribution rate will be the rate certified by the Board of Trustees for the previous fiscal year, adjusted to reflect legislative changes that result in changes to the normal cost. If the funding ratio is below 90%, the contribution rate will be the sum of the contribution rate for the previous fiscal year and 20% of the difference between the full funding rate for the current fiscal year and the contribution rate for the previous fiscal year. If the funding ratio is above 110%, the contribution rate will be the difference between the contribution rate for the previous fiscal year and 20% of the difference between the contribution rate for the previous fiscal year and the full funding rate for the current fiscal year.

The State of Maryland (which is also a non-employer contributor to the Teachers' Retirement and Pension Systems and the Judges' Retirement System), the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund, and more than 100 participating governmental units make all of the employer and other (non-employer) contributions to the System.

5. LONG-TERM CONTRIBUTIONS RECEIVABLE

In addition to actuarially determined contributions, certain withdrawn employers also make annual installment payments, including interest at the actuarially assumed rate of return in effect at the time of withdrawal (7% or 7.5% per year), for liabilities associated with employees that have elected to stay in the System when their employer elected to withdraw. As of June 30, 2009 and 2008, the outstanding balances were $51,501 and $54,222 (*expressed in thousands*), respectively. These payments are due over various time periods, based on the date of the employer's withdrawal, and all are scheduled to culminate with their final payment in fiscal year 2020.

6. REFUNDS

Member contributions plus interest may be refunded to a member who withdraws from the System, or to the designated beneficiary following a member's death. Employer contributions may also be refunded with interest to any participating governmental unit electing to withdraw from the System. For the fiscal years ended June 30, 2009 and 2008, refunds to members and withdrawing employers were as follows (*expressed in thousands*):

	2009	**2008**
Member refunds	$ 22,324	$ 16,223
Employer refunds	0	0
Total refunds	$ 22,324	$ 16,223

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

For the fiscal years ended June 30, 2009 and 2008, accounts payable and accrued expenses consisted of the following components (*expressed in thousands*):

	2009	**2008**
Administrative expenses	$ 4,168	$ 5,655
Investment management fees	18,579	14,719
Tax and other withholdings	20,127	21,352
Total	$ 42,873	$ 41,726

8. FUNDED STATUS AND FUNDING PROGRESS

The **Schedule of Funded Status** summarizes the actuarial value of the System's assets and actuarial accrued liability as of June 30, 2009. The data presented in the schedule below was obtained from the System's independent actuary's annual valuation report as of June 30, 2009.

The primary measure of a System's funded status is the System's funded ratio (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). The System is fully funded if the funded ratio is greater than or equal to 100 percent. During the year ended June 30, 2009, the System's funded ratio decreased from 78.62% at June 30, 2008 to 65.02% at June 30, 2009. The decrease was caused by investment losses and an increase to the System's actuarial accrued liability.

The Schedule of Funded Status also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded actuarial accrued liability relative to the capacity to pay all contributions required to fund the liability. During the year ended June 30, 2009, the System's ratio of the unfunded actuarial accrued liability to its covered payroll went from 102% at June 30, 2008 to 172%.

The System uses the Individual Entry Age Normal actuarial funding method with projection to determine the actuarial accrued liability on which future employer contribution rates will be based. 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 (see note 4).

The unfunded actuarial accrued liability (UAAL) is being amortized, as a level percentage of payroll, in distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 11-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. Each separate amortized layer has a closed amortization period. The equivalent single amortization period is 29.783 years.

Assets are valued for funding purposes using a 5-year smoothing method of recognizing investment gains and losses over a five-year period. Each year's investment gain or loss is amortized on a straight-line basis over five years. The fina1 actuarial value is limited to not more than 120% nor less than 80% of the market value of assets.

The funded status of the System as of June 30, 2009 is as follows (*dollar amounts expressed in thousands*):

Actuarial Value of Assets a	Accrued Liability (AAL) b	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	Percentage of Covered Payroll [(b - a) / c]
$34,284,569	$52,729,171	$18,444,603	65.02%	$10,714,241	172%

The **Schedule of Funding Progress**, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability. The schedule is presented to provide a consistent basis for measuring the System's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2009
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Amortization Method	Level percent of payroll (period closed)
Remaining Amortization Period	11 years remaining at June 30, 2009 for UAAL at June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. These periods do not reflect application of the corridor.
Asset Valuation Method	5-year straight line amortization of each year's investment gain or lost with final value not more than 120% nor less than 80% of market.
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected payroll growth	3.50%
COLAs	2.75% to 3.5% (depending on system)

For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions disclosed in Note 4.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) b	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll c	UAAL as a Percentage of Covered Payroll [(b - a) / c]
2000	$ 30,649,380	$ 30,279,866	$ (369,514)	$ 101.22	$ 6,725,870	(5) %
2001	31,914,778	32,469,942	555,164	98.29	7,255,036	8
2002	32,323,263	34,131,284	1,808,021	94.70	7,867,794	23
2003	32,631,465	34,974,601	2,343,136	93.30	8,134,419	29
2004	33,484,657	36,325,704	2,841,047	92.18	8,069,481	35
2005	34,519,500	39,133,450	4,613,950	88.21	8,603,761	54
2006 *	35,795,025	43,243,492	7,448,467	82.78	9,287,576	80
2007	37,886,936	47,144,354	9,257,418	80.36	9,971,012	93
2008	39,504,284	50,244,047	10,739,763	78.62	10,542,806	102
2009	34,284,569	52,729,171	18,444,603	65.02	10,714,241	172

* Beginning July 1, 2006, the system changed its funding method from the Aggregate Entry Age Normal method to the Individual Entry Age Normal method. Due to an actuarial error, the Schedule of Funding Progress presented in the June 30, 2007 Comprehensive Annual Financial Report overstated the Actuarial Accrued Liability. The 2007 funding results have been restated above to reflect the corrected actuarial valuation results.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITY

(Expressed in Thousands)

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2000	$ 682,422	100 %
2001	634,309	100
2002	574,019	100
2003	654,578	92 *
2004	710,632	89
2005	805,564	83
2006	874,079	82
2007	1,025,972	81
2008	1,183,765	89
2009	1,313,560	84

* Implementation of the statutory corridor funding method in fiscal year 2003 set the contributions made by the State into the Employees' and Teachers' Combined Systems at the contribution rates generated by the June 30, 2000 valuation which are adjusted when the funded ratio for the Employees' Systems and/or for the Teacher's systems falls below 90% or exceeds 110% **and/or** when the benefits for the Employees' or Teachers' Systems are enhanced.

OTHER SUPPLEMENTARY INFORMATION

FUND BALANCE ACCOUNTS

As provided by law, all System assets must be credited, according to the purpose for which they are held, to either the Annuity Savings Fund, the Accumulation Fund or the Expense Fund. These funds are classified as accounts for financial reporting purposes and are further explained as follows:

A. Annuity Savings Fund

Members' contributions together with interest thereon, at statutory interest rates, are credited to the Annuity Savings Fund. Upon retirement, members' accumulated contributions and interest are transferred from the Annuity Savings Fund to the Accumulation Fund.

B. Accumulation Fund

Contributions made by employers, other contributions and investment income are credited to the Accumulation Fund. All retirement, disability and death benefits are paid from this Fund.

C. Expense Fund

All expenses for the administration and operation of the System are recorded in the Expense Fund. During the year, funds are transferred from the Accumulation Fund to the Expense Fund to cover expenses incurred.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

SCHEDULE OF FUND BALANCES

for the Fiscal Year Ended June 30, 2009 (with Comparative 2008 Totals)

(Expressed in Thousands)

	Annuity Savings Fund	Accumulation Fund	Expense Fund	Totals 2009	Totals 2008
Fund Balances, Beginning of Year	$2,787,161	$33,826,549	$ –	$36,613,710	$39,444,781
Additions					
Net investment income	–	(7,242,895)	(113,011)	(7,355,906)	(2,139,662)
Contributions (note 4):					
Employers	–	443,524	–	443,524	443,207
Members	532,101	–	–	532,101	420,461
Other	–	656,333	–	656,333	598,575
Contribution interest	–	9,706	–	9,706	6,181
Deductions					
Benefit payments	–	(2,279,171)	–	(2,279,171)	(2,120,463)
Refunds (note 6)	(22,324)	–	–	(22,324)	(16,223)
Administrative expenses (note 2E)	–	–	(27,499)	(27,499)	(23,147)
Transfers					
From the Accumulation Fund to the Annuity Savings Fund for interest credited to members' accounts	133,137	(133,137)	–	–	–
To the Accumulation Fund from the Annuity Savings Fund for contributions of retiring members	(194,151)	194,151	–	–	–
From the Accumulation Fund to the Expense Fund for administrative and investment expenses	–	(140,510)	140,510	–	–
Net changes in fund balances	448,763	(8,491,999)	–	(8,043,236)	(2,831,071)
Fund Balances, End of Year	$3,235,924	$25,334,550	$ –	$28,570,474	$36,613,710

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES
for the Fiscal Years Ended June 30, 2009 and 2008
(Expressed in Thousands)

	2009	2008
Personnel services		
Staff salaries	$11,518	$ 10,415
Fringe benefits	3,834	3,394
Total personnel services	15,352	13,809
Professional and contractual services		
Actuarial	388	572
Legal and financial	374	179
Consulting services	0	25
Data processing	6,972	4,435
Other contractual services	546	221
Total professional and contractual services	8,280	5,432
Miscellaneous		
Communications	787	604
Rent	1,834	1,777
Equipment and supplies	426	483
Other	820	1,042
Total miscellaneous	3,867	3,906
Total Administrative Expenses	$27,499	$23,147

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

SCHEDULE OF INVESTMENT EXPENSES

for the Fiscal Years Ended June 30, 2009 and 2008

(Expressed in Thousands)

	2009	2008
Investment advisors		
Equity managers	$34,744	$41,048
Fixed income managers	8,850	15,300
Alternative investments managers	64,450	33,481
Cash fund managers	137	-
Total investment advisory fees	109,181	89,829
Other investment service fees		
Master custody services	653	816
Income verification services	297	347
Investment consultants	2,009	1,760
Other investment expenses	871	345
Total other investment service fees	3,830	3,268
Total Investment Expenses	$113,011	$93,097

MARYLAND STATE RETIREMENT

SCHEDULE OF PLAN NET

as of June 30, 2009

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System
Assets:			
Cash and cash equivalents (Note 3)	$ 2,006,792	$ 1,127,393	$ 25,992
Receivables			
Contributions			
Employers	1	9,821	20
Employers- Long Term (Note 5)	–	51,501	–
Members	2,177	6,497	3
Accrued investment income	29,397	16,808	356
Investment sales proceeds	282,881	161,800	3,428
Due from other systems	29,632	11,518	–
Total receivables	344,088	257,945	3,807
Investments, at fair value (Notes 2 & 3)			
U.S. Government obligations	1,103,241	631,119	13,368
Domestic corporate obligations	2,205,851	1,261,633	26,729
International obligations	40,158	22,961	487
Domestic stocks	5,183,337	2,965,919	62,804
International stocks	4,772,776	2,731,023	57,829
Mortgages & mortgage related securities	1,314,435	751,562	15,928
Real estate	204,128	116,843	2,473
Alternative investments	998,098	571,312	12,093
Collateral for loaned securities	3,027,589	1,731,018	36,688
Total investments	18,849,613	10,783,390	228,399
Total assets	21,200,493	12,168,728	274,323
Liabilities			
Accounts payable & accrued Expenses (Note 7)	26,963	13,593	460
Investment commitments payable	943,834	539,883	11,437
Obligation for collateral loaned securities	3,027,589	1,731,018	36,688
Other liabilities	1,108	635	13
Due to other systems	29,651	11,525	–
Total liabilities	4,029,145	2,296,654	48,598
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 37)	$ 17,171,348	$ 9,872,074	$ 225,725

* Intersystem due from/due to have been eliminated in the financial statements.

AND PENSION SYSTEM

ASSETS BY SYSTEM

State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Combined Total
$ 67,053	$ 24,053	$ 3,360,915	$ –	$ 3,360,915
646	1,026	11,514	–	11,514
–	–	51,501	–	51,501
252	156	9,085	–	9,085
1,530	624	48,715	–	48,715
14,756	6,008	468,873	–	468,873
1	32	41,183	(41,183)	–
17,185	7,846	630,871	(41,183)	589,688
57,608	23,432	1,828,768	–	1,828,768
115,038	46,852	3,656,103	–	3,656,103
2,089	853	66,548	–	66,548
271,087	110,086	8,593,233	–	8,593,233
249,632	101,366	7,912,626	–	7,912,626
68,413	27,920	2,178,258	–	2,178,258
10,701	4,335	338,480	–	338,480
52,323	21,197	1,655,023	–	1,655,023
157,528	64,309	5,017,132	–	5,017,132
984,419	400,350	31,246,171	–	31,246,171
1,141,349	453,064	35,237,957	(41,183)	35,196,774
1,369	488	42,873	–	42,873
49,256	20,047	1,564,457	–	1,564,457
157,528	64,309	5,017,132	–	5,017,132
58	24	1,838	–	1,838
-	7	41,183	(41,183)	–
208,211	84,875	6,667,483	(41,183)	6,626,300
$ 933,138	$ 368,189	$28,570,474	$ –	$ 28,570,474

MARYLAND STATE RETIREMENT

SCHEDULE OF CHANGES IN

for the Fiscal Year Ended

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System
Additions			
Contributions (Note 4)			
Employers	$ 17,085	$ 345,728	$ 17,357
Members	313,873	203,679	1,793
Other	656,170	-	163
Contribution Interest	-	9,706	-
Total contributions	987,128	559,113	19,313
Investment income			
Net apprec.(deprec.) in fair value of investments	(4,771,370)	(2,684,170)	(57,908)
Interest	181,214	112,470	2,780
Dividends	148,351	84,488	1,794
Real estate operating net income	13,030	7,447	158
Income before securities lending activity	(4,428,775)	(2,479,765)	(53,176)
Gross Income from securities lending activity	20,632	11,783	264
Securities lending borrower rebates	(7,471)	(4,267)	(96)
Securities lending agent fees	(2,116)	(1,208)	(27)
Net income from securities lending activity	11,045	6,308	141
Total investment income	(4,417,730)	(2,473,457)	(53,035)
Less investment expenses			
Investment advisory fees	(67,377)	(38,502)	(812)
Other investment expenses	(724)	(616)	(2)
Total investment expenses	(68,101)	(39,118)	(814)
Net investment income	(4,485,831)	(2,512,575)	(53,849)
Transfers from other systems	62,984	25,082	2
Total additions	(3,435,719)	(1,928,380)	(34,534)
Deductions			
Benefit payments	1,364,598	770,979	23,459
Refunds (note 6)	11,422	10,108	1
Administrative expenses (note 2f)	14,570	12,380	38
Transfers to other systems	61,303	23,361	2
Total deductions	1,451,893	816,828	23,500
Net increase (decrease) in plan assets	(4,887,612)	(2,745,208)	(58,034)
Net assets held in trust for pension benefits:			
Beginning of the fiscal year	22,058,960	12,617,282	283,759
End of the fiscal year	$ 17,171,348	$ 9,872,074	$ 225,725

** Intersystem due from/due to have been eliminated in the financial statements*

AND PENSION SYSTEM

PLAN NET ASSETS BY SYSTEM

June 30, 2009

State Police Retirement System	Local Fire and Police System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Combined Total
$ 17,214	$ -	$ 46,140	$ 443,524	$ -	$ 443,524
6,820	-	5,936	532,101	-	532,101
-	-	-	656,333	-	656,333
-	-	-	9,706	-	9,706
24,034	-	52,076	1,641,664	-	1,641,664
(237,300)	-	(90,428)	(7,841,176)	-	(7,841,176)
10,389	-	6,024	312,877	-	312,877
8,044	-	2,789	245,466	-	245,466
706	-	259	21,600	-	21,600
(218,161)	-	(81,356)	(7,261,233)	-	(7,261,233)
1,186	-	390	34,255	-	34,255
(429)	-	(141)	(12,404)	-	(12,404)
(122)	-	(40)	(3,513)	-	(3,513)
635	-	209	18,338	-	18,338
(217,526)	-	(81,147)	(7,242,895)	-	(7,242,895)
(3,594)	-	(1,359)	(111,644)	-	(111,644)
(9)	-	(16)	(1,367)	-	(1,367)
(3,603)	-	(1,375)	(113,011)	-	(113,011)
(221,129)	-	(82,522)	(7,355,906)	-	(7,355,906)
13	-	1,528	89,609	(89,609)	-
(197,082)	-	(28,918)	(5,624,633)	(89,609)	(5,714,242)
91,237	-	28,898	2,279,171	-	2,279,171
493	-	300	22,324	-	22,324
187	-	324	27,499	-	27,499
28	4,666	249	89,609	(89,609)	-
91,945	4,666	29,771	2,418,603	(89,609)	2,328,994
(289,027)	(4,666)	(58,689)	(8,043,236)	-	(8,043,236)
1,222,165	4,666	426,878	36,613,710	-	36,613,710
$ 933,138	$ -	$ 368,189	$ 28,570,474	$ -	$ 28,570,474

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Investment Section

CHIEF INVESTMENT OFFICER'S REPORT

OVERVIEW

The Maryland State Retirement and Pension System ("MSRPS" or the "System") returned -20.0 percent in fiscal year 2009. As a result, the market value of assets declined from $36.6 billion on June 30, 2008 to $28.5 billion on June 30, 2009.

The past fiscal year was characterized by the near collapse of the global capital and financial markets, followed by a worldwide recession. Investors lost confidence, increasingly abandoned risk, and became panic sellers. During the panic, equities performed poorly as investors deleveraged. Credit markets froze and the dollar became a safe haven as foreigners had to buy dollars in order to liquidate U.S. equities. The decline experienced by equity markets during the nine-week period from September 15 through November 20 was the most volatile seen in history. The period saw a decline of almost 37% in market capitalization, and included seven of the largest down days and six of the eight best positive days since World War II. Credit markets saw spreads widen to historic proportions, pricing in a financial collapse of unprecedented levels. From November until March, markets would display alternating signs of hope and despair as the new administration developed plans to stabilize the banking sector and stimulate the economy. Since mid-March, markets have rallied in anticipation of a rebounding economic environment by the end of calendar year 2009.

Public equity markets sold off regardless of valuation or quality as everything that could be sold was sold. Both domestic and international markets were severely impacted. In the last quarter of the fiscal year, domestic stock returns were strong anticipating improved corporate earnings. International equities have been even stronger, reflecting a weakness in the dollar. Emerging markets suffered the most during the panic, but have outpaced the developed and are believed to represent the catalyst that will rejuvenate the global economy. The System's U.S. public equity portfolio returned -26.3 percent compared to a return of -26.6 percent for the Russell 3000 Index, a broad measure of U.S. stock returns. The international equity portfolio returned -31.5 percent compared to -30.9 percent for its benchmark, the MSCI AC World ex U.S. Index. The global equity portfolio returned -30.4 percent compared to -29.3 percent for its benchmark, the MSCI AC World Index.

Fixed income markets were also troubled. During the panic, only U.S. treasury securities provided any measure of liquidity. The System's fixed income program produced positive returns notwithstanding a very challenging environment. The System's fixed income portfolio had a return of approximately 4.0 percent, compared to the 4.9 percent return of the Barclays Capital U.S. Universal Index.

In order to take advantage of the opportunities created by the erosion of the credit markets, the Board of Trustees approved the creation of a credit opportunities portfolio which was funded in February. This portfolio was designed to take advantage of the historically wide spreads available from investment grade and non-investment grade corporate credits. At the time the portfolio was contemplated, it was expected that these securities would provide equity-like returns with bond-like risk. The portfolio has a blended benchmark of 75 percent Barclays Capital U.S. Credit Index and 25 percent Barclays Capital U.S. High Yield Index. Since inception, the portfolio returned 13.4 percent in fiscal 2009 versus 13.1 percent for the blended benchmark.

The System's Terra Maria small manager program exceeded its benchmark by almost three percentage points during the fiscal year. The program which is comprised of public equity and fixed income managers was, however, not exempted from the crisis that befell the markets during the fiscal year. The program returned -21.2 percent, as compared to the custom benchmark's -24.0 return.

The financial crisis was uncharacteristically broad and its impact on several of the alternative asset classes sparked debate which brought into question the viability of these asset classes. While the performance of these assets were as disappointing as the more traditional asset classes, we believe that alternative assets suffered from the broad based deleveraging which occurred and continue to be viable sources of investment opportunity for the long term. The System's private equity program returned -22.3 percent, compared to the benchmark's -24.3 percent return. While this decline is significant, it should be noted that the System's private equity program is still very immature. Over the long term, we believe that the System's private equity and other private market investments will produce attractive returns.

The absolute return portfolio, benchmarked to the HFRI Fund of Funds Composite Index, returned -6.4 percent in fiscal 2009 versus -15.2 percent for its benchmark. The real return allocation returned -3.7 percent versus -5.3 percent for the custom real return benchmark. Active management in these asset classes was accretive to relative performance.

U.S. and international REITs sustained very deep losses, adversely affecting overall real estate returns. The real estate portfolio returned -31.6 percent versus -23.5 percent for its benchmark, a blend of the NCREIF, FTSE EPRA NAREIT and Wilshire Real Estate Securities indices. Performance for the NCREIF Property Index, a widely utilized measure of privately owned commercial real estate, was -14.7 percent (one quarter lag), while the Wilshire Real Estate Securities Index, a measure of publicly owned real estate (in the form of publicly traded securities issued by real estate investment trusts and other entities), returned -45.7 percent.

INVESTMENT POLICY AND OBJECTIVES

The Board of Trustees is charged with the responsibility of managing the assets of the State Retirement and Pension System. In doing so, the Board is required to exercise its fiduciary duties solely in the interest of the participants, with the care, skill and diligence that a prudent person would exercise under similar circumstances. This standard of care encourages diversifying investments across various asset classes.

Investment objectives are designed to support fulfillment of the Retirement Agency's mission, which is to optimize risk-adjusted returns to ensure that sufficient assets are available to fund the payment of benefits to members and beneficiaries when due. SRPS is a long-term investor, and consequently, long-term results are emphasized, with recognition that short-term results may be volatile.

Investment objectives are implemented according to investment policies developed by the Board of Trustees. The "prudent person standard" allows the Board to establish investment policies based on criteria that it defines and allows for the delegation of authority to investment professionals who employ both active and passive strategies. Firms retained must have a demonstrated performance record and a clearly defined and consistently applied investment process.

The Board of Trustees has managed SRPS' assets with the goal of achieving an annualized investment return that over a longer term time frame that:

1 **Meets or exceeds the System's Investment Policy Benchmark**. The Investment Policy Benchmark is calculated by using a weighted average of the Board-established benchmarks for each asset class. The benchmark enables comparison of the System's actual performance to a passively managed proxy and measures the contribution of active management and policy implementation to overall fund returns;

2 **In nominal terms, equals or exceeds the actuarial investment return assumption of the System adopted by the Board.** The actuarial rate of interest as of June 30, 2009 was 7.75 percent. The actuarial investment return assumption is a standard for the long-term rate of growth of the System's assets. In adopting an actuarial return assumption, the Board anticipates that the investment portfolio may achieve higher returns in some years and lower returns in other years; and

3 **In real terms, exceeds the U.S inflation rate by least 3 percent**. The inflation related-objective compares the investment performance against a rate of inflation measured by the Consumer Price Index (CPI) plus 3 percent. The inflation measure provides a link to the System's liabilities.

The Board of Trustees also weighs three liability-oriented objectives when making asset allocation determinations. The liability-oriented objectives are:

To achieve and maintain a fully funded pension plan;
To minimize contribution volatility year to year; and
To achieve surplus assets.

Asset allocation is a key determinant of a successful investment program, and may be responsible for determining as much as 90 percent of a fund's return in a given year. The Board considers the System's assets and liabilities when determining its asset allocation policy.

Asset allocation policy targets are determined by recognizing that liabilities (future benefit payments to SRPS' participants and beneficiaries) must be paid in full and on time. To ensure this, there is a dual focus. First, there is a focus on long-term return, to ensure that an attractive rate of return on plan assets can be earned over the period that benefits must be paid. Secondly, there is a focus on risk. This involves diversifying assets with a recognition that while individual asset classes can be volatile over short time horizons, diversification will often serve to lower overall portfolio volatility.

The Board's asset class targets and ranges as of June 30, 2009 are shown below.

ASSET CLASS	TARGET	RANGE
Domestic Equity	%	% - %
International Equity	%	% - %
Global Equity	%	% - %
Total Public Equity	**37%**	**32% - 42%**
Private Equity	15%	NA
Fixed Income	15%	12% - 22%
Credit Opportunities	NA	0% - 5%
Real Estate	10%	NA
Real Return	10%	8% - 12%
Absolute Return	10%	8% - 12%
Cash	3%	0% - 4%
TOTAL ASSETS	**100%**	

Note: After the fiscal year's end, the Board of Trustees approved certain changes to the System's asset allocation. Further information regarding the System's current asset allocation is set forth below in the section of this report entitled "Significant Subsequent Events." Additional information regarding the System's asset allocation may also be found at the Agency's website, www.sra.state.md.us.

INVESTMENT PERFORMANCE

Investment performance is calculated using time-weighted rates of total return. Total return includes interest and dividends, as well as capital appreciation.

The investment program realized a return of -20.0 percent for fiscal year 2009. Annualized returns for the three-, five-, and 10-year years ending June 30, 2009 were -3.8 percent, 1.5 percent and 1.9 percent, respectively.

ECONOMIC AND CAPITAL MARKET OVERVIEW

For fiscal 2009, returns of U.S. and international equities were negative for a second straight year. The Russell 3000 Index returned -26.6 percent and the MSCI ACWI ex. U.S. Index -30.9 percent. Emerging markets were adversely affected as well, with the MSCI Emerging Markets Index returning -28.1 percent. In March, equities began to rally sharply on signs that the economic downturn was bottoming and the financial sector stabilizing. For the final quarter of fiscal 2009, the Russell 3000 returned 16.8 percent and MSCI ACWI ex. U.S. 27.6 percent.

In a time of turmoil, the Federal Reserve lowered short-term interest rates to all-time lows and investors sought the safety of U.S. Treasury securities. Long-term Treasury yields fell from 4.50 percent on July 1, 2008 to 4.18 percent on June 30, 2009. Over fiscal year 2009, bonds returned 4.9 percent, measured by the Barclays Capital U.S. Universal Index, and the Barclays Capital U.S. Bond Aggregate Index returned 6.1 percent.

The deterioration in the economy and capital markets in the latter half of 2008 was precipitated by an eroding housing market which had been spurred on by years of easy credit. This situation led to a growing concern regarding the quality of mortgage investments. Financial institutions, many with significant mortgage exposure, began to experience write-downs. Concerns escalated regarding solvency among financial institutions. Lenders ceased lending and investors hoarded cash. As liquidity dried up, credit markets froze. The country was in an economic crisis which rapidly spread across the globe. Tighter credit conditions led to decreased spending by both consumers and businesses. GDP growth slackened and confidence disappeared. Global stock markets declined as did oil and commodity prices. The only safe haven was U.S. Treasury securities.

As the new year began, the outlook for the global economy was very weak. Prices for risky assets continued to decline. However, during the quarter, credit markets began to stabilize. There were indications that government policies designed to stabilize the banking system and stimulate consumer spending were starting to work. Companies once again were able to access the credit markets. After experiencing new lows in March, stock markets began to rally as investors believed that a systemic collapse of the global financial system had been averted. There were signs that the worse of the economic news was over. Unemployment continues to be a concern, but the rate of unemployment appears to be on the decline. Central banks are expected to keep interest rates low in hopes of providing a continuing catalyst for economic growth.

Despite the turmoil experienced during the year, the fiscal year ended with positive momentum. Global equity markets were up almost 35% since mid-March. Debt markets have experienced an increase in new issuance of investment grade bonds and the commercial paper market is again functioning. While there may be a reoccurrence of some of the distress we experienced, investors remain cautiously optimistic that the worst is over and that signs of positive economic growth may reappear by calendar year end.

	FY 2009 SRPS Performance	FY 2009 Benchmark Performance	SRPS Exposure June 30, 2009
Public Equity			
U.S. Equity	-26.3%		25.5%
S&P 500		-26.2%	
Russell 3000		-26.6%	
International Equity	-31.4%		22.7%
MSCI ACWI ex. U.S.		-30.9%	
MSCI EAFE		-31.4%	
MSCI Emerging		-28.1%	
Global Equity	-30.4%		8.0%
MSCI AC World		-29.3%	
Private Equity	-22.3%		3.4%
Russell 3000+400 bps		-24.3%	
Fixed Income	4.0%		18.3%
BC Universal Bond Index		4.9%	
BC Aggregate Bond Index		6.1%	
Credit Opportunity	13.4%		1.4%
Custom Benchmark		13.1%	
Real Estate	-31.6%		6.1%
NCREIF Property (one quarter lag)		-14.7%	
Wilshire Real Estate Securities		-45.7%	
Real Return	-3.7%		4.4%
BC U.S. TIPS		-1.1%	
Absolute Return	-6.4%		2.6%
HSRI Fund of Funds Index		-15.3%	
TOTAL FUND	**-20.0%**	**-19.1%**	

PUBLIC EQUITIES

As of June 30, 2009, SRPS had approximately $16.1 billion invested in public equities, representing 56.3 percent of the System's total assets. The public equity program has three components: U.S. equities, international equities and global equities. The public equity program is being managed without a home country bias. Accordingly, the System's weightings of these three components will be adjusted from time-to-time to reflect the investable public equity opportunity set.

The System's Terra Maria Program, which will be discussed in greater detail below, is an integral part of the public equities asset class. 87% of the Terra Maria Program resides in public equities with two-thirds of the program's assets situated in U.S. equities. Each of the participating managers in the Terra Maria Program has an active management mandate.

A. U.S. Equities

As of June 30, 2009, approximately $7.3 billion or 25.5 percent of total assets were invested in U.S. equities. Passively managed equities totaled $4.1 billion; actively managed assets outside of the Terra Maria Program totaled $1.9 billion; and Terra Maria Program assets were $1.3 billion, representing 14.2 percent, 6.8 percent, and 4.6 percent of total assets, respectively.
For FY 2009, all U.S. equities returned -26.3 percent compared to -26.6 percent for its benchmark, the Russell 3000 Index.

U.S. Equity	$ Millions	% of Total Plan
Passively Managed	**$4,059.0**	**14.2%**
Actively Managed	**$1,929.1**	**6.8%**
Terra Maria Program	**$1,2997**	**4.6%**
Total U.S. Equity	**$7,287.7**	**25.5%**

B. International Equities

As of June 30, 2009, approximately $6.4 billion or 22.7 percent of total assets were invested in International Equities. Passively managed equities totaled approximately $5.2 billion; actively managed assets outside of the Terra Maria Program totaled approximately $1.0 billion; and Terra Maria Program assets were $0.4 billion, representing 18.1 percent, 3.4 percent, and 1.3 percent of total assets, respectively. The System instituted a currency overlay program which is designed to protect international equities in a raising dollar environment.

International Equity	$ Millions	% of Total Plan
Passively Managed	**$5,167.0**	**18.1%**
Actively Managed	**$977.0**	**3.4%**
Terra Maria Program	**$369.1**	**1.3%**
Currency Overlay	**-31.1**	**-0.1%**
Total International Equity	**$6,482.0**	**22.7%**

For FY 2009, all international equities returned -31.5 percent compared to -30.9 percent for its benchmark, the MSCI AC World ex U.S. Index.

C. Global Equities

As of June 30, 2009, approximately $2.3 billion or 8.0 percent of total assets were invested in Global Equities. Actively managed assets outside of the Terra Maria Program totaled $2.3 billion; and Terra Maria Program assets were $0.03 billion, representing 7.9 percent, and 0.1 percent of total assets, respectively. The System instituted a currency overlay program which is designed to protect Global Equities in a raising dollar environment.

Global Equity	$ Millions	% of Total Plan
Actively Managed	**2,265.9**	**7.9%**
Terra Maria Program	**27.9**	**0.1%**
Currency Overlay	**-5.8**	**0.0%**
Total Global Equity	**2,287.9**	**8.0%**

For FY 2009, all global equities returned -30.4 percent compared to -29.3 percent for its benchmark, the MSCI AC World Index.

PRIVATE EQUITY

In September, 2008, the Board of Trustees approved a recommendation to increase the System's target allocation to private equities from 5 percent to 15 percent. As of June 30, 2009, private equities totaled roughly $962.3 million, or 3.4 percent of total plan assets. In fiscal 2009, SRPS made commitments to 28 private equity funds totaling approximately $1.96 billion. From the inception of its private equity program, the System has made commitments totaling roughly $3.8 billion to 84 funds. In fiscal year 2009, the System's private equity program returned -22.3 percent, compared to the benchmark of -24.3 percent.

In fiscal 2010, we expect that the System's exposure to private equity will continue to increase toward its long-term targeted levels. Given the cash flow dynamics in private equity, it will take several more years for the target allocation to be reached.

FIXED INCOME

In a tumultuous year in the markets, the System's fixed income allocation registered a gain of approximately 4.0 percent, as compared to the policy benchmark's return of 4.9 percent. As of June 30, 2009, the value of the fixed income portfolio was $5.23 billion, representing an allocation of 18.3 percent, down from 24.4 percent one year ago.

Strategically, the fixed income program was significantly altered over the past year. The System's program was transformed into mostly an active management strategy (81 percent active versus 61 percent one year ago), with the vast majority invested in U.S. fixed income. The program was modified from a focus on U.S. core plus strategies to having a primary focus on U.S. core mandates, with selective utilization of "plus" sector managers (including high yield, emerging markets and non-dollar debt strategies). New managers were added to the program, with the System employing ten external managers at June 30, 2009, not including managers in the System's Terra Maria Program with fixed income mandates. The benchmark for the fixed income program is the weighted average composite of the individual manager benchmarks (including Barclays Capital U.S. Aggregate Index, Barclays Capital Global Aggregate Index, and the appropriate Barclays Capital sub-indices for "plus" sector mandates).

Coming off a difficult fiscal year 2008, the financial markets experienced an even more challenging year in 2009. The fixed income markets confronted a plethora of unprecedented events. The woes of residential real estate subprime mortgages disrupted the financial markets enough to create contagion in many other portions of the system. The "shadow" banking system unraveled, freezing the credit markets and forcing the financial system to the brink of collapse. Fannie Mae and Freddie Mac were forced into government conservatorship on September 7, 2008 as their massive real estate loan portfolios suffered significant losses. On September 15, 2008, Lehman Brothers filed for bankruptcy, having crumpled under the weight of its own substantial leverage (30x+). That same month, Merrill Lynch sold itself to Bank of America in an attempt to seek balance sheet support and remain a going concern. These events – in particular, the Lehman Brothers bankruptcy – accelerated the deterioration of the fixed income markets and sent financial markets into a true panic. In September, 2008, the oldest money market fund, Reserve Primary Money Fund, broke a $1 NAV, crippling for the first time the money market fund sector. Short term Treasury rates went to 0 percent with demand easily outpacing supply. September 2008 also saw the U.S. government bailout of global insurer AIG, whose credit default swap portfolio created solvency issues, and the largest bank failure in U.S. history — Washington Mutual. In further efforts to deal with the financial turmoil, the U.S. government implemented numerous rescue programs, including the Asset-Backed Commercial Paper Money Market Fund Liquidity Facility, the Troubled Asset Relief Program ($700 billion), and the Temporary Liquidity Guarantee Program. A number of other governments and central banks around the world took similar, unprecedented action.

Such monumental financial events froze credit markets globally, sending Treasury rates to new historic lows, and widening fixed income spreads across the board. In the depths of the crisis, the entire yield curve dropped meaningfully, only to see the long end of the curve move back up towards the end of this fiscal year leaving it steeper with short term rates close to zero. Spreads also spiked during this time period to historic highs, but staged an impressive tightening rally in the second quarter of 2009 as the economy slowly began to recover, although they still remain at elevated levels. Over the past year, the Fed Funds rate has been decreased from 2 percent to a policy range of 0 percent to 0.25 percent.

CREDIT OPPORTUNITIES

The credit opportunities portfolio totaled approximately $389 million, representing 1.4 percent of the System's total assets, as of June 30, 2009. The credit opportunities portfolio was approved by the Board of Trustees in December, 2008 and the initial investment was made in February, 2009. The credit opportunities portfolio may account for up to 5 percent of the System's total assets and is funded with the un-invested private equity and absolute return allocations. The investments within the credit opportunities portfolio include investment grade and non-investment grade corporate credit. The goal of the credit opportunities portfolio is to provide diversification to the total plan while achieving above average risk-adjusted returns. The credit opportunities portfolio has a blended benchmark of 75 percent Barclays Capital U.S. Credit Index and 25 percent Barclays Capital U.S. High Yield Index. The portfolio returned 13.4 percent in fiscal 2009 versus 13.1 percent for the blended benchmark.

REAL ESTATE

The real estate portfolio returned -31.6 percent versus the -23.5 percent return of the policy benchmark, a blend of the NCREIF, FTSE-EPRA-NAREIT and Wilshire indices. U.S. and international REITs sustained very deep losses, adversely affecting overall real estate returns. At the end of the fiscal year, approximately 6.1 percent of the System's assets, valued at $1.7 billion, were invested in real estate. This is compared to 6.5 percent or $2.4 billion invested at the same time last year. The System's real estate program includes direct investments, publicly traded securities and private investment funds. During the fiscal year, the System committed $300 million to three private funds focusing on U.S. and global opportunities.

Both public and private real estate investments were negative for the year. Performance for the NCREIF Property Index, a widely utilized measure of privately owned commercial real estate, was -14.7 percent (one quarter lag), while the Wilshire Real Estate Securities Index, a measure of publicly owned real estate (in the form of publicly traded securities issued by real estate investment trusts and other entities), returned -45.7 percent. Through the course of the first three quarters of the fiscal year, public real estate securities performed significantly worse than private investments. The last quarter of the fiscal year witnessed a dramatic reversal, with public real estate securities staging a very strong rally. Private real estate investments typically lag the forward looking public real estate securities markets and are expected to see further declines in calendar year 2010.

Commercial real estate markets have suffered because of slower or negative economic growth and constrained debt markets. The true value of properties has been difficult to determine due to the lack of market transactions, even though there are equity investors ready to deploy capital.

The problem is that there remains a gap between the price sellers are asking for and the price at which buyers are willing to purchase. Sellers are still looking back to the higher prices of just a year or two ago and purchasers are trying to price in future economic uncertainty while still looking for attractive returns. Unlike previous downturns, most markets are not suffering due to over-building in most markets and property types, which should help investors' returns once a recovery begins. Some development projects have been sidelined because they are waiting for pre-leasing and financing.

REAL RETURN

The real return portfolio totaled approximately $1.25 billion, representing 4.4 percent of the System's total assets, as of June 30, 2009. The System's existing real return strategies, which include inflation protected securities and multi-asset portfolios managed with a real return focus, are largely used to protect investment returns against inflation and provide diversification. The portfolio returned -3.6 percent in fiscal 2009 versus -5.3 percent for the custom real return benchmark. Active management in both inflation protected securities and multi-asset portfolios were accretive to relative performance. The real return portfolio endeavors to use investment management approaches which produce inflation adjusted returns. These types of strategies are a good fit for the System's portfolio, as retiree benefits are inflation-adjusted. Treasury Inflation Protected Securities (TIPS) and global inflation linked bonds will be the foundation of this asset class, but the Board of Trustees has also authorized investment in commodities, infrastructure, energy and timber strategies, as well as real return multi-strategy managers.

ABSOLUTE RETURN

The absolute return portfolio totaled approximately $745 million, representing 2.6 percent of the System's total assets, as of June 30, 2009. The System's existing absolute return portfolio consists of three active managers with a global macro focus. The goal of the absolute return portfolio is to provide diversification to the total plan through the absolute return portfolio's goal of low correlation to the broad financial markets. The absolute return portfolio is benchmarked to the HFRI Fund of Funds Composite Index. The portfolio returned -6.4 percent in fiscal 2009 versus -15.2 percent for the absolute return benchmark.

TERRA MARIA PROGRAM

The Terra Maria Program, described in greater detail below, totaled approximately $1.9 billion or slightly more than 6 percent of total assets at June 30, 2009. The program returned -21.2 percent for the fiscal year, as compared to the custom benchmark's -24.0 return. The program's fiscal year performance thus exceeded its benchmark by almost three percentage points. These early, relative performance results for the Terra Maria Program are encouraging, as are the aggregated "since inception" returns of the Board of Trustees' initiative in this area. Since the April, 2007 inception of the System's prior emerging manager program, the relative returns produced by this initiative have been strong, with outperformance of 387 basis points (-11.01 versus the benchmark's -14.88).

The Terra Maria Program seeks to identify promising smaller or developing managers. The program is the successor to an emerging manager program authorized by the Board of Trustees which was initially funded in April 2007. Given that program's encouraging early results, the Board of Trustees authorized expansion of the program in April, 2008. In September 2008, the System comprehensively revised and expanded the program, which is now called the Terra Maria Program. The re-conceptualization of this program entailed a number of changes. First, the System's CIO has ultimate responsibility for manager hire and termination decisions, as well as funding allocation decisions. Second, a set of "program managers" was retained to serve as an extension of staff in sourcing investment managers, performing due diligence, monitoring the retained investment managers, and presenting 'hire/fire' and funding allocation recommendations. Six new program managers were appointed, joining the incumbent, Northern Trust Global Advisors. The six new program managers are: Attucks Asset Management, Bivium Capital Partners, Capital Prospects, FIS Group, Leading Edge Investment Advisors and Progress Investment Management Company.

Certain elements of the Terra Maria Program build on the System's prior emerging manager initiative. The program continues to focus on the U.S. equity, international equity, global equity and fixed income asset classes. The primary focus of the program continues to be alpha generation, or performance. Both the program managers and investment managers are evaluated primarily on performance relative to benchmarks.

SIGNIFICANT SUBSEQUENT EVENTS

While the purpose of this report is to highlight events of Fiscal Year 2009, given the timing of this report, it is important to note important changes which occurred subsequent to the end of the fiscal year.

1) ASSET ALLOCATION

In September, 2009, the Board of Trustees approved recommendations to alter the System's strategic asset allocation by transitioning the temporary credit opportunities allocation to a permanent debt-related strategies allocation. The target allocation will be 5 percent. The asset class will include:

- corporate and mortgage related credit strategies
- government sponsored programs (i.e., PPIP, TALF, etc.)
- distressed debt
- mezzanine debt
- bank loans
- convertible securities
- high-yield debt
- emerging market debt
- preferred securities

The benchmark for the debt-related strategies allocation will be 50 percent Barclays Capital U.S. Corporate High-Yield Index and 50 percent Barclays Capital U.S. Corporate Index. To implement an orderly transition, the effective date will be January 1, 2010.

The source of funds for this allocation will be 3 percent from private equity, 1 percent from public equity, and 1 percent from cash.

The System's current asset allocation as of January 1, 2010 (incorporating all of the changes noted above) is as follows:

ASSET CLASS	TARGET
Public Equity Program (including U.S. Equity, International Equity and Global Equity)	36%
Private Equity	12%
Fixed Income	15%
Debt-Related Strategies	5%
Real Estate	10%
Real Return	10%
Absolute Return	10%
Cash	2%
TOTAL ASSETS	**100%**

2) INCREASED OPERATIONAL FLEXIBILITY

The Board of Trustees also authorized additional operational flexibility for management of the System's portfolio. In order to increase access to liquidity, the System may create synthetic equity and fixed income portfolios by utilizing futures contracts that are 100% collateralized with cash. Additionally, in order to quickly and easily rebalance the total fund portfolio to the asset allocation targets in the System's Investment Policy Manual, the System may develop a risk controlled overlay program utilizing futures and other derivatives.

CONCLUSION

Notwithstanding the significant rebound in the financial markets that commenced in March, the global economic environment remains very challenging. Despite the turmoil of the past fiscal year, the System has been steadily transitioning the investment portfolio towards our long-term strategic asset allocation targets. The Board of Trustees, its staff and investment consultants believe the asset allocation provides the best opportunity to meet the System's investment objectives.

Respectfully submitted,

Mansco Perry III, CFA
Chief Investment Officer

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

DOMESTIC AND INTERNATIONAL EQUITY COMMISSIONS TO BROKERS
for the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Brokers *	Total Shares	Total Commission
J P Morgan Securities	2,042,870	$ 1,119
Goldman Sachs	3,341,964	848
Merrill Lynch	3,071,641	734
Credit Suisse First Boston	120,623	723
Morgan Stanley	1,118,369	587
Citigroup Global Markets	1,165,724	534
UBS	106,060	413
Deutsche Bank	31,920	331
Jefferies & Company	15,013	303
BNY Brokerage	12,342	285
Instinet	26,529	250
Bear Stearns	17,395	242
Pershing	26,821	241
Greenwich Capital Markets	93,673	229
Investment Technology Group	33,286	229
State Street Bank & Trust Co.	19,470	194
Cantor Fitzgerald & Co.	8,957	162
Nomura	43,022	156
Macquarie Securities	29,577	139
Magna Securities	5,160	130
Sanford C. Bernstein	9,246	128
Liquid Net Inc.	12,937	126
Mr Beal & Company	4,118	117
Credit Lyonnais Securities	28,504	110
Brockhouse & Cooper, Inc.	9,346	107
Morgan Keegan & Co., Inc.	2,274	106
Loop Capital Markets	3,488	103
Other Broker Fees	313,677	3,569
Total broker commissions	11,714,006	$12,215

** Proceeds from the sale and disbursements for the purchase of securities are reported net of brokers' commissions. As such, brokers' commissions are not included as investment expenses on the Statements of Changes in Plan Net Assets. Other broker fees include 312 other brokers each receiving less than $100,000 in total commissions.*

For the fiscal year ended June 30, 2009, total domestic equity commissions averaged .09 cents per share, and total international equity commissions averaged 5.25 basis points per share.

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENT PORTFOLIOS BY MANAGER
as of June 30, 2009
(Expressed in Thousands)

	Fair Value	Investment Advisory Fee
Equity Managers		
State Street Global Advisors	$5,149,191	$ 519
Barclays Global Investors (BGI)	4,044,407	507
T. Rowe Price Associates, Inc.	931,492	3,736
Dimensional Fund Advisors, Inc.	532,004	3,009
Baillie Gifford & Company	525,376	2,088
Progress Investment Management*	391,896	1,610
Northern Trust Global Advisors, Inc.*	373,638	1,747
Templeton Investment Counsel, Inc.	368,360	2,358
Acadian Asset Management	358,741	1,616
Marathon Asset Management	352,818	36
McKinley Capital Management, LLC	336,852	652
Artisan Partners Limited Partnership	336,088	2,399
Relational Investors	316,283	2,747
Mellon Capital Management	225,986	194
Nuveen Hyde Park Group, LLC	222,223	216
UBS Global Asset Management, Inc.	201,138	8
Goldman Sachs Asset Management	198,696	16
Attucks Asset Management, LLC*	197,277	689
FIS Group, Inc.*	186,955	702
Capital Prospects, LLC*	186,555	675
Leading Edge Investment Advisors, LLC*	174,587	884
Bivium Capital Partners*	162,769	682
Breeden Partners, LP	121,575	2,743
GlobeFlex Capital, LP	116,737	621
Record Currency Management	(36,845)	1,308
Other **	27,571	2,982
	$16,002,370	$ 34,744
Cash Managers		
State Street Global Advisors	$ 996,972	$ 137
Internally Managed	1,148,374	N/A
	$ 2,145,346	$ 137

	Fair Value	Investment Advisory Fee
Fixed Income Managers		
State Street Global Advisors	$ 1,009,993	$ 31
Western Asset Management	1,135,842	2,077
Pacific Investment Management Company	1,079,311	2,810
Pyramis Global Advisors	396,011	1,053
Aberdeen Asset Management, Inc.	394,476	879
Goldman Sachs Asset Management	307,884	796
Dodge & Cox	307,387	143
Principal Global Investors	299,695	8
Oaktree Capital Management, LLC	233,810	124
BlackRock Financial Management, Inc.	102,929	88
Northern Trust Global Advisors, Inc.*	72,232	146
Progress Investment Management*	65,578	62
Attucks Asset Management, LLC*	57,339	54
Leading Edge Investment Advisors, LLC*	24,827	66
Bivium Capital Partners*	21,994	60
Other **	105,592	453
	$ 5,614,900	$ 8,850
Alternative Investment Managers		
Pacific Investment Management Company	$ 1,029,820	$ 6,942
Private Equity Funds*	959,005	27,911
Morgan Stanley Investment Management	432,617	2,183
Private Real Estate*	394,353	8,377
Bridgewater Associates, Inc.	382,907	6,753
LaSalle Investment Management, Inc.	360,642	3,435
J.P. Morgan Investment Management, Inc.	301,227	2,625
LaSalle Investment Management Securities, LP	242,370	831
Goldman Sachs Asset Management	206,706	1,315
Barclays Global Investors (BGI)	191,054	4,093
Mellon Capital Management	169,143	985
Other **	201	1,461
	$ 4,670,045	$ 66,911

* *Separately listed on the following page*

** *Consulting fees and investment managers no longer under contract as of 6/30/09*

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

ALTERNATIVE INVESTMENTS PARTNERSHIP LISTING

as of June 30, 2009

Private Equity

Abbott Capital Private Equity Fund III
ABS Capital Partners VI, LP
Adams Street Partners, LLC
Advent Central & Eastern Europe IV, LP
Advent International GPE V-D, LP
Advent International GPE VI-A, LP
Alchemy Partners, LP
Apax Europe VI-A, LP
Apax Europe VII-A, LP
Apollo Investment Fund VII (AIF), LP
ARCADIA II Beteiligungen BT GmbH & Co.
Audax Private Equity Fund II, LP
Audax Private Equity Fund III, LP
Azure Capital Partners II, LP
Bain Capital Fund IX, LP
Bain Capital IX Coinvestment Fund, LP
Bain Capital Fund X, LP
Bain Capital X Coinvestment Fund, LP
BC European Capital VIII, LP
Blackrock Credit Investors II, LP
Brazos Equity Advisors III, LP
Calvert Street Capital Partners III
Carlyle Partners V, LP
Charterhouse Cap Partners VIII, LP
Charterhouse Cap Partners IX, LP
Commonwealth Capital Ventures IV, LP
CVC European Equity Partners V-B, LP
Dover Street VII, LP
ECI 8, LP
Falcon Strategic Partners III, LP
First Reserve Fund XII, LP
Frazier Healthcare V, LP
Frazier Healthcare VI, LP
Goldman Sachs Vintage Fund V, LP
Graphite Capital Partners VII
Graphite Capital Partners VII Top Up
Great Hill Equity Partners III
Great Hill Equity Partners IV
Hancock Park Capital III
HarbourVest Partners VI Buyout Fund
HarbourVest Partners VI Partnership Fund
Hellman & Friedman Investors VI, LLC
HG Capital 5, LP
KKR European Fund III, LP
Lion Capital Fund I, LP
Lion Capital Fund II, LP
Littlejohn Fund III, LP
Longitude Venture Partners, LP
Madison Dearborn Capital Partners V, LP
Madison Dearborn Capital Partners VI, LP
Natural Gas Partners VIII, LP
Natural Gas Partners IX, LP
New Mountain Partners III, LP
NGP Midstream & Resources, LP
Partners Group Secondary 3009, LP
Permira IV, LP 2
PIMCO Distressed Senior Credit Opportunities Fund, LP
Private Equity Partners Fund IV
Quantum Energy Partners IV, LP
Quantum Energy Partners V, LP
Riverside Capital Appreciation V, LP
Riverside Europe Fund IV, LP
RLH Investors II, LP
Summer Street Capital Fund II, LP
Symmetric Partners, LP
TA X, LP
TCW Credit Opportunities Fund I B, LP
TPG Partners VI, LP
Valhalla Partners II, LP
Vector Capital IV, LP
Vestar Capital Partners V, LP
Wind Point Partners VII, LP
Yucaipa American Alliance Fund II, LP

Real Estate

CB Richard Ellis Strategic Partners Europe Fund III
CB Richard Ellis Strategic Partners UK Fund III
CB Richard Ellis Strategic Partners US Value 5, LP
Chesapeake Limited Partnership
GI Partners Fund III, LP
JER Europe Fund III, LP
JER Real Estate Partners Fund IV, LP
Lion Industrial Trust
Lubert Adler Real Estate Fund III
Lubert Adler Real Estate Fund VI
MGP Asia Fund III, LP
PRISA II (Prudential Real Estate Investors)
Rockwood Capital Real Estate Partners Fund VIII, LP
Secured Capital Japan Real Estate Partners Asia, LP
Starwood Debt Fund II, LP

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

ALTERNATIVE INVESTMENTS PARTNERSHIP LISTING

as of June 30, 2009

(continued)

Terra Maria Program

Attucks Asset Management
Black Knight Asset Management LLC
Brown Investment Advisory
Brown Capital Management Inc
Cameron Capital Management
Charter Financial Group
Globeflex Capital LP
GW Capital Inc
Hanseatic Management Services Inc
LM Capital Group LLC
Mar Vista Investment Partners
Opus Capital Management
Seizert Capital Partners
Speece Thorson Capital Group Inc
Xavier Capital Management
Zevenberger Capital Investments
Bivium Capital Partners
BRC Investment Management LLC
Cheswold Lane Asset Management LLC
ClariVest Asset Management LLC
Cornerstone Capital Management Inc
Cupps Capital Management
IronBridge Capital Management
OakBrook Investments LLC
Phocas Financial Corporation
Piedmont Investment Advisors LLC
Three Peaks Capital Management LLC
Capital Prospects LLC
AH Lisanti Capital Growth LLC
Bernzott Captial Advisors
Geneva Capital Management Ltd
Great Northern Capital
Hanseatic Management Services Inc
Inview Investment Management LLC
Montrose Asset Management LLC
Paradigm Asset Management Co LLC
Profit Investment Management
Redwood Investment LLC
Walthausen & Co LLC
FIS Group
Ativo Capital Management
Bedlam Asset Management PLC
Channing Capital Management LLC
Denali Advisors LLC
OakBrook Investments LLC
Paradigm Asset Management Co LLC
Redwood Investment LLC
Thomas White International Ltd
Victoria 1522 Investments
Winslow Capital Management Inc
Leading Edge Investment Advisors
Atlanta Life Investment Advisors Inc
Driehaus Capital Management LLC
Frantzen Capital Management Inc
Gratry & Company Inc
Lombardia Capital Partners LLC
Markston International LLC
Mindshare Capital Management LLC
New Century Investment Management Inc
NMF Asset Management LLC
Penn Capital Management Co Inc
Westwood Global Investments
Northern Trust
Atlanta Life Investment Advisors Inc
Cornerstone Investments Partners
Credo Capital Management
Eagle Global Advisors
Geneva Capital Management
Hexavest Inc
JK Milne Asset Management
KDP Asset Management
Lombardia Capital Partners
Lynmar Capital Group Inc
Magee Thompson Investment Partners
New Century Advisors
Palisades Investment Partners
Profit Investment Management
Riverbridge Partners
Signia Capital Management
Sky Investment Coucil
Summit Creek Advisors
Twin Capital Management Inc
Progress Investment Management
Ambassador Capital Management
Ariel Investments LLC
Boston Common Asset Management
Brown Capital Management Inc
Cardinal Capital Management LLC
Credo Capital Management
Decatur Capital Management
Denali Advisors LLC
DSM Capital Partners LLC
GW Capital Inc
Insight Capital Research & Management
Ironwood Investment Management LLC
John HSU Capital Group Inc
Lombardia Capital Partners LLC
Lynmar Capital Group Inc
New Century Advisors
Pugh Capital Management Inc
Rigel Capital LLC
Shapiro Capital Management LLP
Strategic Global Advisors LLC

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

INVESTMENT PORTFOLIO SUMMARY
as of June 30, 2009 and 2008
(Expressed in Thousands)

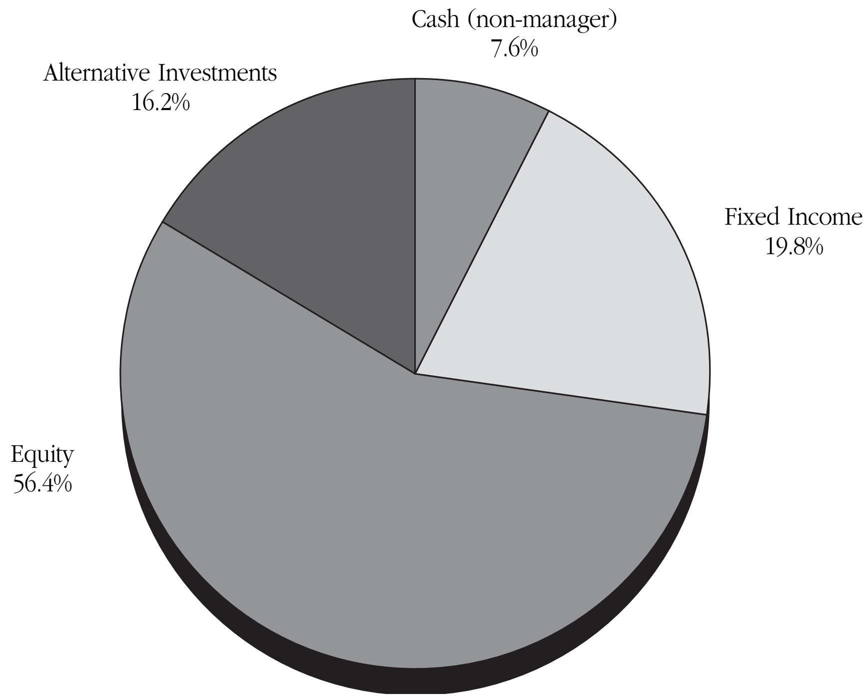
	2009		2008	
	Fair Value	**% of Fair Value**	**Fair Value**	**% of Fair Value**
Fixed Income				
Fixed Income	$ 5,197,408	18.4%	$ 8,799,125	24.1%
Credit Opportunity	375,276	1.3	0	0.0
**Net cash & cash equivalents (manager)	42,216	0.1	-95,808	-0.3
*Total Fixed Income	**5,614,900**	**19.8**	**8,703,317**	**23.8**
Equity				
Domestic stocks	7,522,082	26.5	10,073,994	27.7
Global stocks	2,205,329	7.8	3,852,200	10.7
International stocks	6,118,850	21.6	8,040,050	22.0
**Net cash & cash equivalents (manager)	156,109	0.6	305,695	0.8
Total Equity	**16,002,370**	**56.4**	**22,271,939**	**61.2**
Alternate Investment				
Absolute Return	738,479	2.6	198,857	0.5
Private Equity	959,142	3.4	1,422,380	3.9
Real Estate (includes private)	1,693,403	5.9	2,261,142	6.1
Real Return	1,416,985	5.0	1,521,769	4.2
**Net cash & cash equivalents (manager)	-203,040	-0.7	93,095	0.3
Total Alternate Investments	**4,604,969**	**16.2**	**5,497,243**	**15.0**
Cash	**2,145,346**	**7.6**	**0**	**0**
Total Cash (non-manager)	**$28,367,585**	**100.0%**	**$36,472,499**	**100.0%**
Total Portfolio				

* *Security Lending collateral payable has been netted against the actual collateral. The amounts net to zero.*

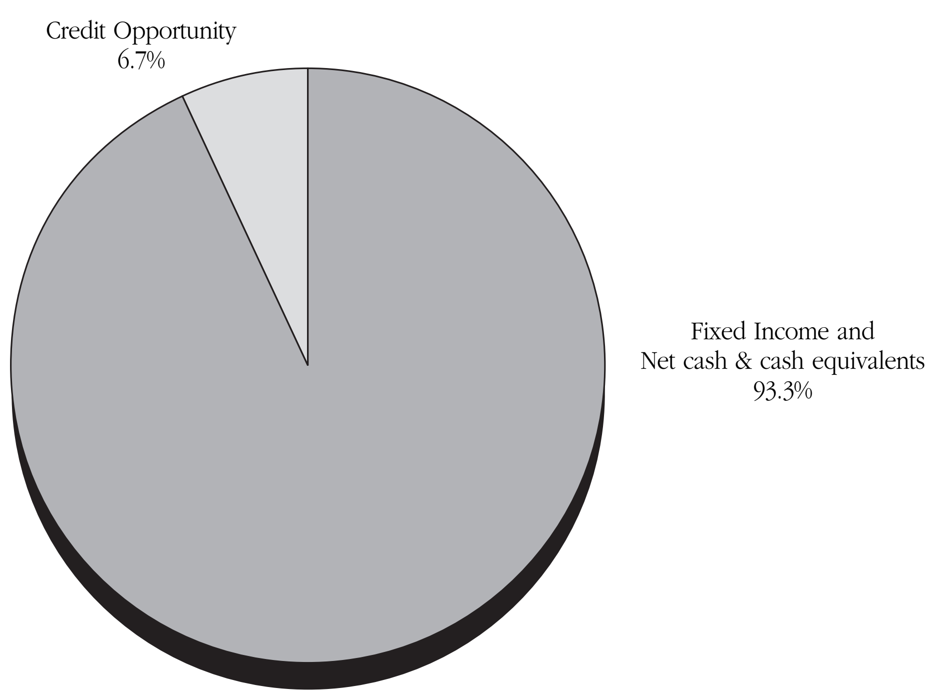
** *Includes investment receivables and payables.*

Note: 2008 categories have been changed to be comparable with 2009.
Assets belonging to the Mass Transit Administration are not included in this schedule.

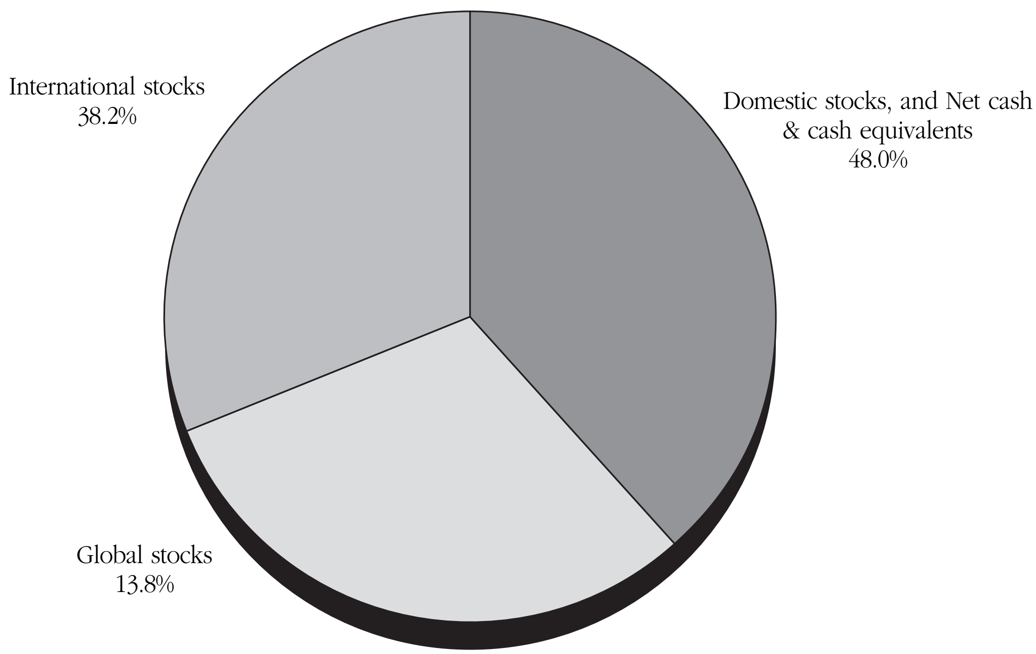
INVESTMENT PORTFOLIO ALLOCATION
as of June 30, 2009



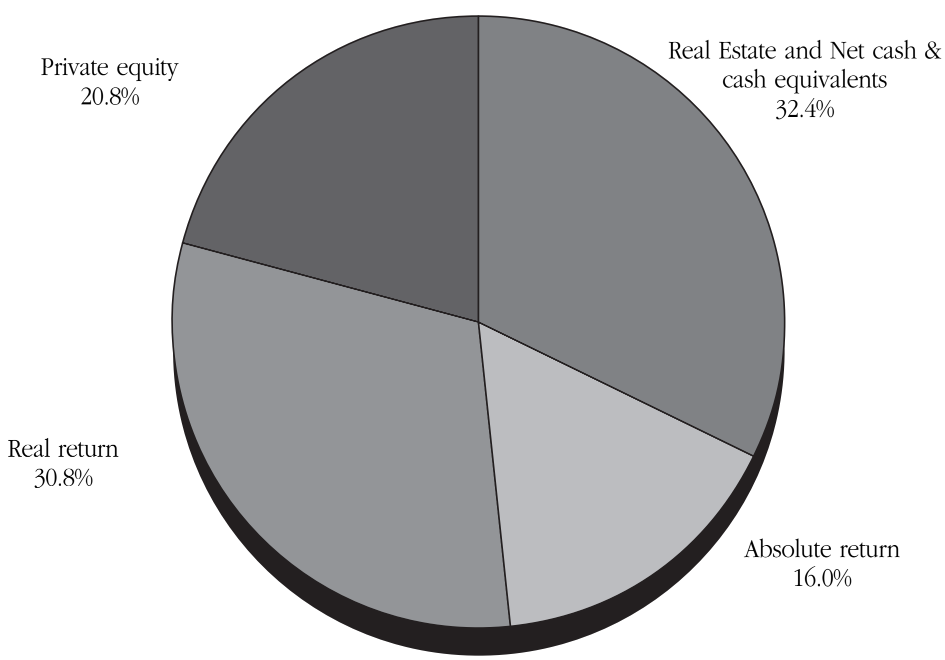
FIXED INCOME DISTRIBUTION BY TYPE
as of June 30, 2009



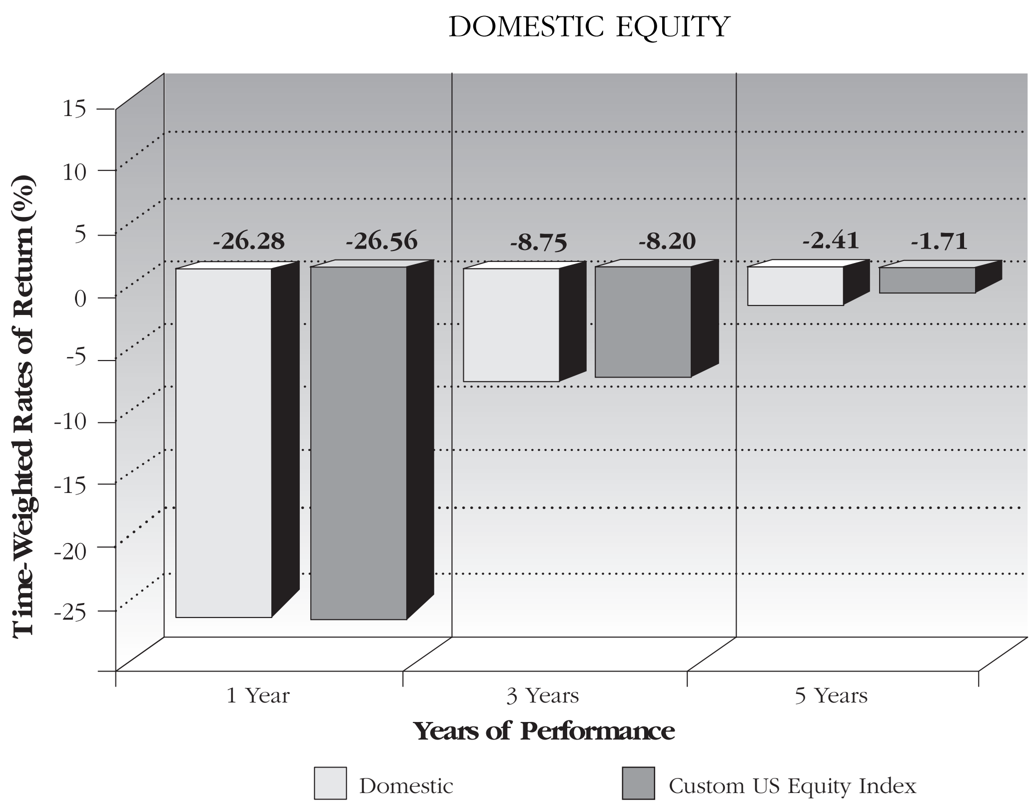
EQUITY DISTRIBUTION BY TYPE
as of June 30, 2009

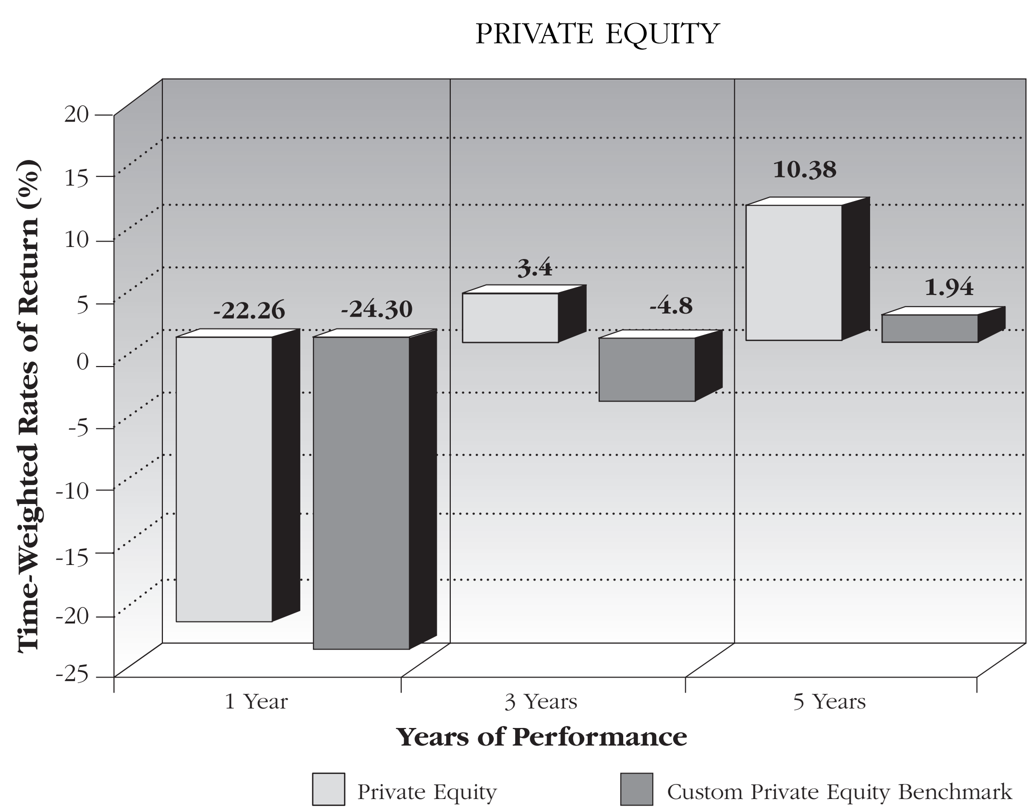


ALTERNATE INVESTMENT DISTRIBUTION BY TYPE
as of June 30, 2009

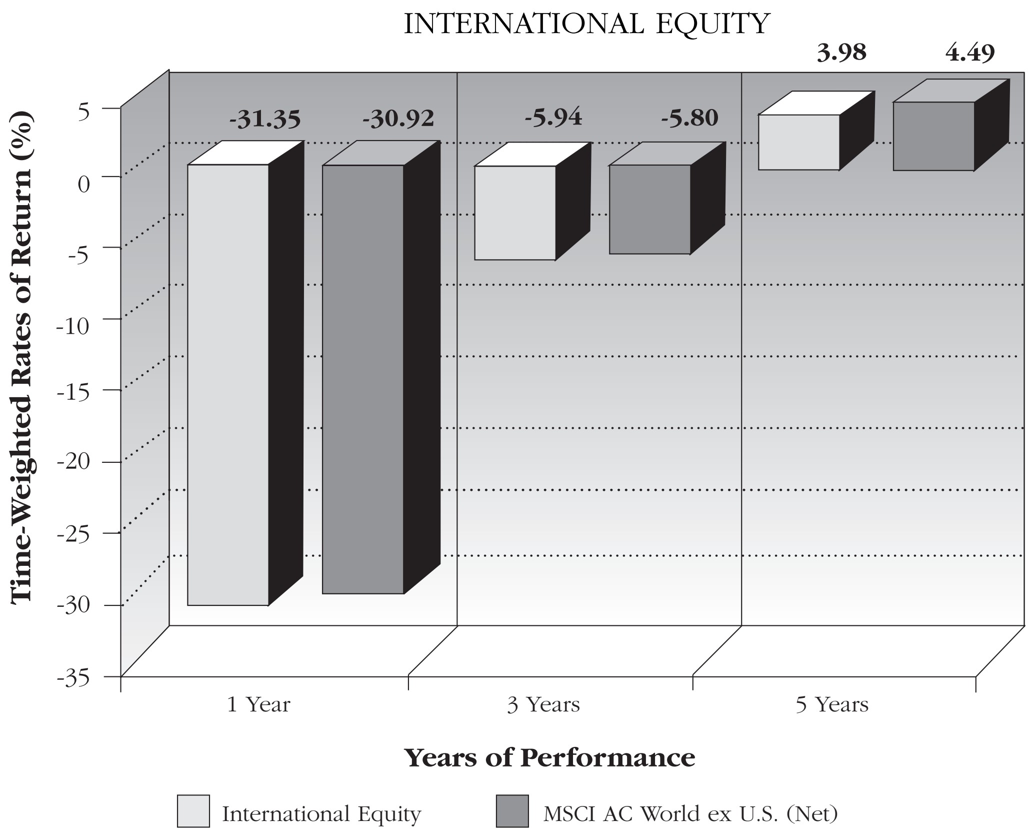


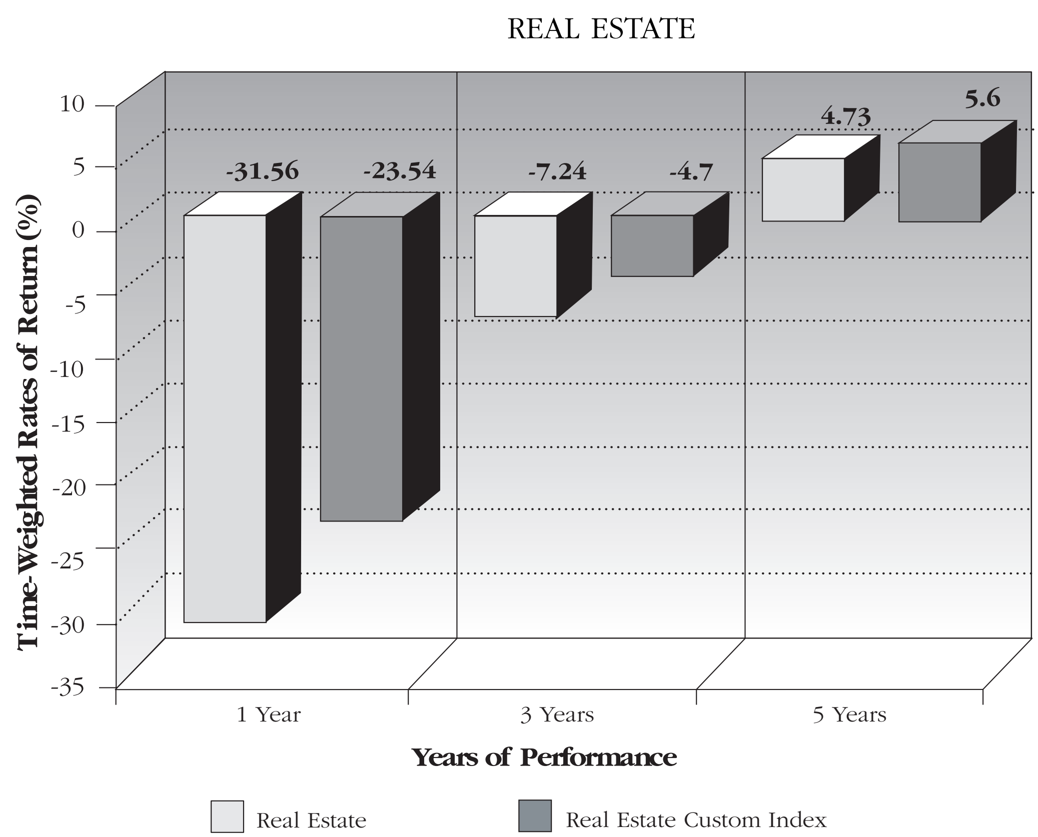
Comparative Investment Returns Ending June 30, 2009



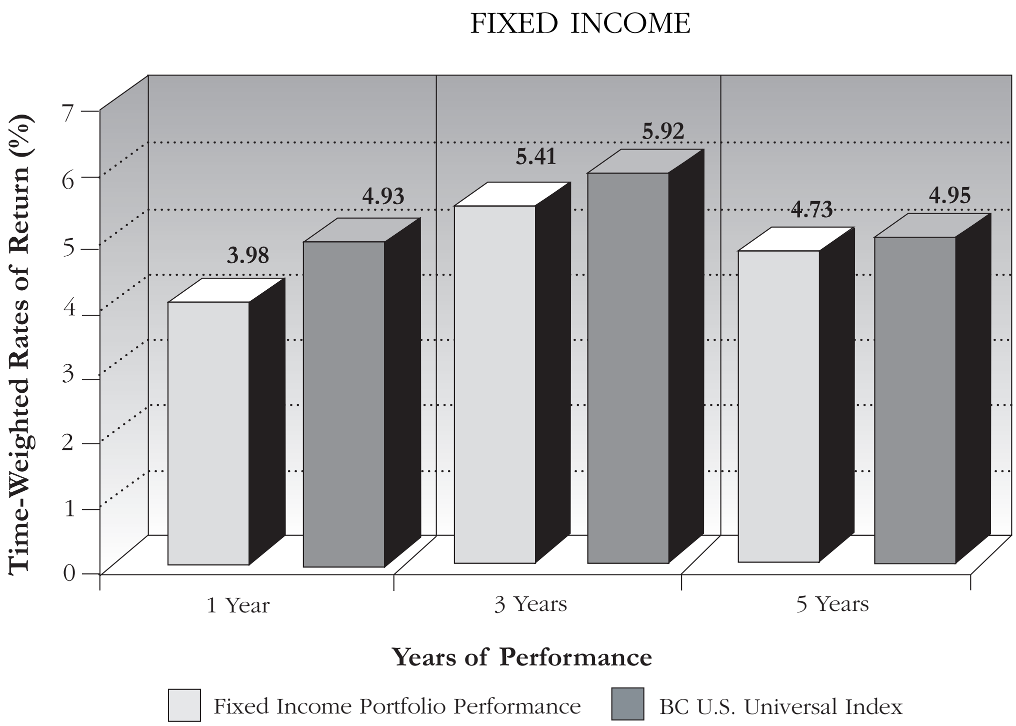


Comparative Investment Returns Ending June 30, 2009

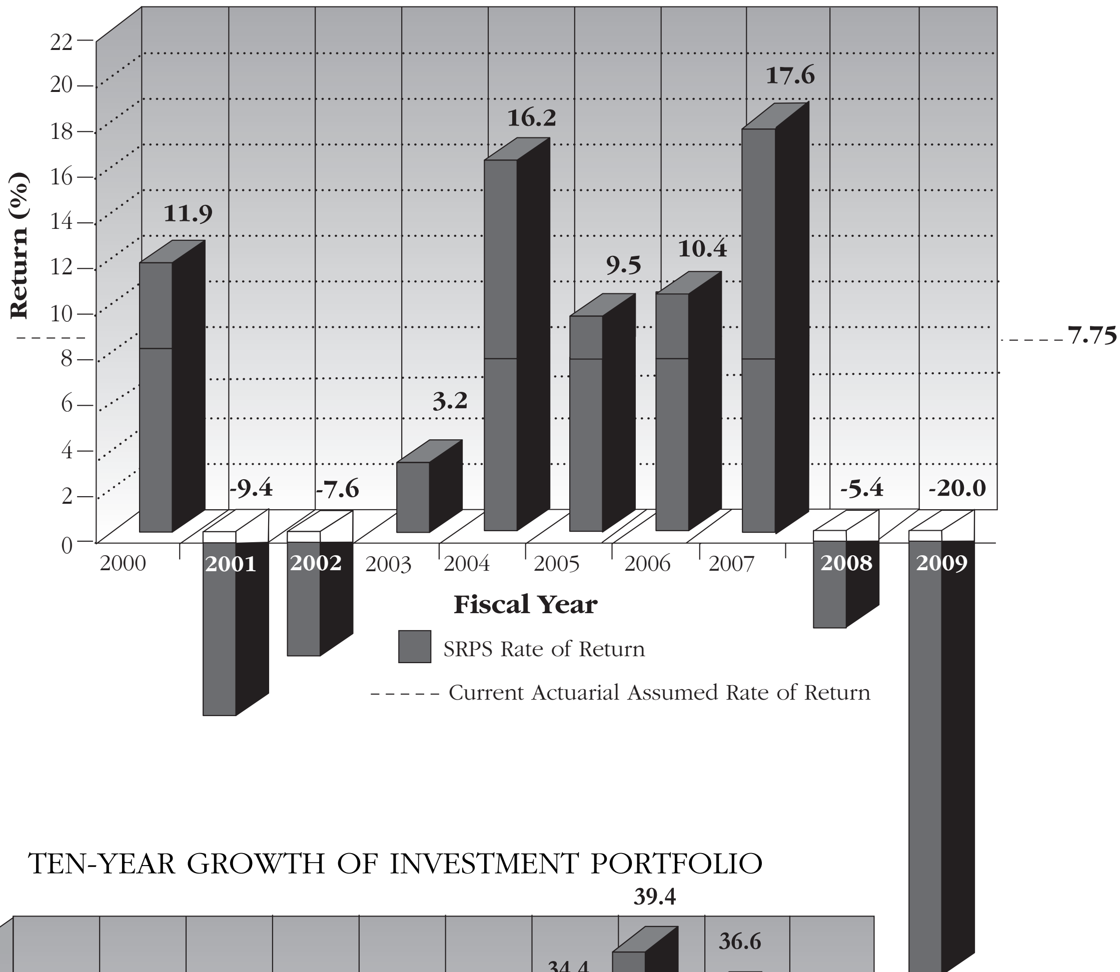




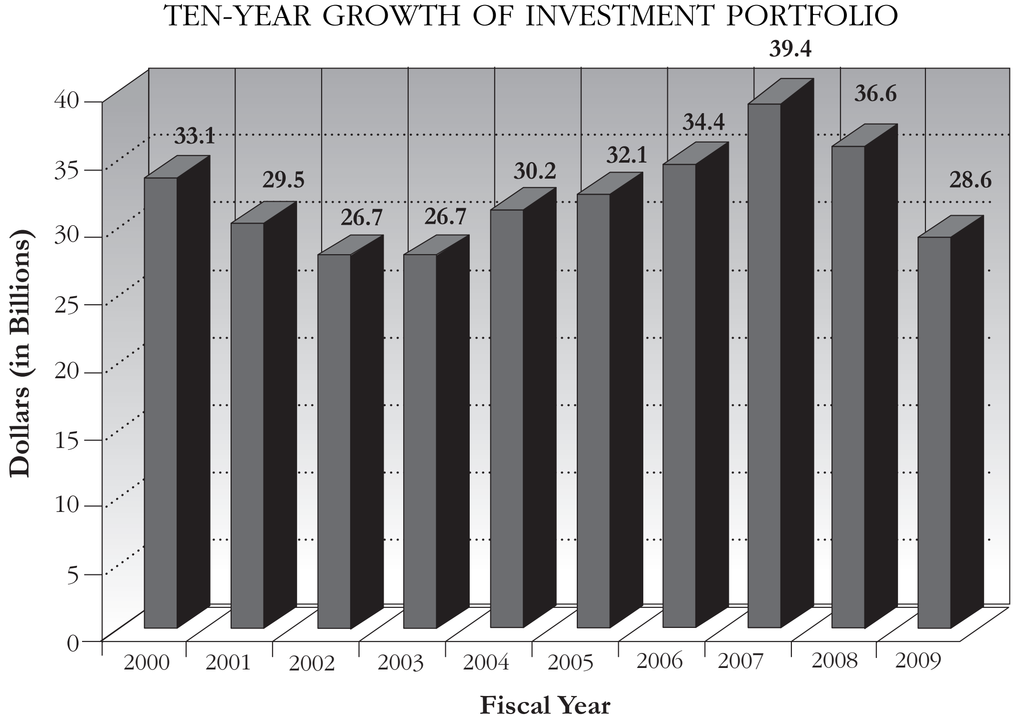
Comparative Investment Returns Ending June 30, 2009



TEN-YEAR HISTORY OF TIME-WEIGHTED ANNUAL RETURNS



TEN-YEAR GROWTH OF INVESTMENT PORTFOLIO



MARYLAND STATE RETIREMENT AND PENSION SYSTEM

LARGEST STOCK & BOND HOLDINGS AT MARKET
as of June 30, 2009

EQUITY INCOME SECURITIES:	Shares	Market Value
Exxon Mobil Corporation	2,880,326	$ 201,363,591
Microsoft Corporation	5,068,769	120,484,639
Apple, Incorporated	765,254	108,995,127
Nestle SA	2,769,414	104,201,573
Johnson & Johnson	1,752,760	99,556,768
JP Morgan Chase & Company	2,750,631	93,824,023
International Business Machines	893,719	93,322,138
Google, Incorporated	220,676	93,034,795
AT & T, Incorporated	3,549,990	88,181,752
Proctor and Gamble Company	1,713,287	87,548,966
Wal-Mart Stores, Incorporated	1,721,102	83,370,181
General Electric Company	6,617,605	77,558,331
Chevron Corporation	1,162,088	76,988,330
Pfizer, Incorporated	5,034,111	75,511,665
BP PLC	9,578,727	75,371,624
Cisco Systems, Incorporated	3,991,864	74,408,345
HSBC Holdings	8,849,120	73,230,177
Coca Cola Company	1,486,392	71,331,952
Roche Holdings AG	517,095	70,226,593
Wells Fargo & Company	2,750,170	66,719,124

FIXED INCOME SECURITIES	Par Value	Market Value
Unites States Treasury Notes, 1.875%, due July 15, 2015	106,944,605	$ 106,240,107
Unites States Treasury Bonds, 2.375%, due January 15, 2025	100,606,044	104,251,952
Unites States Treasury Notes, 2.0%, due January 15, 2016	92,979,800	94,402,025
Unites States Treasury Notes, 2.25%, due May 31, 2014	68,126,000	67,219,033
Unites States Treasury Bonds, 3.875%, due April 15, 2029	51,328,939	64,841,736
Unites States Treasury Bonds, 2.0%, due January 15, 2026	64,339,498	63,110,496
Unites States Treasury Bonds, 3.625%, due April 15, 2028	49,230,857	59,801,529
Federal Home Loan, TBA 5.5%, due December 1, 2099	57,500,000	59,337,303
Unites States Treasury Notes, 3.0% due July 15, 2012	54,900,778	58,274,378
Unites States Treasury Notes, 1.625% due January 15, 2015	58,401,895	58,200,992
Unites States Treasury Notes, 2.375% due January 15, 2017	52,929,565	55,475,868
Unites States Treasury Notes, 1.875% due July 15, 2013	52,834,213	54,426,602
Federal National Mortgage Assn., TBA 5.5% due December 1, 2099	50,900,000	53,254,125
Federal National Mortgage Assn., TBA 5.5% due December 1, 2099	50,130,000	51,735,724
Unites States Treasury Notes, 2.625% due July 15, 2017	44,418,008	47,363,157
Unites States Treasury Notes, 2.625% due June 30, 2014	40,628,000	40,756,313
Unites States Treasury Notes, 0.75% due May 31, 2011	40,500,000	40,354,897
Government National Mortgage Assn., TBA 6.5%, due December 01, 2099	36,843,000	39,082,362
Federal National Mortgage Assn., Pool 738567, 0.5%, due September 1, 2033	36,989,469	37,833,288
Federal National Mortgage Assn., Pool 929688, 5.5%, due July 1, 2038	34,826,997	36,003,770

A complete list of portfolio holdings is available upon request.

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Actuarial Section

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October 9, 2009

Board of Trustees
Maryland State Retirement and Pension System
120 E. Baltimore Street, 16th Floor
Baltimore, MD 21202-1600

Dear Members of the Board:

At your request, we have performed our annual actuarial valuation of the Maryland State Retirement & Pension System as of June 30, 2009.

Funding Objective
The funding objective of the System is to establish contribution rates which, over time, will remain relatively level as a percent of payroll. In order to achieve this, a contribution rate has been determined which will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus a level percent of payroll amortization of the pre-2001 unfunded actuarial liability to the year 2020, and of each subsequent layer of unfunded actuarial liability (whether it arise from plan changes, assumption changes or gains/losses) over a 25 year period from the year it first arises. Maryland law now contains provisions (i.e. a corridor approach) to mitigate annual fluctuations in contribution rates. Due to this funding approach, the contribution rates currently being appropriated for the Employees' and Teachers' Combined Systems are lower than the actuarially determined rates for GASB No. 27 accounting purposes.

Assumptions
The actuarial assumptions used in this years' valuation have been recommended by the prior actuary and adopted by the Board of Trustees based upon the most recent review of the System's experience completed during Fiscal Year 2006.

The assumptions and methods used in performing this valuation meet the parameters set for disclosure presented in the financial section of the System's Comprehensive Annual Financial Report (CAFR) by Government Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. A summary of these assumptions is presented in the financial section of the System's CAFR.

The results and conclusions of this report are only valid for the July 1, 2009 plan year and should not be interpreted as applying to future years. The actuarial assumptions reflect our understanding of the likely future experience of the plans in the program and the assumptions as a whole represent our best estimate for the future experience of the those plans. The accuracy of the results presented in this report is dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plans could vary from our results.

Reliance on Others
In preparing our report, we have relied, without audit, on employee census data and financial information provided by Agency staff. Census data provided to us by the Agency has been reviewed for reasonableness and for consistency with the data certified by the System's auditors.

Supporting Schedules
Certain information presented in the System's June 30, 2009 CAFR was derived from our June 30, 2009 actuarial valuation report. In this regard, we were responsible for producing all supporting schedules to be found in the Actuarial Section.

Additionally, we were responsible for producing all data presented in the Schedule of Funding Progress, Schedule of Employer Contributions and Notes to the Required Supplementary Information shown in the Financial Section of the 2009 CAFR. Information pertaining to valuations prior to 2009 was determined by previous actuarial firms.

Certification
On the basis of the foregoing, we certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with Maryland's Annotated Code and generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice as promulgated by the Actuarial Standards Board.

Sincerely,

Brad L. Armstrong Consulting Actuary
BLA:sac

Gabriel Roeder Smith & Company

BOARD SUMMARY

This report presents the results of the June 30, 2009 actuarial valuation of the Maryland State Retirement and Pension System (MD SRPS). The primary purposes of performing the annual actuarial valuation are to:

1) **Determine the contributions** to be paid by employers in Fiscal Year 2011;
2) **Measure and disclose**, as of the valuation date, the financial condition of the System;
3) **Indicate trends** in the financial progress of the System;
4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

In this section of the report, we present a summary of the above information in the form of:

- The actuary's comments;
- The prior year's experience of the System's assets, liabilities, contributions, and membership;
- A series of graphs highlighting key trends experienced by the System; and
- A tabular summary, intended for quick reference purposes, of all the principal results from this year's valuation, compared to the prior year's.

ACTUARY'S COMMENTS

The System's market value of assets lost 20% for the year ended June 30, 2009, which is significantly less than the 7.75% assumed rate of investment return. The actuarial, or smoothed, rate of return (loss) measured from this past year was 11.57%, also less than the assumed rate of investment return.

For the System to earn at least 7.75% on an actuarial value basis, the market value of assets will have to earn returns in the future that are higher than the actuarial investment return assumption by enough to offset the unrecognized market losses that have been deferred under the "5-year averaging" method used to determine the actuarial value of assets. If future investment results are only sufficient to earn 7.75% on a market basis, then the deferred market investment losses will gradually be reflected in the actuarial value of assets which will put upward pressure on contribution rates.

The System's unfunded actuarial liability was $18,445 million as of June 30, 2009. This compares to a $10,740 million unfunded liability measured as of the June 30, 2008 valuation. In relative terms, the overall System funding ratio of actuarial value of assets to liabilities fell from 78.62% in 2008, to 65.02% this year. If market value of assets were the basis for the measurements, the plan would be 54.18% funded. The market value of assets exceeds the retiree liabilities by slightly more than 3%. This is referred to as a short contribution test. It is looking at the current retiree liabilities as the benefits that will be paid the soonest since these benefits are already in pay status. Active liabilities and deferred vested liabilities do not have associated immediate cash flow requirements. Generally speaking, this is not a cause for concern unless net cash flow requirements exceed 5% and are trending higher. This is not presently the case, but this short condition test merits annual review.

The unfunded actuarial liability actually increased by $7.7 billion for the year ended June 30, 2009. The actuarial investment loss increased the unfunded actuarial liability by $7.6 billion. Added to this was a liability loss of $1.3 billion, which indicates that actual experience during the year ending June 30, 2009 was less favorable than the non-investment actuarial assumptions. Thus the total System experienced a net actuarial loss of $8.9 billion.

In the 2001 legislative session, the Legislature changed the method used to fund the two largest Systems of the MD SRPS: the Teachers Combined System and the State portion of the Employees Combined System to a corridor method. Under this funding approach, the State appropriation is fixed at the June 30, 2000 valuation rate as long as the actuarial funded status of these Systems remains in a corridor of 90% funded to 110% funded. Once the ratio falls outside this corridor, the appropriated rate will be adjusted one-fifth of the way toward the underlying actuarially calculated rate. Plan amendments and assumption and method changes are not subject to the corridor method. This year the Teachers' Combined System (TCS) and the State portion of the Employees Combined System (ECS) remained out of the corridor necessitating an increase in the TCS and ECS contribution rates.

Under the present circumstances, the corridor method results in contributions that are less than those determined actuarially. We recommend a return to full actuarial funding at the earliest possible time.

The results of this valuation report disclose the actuarially determined rates which will be used for purposes of disclosing the Annual Required Contribution rate under Governmental Accounting Standards Board Statement No. 25 unless the equivalent amortization period for amortizing unfunded actuarial liability is greater than 30 years. The analysis in this report will focus on the actuarially determined rate but will strive to footnote the appropriated or budgeted rate where applicable.

The balance of this section summarizes System trends, and provides the principal details on this year's experience.

PRIOR YEAR EXPERIENCE

Assets (State and Muncipal)

Plan assets for this System are measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method, described in detail in Appendix C, essentially reflects only 20% of the difference between (a) the asset value if the assets had earned the assumed rate of 7.75%, and (b) the actual market value. In periods of high returns, this method defers the amount of asset gains above the assumed return of 7.75%. Conversely, in periods of returns below the assumed, recognition of the losses is deferred. The primary advantage of this smoothing technique is contribution stability. The System does not immediately feel the full impact of lower (or higher) costs when asset values fluctuate dramatically. In the Teacher and Employee Systems, the impact is further reduced by the corridor method.

For the plan year ending June 30, 2009, the System's market value of assets lost 20% on a market value basis and 11.57% on a smoothed basis. While on a market basis, the Fund experienced a market value investment loss of $10,167 million, the actuarial or smoothed basis grew by less than 7.75% which produced a loss of $7,567 million. The specific changes between the prior year amounts and this year's are presented below.

Item (In Millions)	**Market Value**	**Actuarial Value**
June 30, 2008 Value	$36,614	$34,504
June 30, 2008 Municipal Withdrawls		
/New Entrants	–	–
Employer Contributions	1,110	1,110
Member Contributions	532	532
Benefit Payments	(2,329)	(2,329)
Expected Investment Earnings (7.75%)	2,811	3,035
Expected Value June 30, 2009	$38,738	$41,852
INVESTMENT GAIN (LOSS)	(10,167)	(7,567)
June 30, 2009 Value	$28,570	$34,285

Liabilities (State and Municipal)

Three different measures of liabilities are calculated for this fund: a total value of future obligations (PVB), an actuarial liability (EAN), and an accrued benefit liability (PVAB). Section III of this report describes the development of each. Only the actuarial liability is analyzed in terms of a gain or loss experience, which then is used to determine the System's funding and accounting (GASB) disclosures.

During the plan year ending in 2009, the actuarial liabilities experienced an overall loss of $1.3 billion which is 2.6% of the total actuarial liability being measured. The primary causes for liability experience being less favorable than anticipated this past year were higher than assumed COLAs and rates of normal retirement, and lower than assumed rates of withdrawal and mortality.

LIABILITIES (In Millions)	**Total Value (PVB)**	**Actuarial (EAN)**	**Accounting (PVAB)**
June 30, 2008	$60,796	$50,244	$43,495
June 30, 2009	$63,916	$52,729	$46,985

Unfunded Liabilities and Funding Ratios (State and Municipal)

The difference between assets and liabilities is the unfunded liability. This is measured in two ways: unfunded actuarial liabilities, which compare the actuarial liabilities to the actuarial asset value, and unfunded accrued benefits, which compare the present value of benefits accrued as of the valuation date to the market value of assets. These amounts are shown for June 30, 2008 and June 30, 2009, as Total well as the corresponding funding ratios for each (assets divided by liabilities).

Item (In Millions)	**Actuarial**	**PVAB**
6/30/2008 Net Surplus (Unfunded)	($10,740)	($6,882)
Funding Ratio	78.6%	84.2%
6/30/2009 Net Surplus (Unfunded)	($18,445)	($18,415)
Funding Ratio	65.0%	60.8%

CONTRIBUTIONS (State Portion Only)

In our report, we show the various contribution rates by system. In this summary, we present the overall State contribution rate, and compare it to the rate developed in the June 30, 2008 actuarial valuation. In summary, due to the net impact of investment and liability losses, the overall State contribution requirement, computed for FY 2011 on the actuarially determined basis, has increased from 14.42% to 19.74% of payroll. It is important to note that this is not the contribution rate upon which the State will base its budget in either FY 2010 or FY 2011. Nor is this analysis the underlying cost calculations which will be used to disclose the State's pension expense for GASB reporting purposes. The actual appropriations are calculated using the Corridor Funding Method for the two largest plans. This approach produced payroll-weighted averages of 12.62% at June 30, 2008, increasing to 14.26% as of June 30, 2009.

Rate as Percent of Covered Payroll - Actuarially Determined	
June 30, 2008 State Rate	14.42%
Increase due to Plan Changes	0.10%
Increase due to Investment Loss	4.50%
Increase due to Liability Loss	0.67%
Decrease due to Other	0.05%
June 30, 2009 State Rate	19.74%

Rate as Percent of Covered Payroll - Budget (Corridor Method)	
June 30, 2008 State Appropriation Rate	12.62%
Increase in Systems not within the Corridor	0.36%
Increase due to TCS remaining out of Corridor	0.68%
Increase due to ECS remaining out of Corridor	0.60%
June 30, 2009 State Appropriation Rate	14.26%

Membership (State and Municipal)

There are primarily three types of plan participants: current active workers, previous terminations who retain a right to a deferred vested benefit, and retirees and beneficiaries. In Appendix B, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2008 and 2009.

As shown below, there was an overall increase in participation during the year of 1.1%

	6/30/2009	6/30/2008	Change
Active Participants	199,705	199,255	0.2%
Deferred Vested Members	51,866	51,795	0.1%
Retirees and Beneficiaries	116,007	112,422	3.2%
TOTAL PARTICIPANTS	367,578	363,472	1.1%

Trends (State and Municipal)

One of the best ways to measure or evaluate the financial condition of a pension plan is to examine the historical trends that are evolving. Below, we present three charts which present trend information from 1993 through the end of 2009, on the System's assets and liabilities, annual cash flows in and out of the fund, and the State contribution rate. Our comments on each follow.

Chart A:
Assets/Liabilities

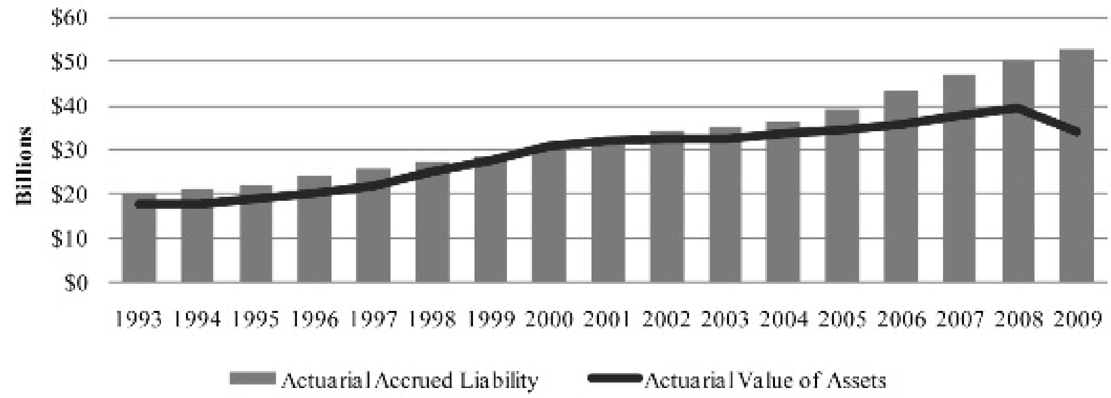


Chart B:
Cash Flows

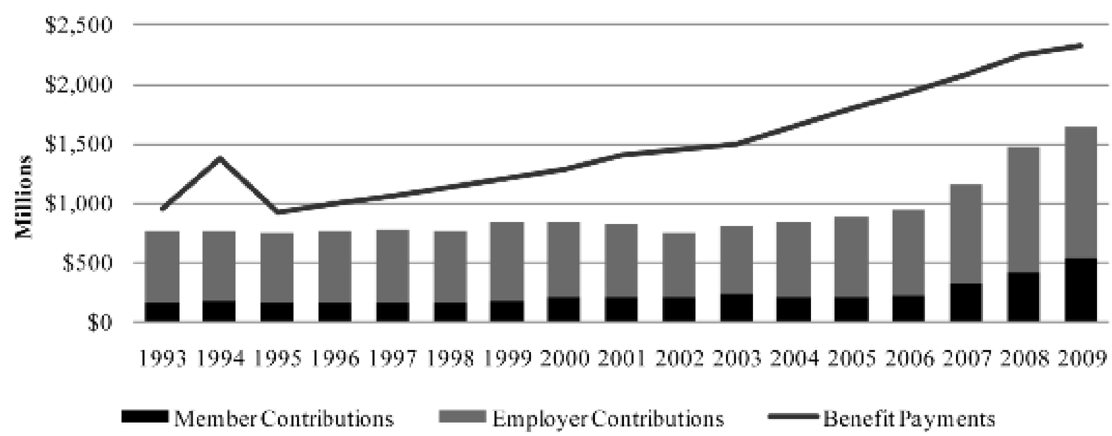
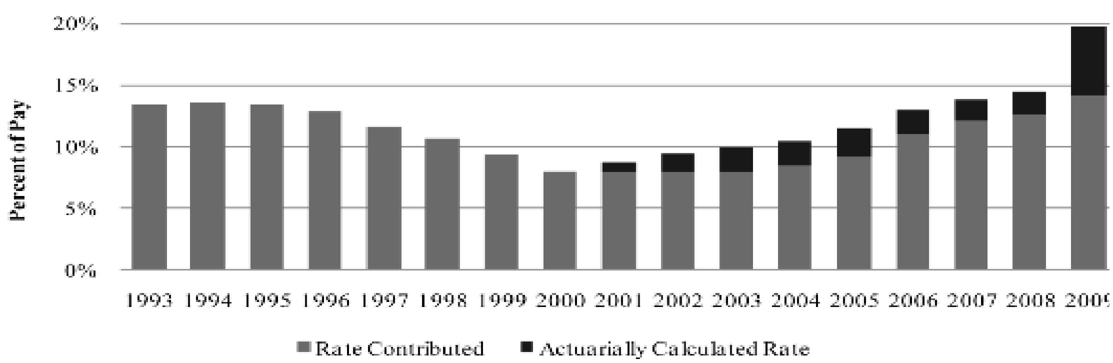


Chart C:
State Contribution Rate



Comments

Chart A places into perspective the aforementioned investment and liability performance losses of this past year. The ratio of actuarial assets to liabilities (i.e., funding ratio) has grown since the early 1980's. The current decade's aggregate unfavorable investment experience has eroded the funded ratio from its peak. The actuarial value of assets still contains unrecognized market losses from 2008 and 2009 which will not be fully reflected until 2013 under the current 5 year smoothed asset valuation method.

Chart B presents trend information that can have investment implications. Many state-wide retirement systems, with the aging and retirements of the baby boom generation are seeing payments to retirees on the increase. As long as cash into the fund, from employer and employee contributions, is increasing in a similar manner, the financial objectives of the System will continue to be met. The ECS contribution rate started increasing in FY 2006 and the TCS contribution rate started to increase in FY 2007 under the corridor method.

Finally, Chart C, looks only at the State contribution rate which is used each year to determine the upcoming fiscal year State appropriation. It shows the impact of the 1990's decade's sustained investment gains, a continuous lowering of the rate until 2000. Effective with the 2001 valuation, the State appropriations were performed under a corridor funding method for the two largest plans. The appropriation remained essentially level for a few years before increasing with the 2004 valuation. In the absence of favorable investment and/or demographic experience, the contribution rates can be expected to increase to the level indicated if the corridor method had not been adopted. Without the corridor method, the State contribution in FY 2011 would be 5.48% of payroll higher than the amount to be budgeted under the corridor method. The actual contribution rate for FY 2011 is therefore 30% less than the actuarially determined rate.

Chart C indicates further that since inception, the corridor method had consistently acted to reduce the State's contribution. Since MDSRPS assets are now barely sufficient to cover retiree liabilities, we recommend that action be taken to raise contributions to actuarial levels as soon as possible.

ACTUARIAL METHODS AND ASSUMPTIONS

Funding Method

The System uses the individual entry age normal cost method with projection to determine the actuarial accrued liability on which future employer contribution rates will be based. 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 (see note 4).

The unfunded actuarial accrued liability (UAAL) is being amortized, as a level percentage of payroll, in distinct pieces. The UAAL which existed as of the June 30, 2000 actuarial valuation is being amortized over the remaining 11-year period to June 30, 2020. Each new layer of UAAL arising subsequent to the year ended June 30, 2000 is being amortized in separate annual layers over a 25-year period. Each separate amortized layer has a closed amortization period. The equivalent single amortization period is 29.783 years.

Asset Valuation Method

Assets are valued for funding purposes by recognizing investment gains and losses over a five-year period. Each year's investment gain or loss is amortized on a straight-line basis over five years. The final actuarial value is limited to not more than 120% nor less than 80% of the market value of assets.

Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the System's independent actuary, based upon periodic analyses of the System's experience, and adopted by the Board of Trustees. Differences between assumed and actuarial experience (i.e., actuarial gains and losses) are part of the unfunded actuarial liability. The following significant assumptions were used in the actuarial valuation as of June 30, 2009:

- a rate of return on investments of 7.75% compounded annually (adopted June 30, 2003);
- projected salary increases of 3.5% compounded annually, attributable to inflation (adopted June 30, 2007);
- additional projected salary increases ranging from 0.00% to 8.50% per year attributable to seniority and merit (adopted June 30, 2007);
- post-retirement benefit increases ranging from 2.75% to 3.5% per year depending on the system (adopted June 30, 2009);
- rates of mortality, termination of service, disablement and retirement based on actual experience during the period from 2003 through 2006 (adopted June 30, 2007); and
- an increase in the aggregate active member payroll of 3.5% annually (adopted June 30, 2007).

SUMMARY OF UNFUNDED ACTUARIAL
(STATE AND

Valuation Date June 30,	Actuarial Liabilities For: Active Member Contributions	Retirees, Term Vested and Inactives	Active Members Employer Fin. Portion	Total Liabilities	Actuarial Value of Assets
1999	$1,580,530,209	$13,583,779,499	$13,311,070,338	$28,475,380,046	$27,646,578,997
2000	1,662,397,147	14,636,664,952	13,980,804,631	30,279,866,730	30,649,380,445
2001	1,752,989,299	15,939,733,140	14,777,219,354	32,469,941,793	31,914,778,425
2002	1,858,783,727	16,783,959,580	15,488,540,705	34,131,284,012	32,323,263,153
2003	1,973,371,055	17,573,117,822	15,428,111,989	34,974,600,866	32,631,464,884
2004	2,064,065,193	19,041,901,524	15,219,737,348	36,325,704,065	33,484,656,570
2005	2,148,065,879	20,975,329,441	16,010,054,447	39,133,449,767	34,519,500,395
2006	2,217,897,868	22,086,452,920	18,939,141,669	43,243,492,457	35,795,025,134
2007	2,489,643,667	25,790,846,645	18,863,863,688	47,144,354,000	37,886,935,596
2008	2,787,163,875	27,224,603,428	20,232,279,697	50,244,047,000	39,504,284,202
2009	2,959,415,829	28,914,824,184	20,854,931,317	52,729,171,330	34,284,568,617

SUMMARY OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
(STATE AND MUNICIPAL)

Fiscal Year Ended	Added to Rolls		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowance	Number	Annual Allowances	Number	Annual Allowances		
1999	5,514	$93,034,053	2,375	$30,628,858	77,478	$1,109,723,100	5.96%	$14,323
2000	5,758	115,003,079	2,463	31,450,868	80,773	1,211,400,269	7.41	14,998
2001	6,071	145,073,765	2,659	34,172,397	84,185	1,322,301,637	9.15	15,708
2002	5,925	107,545,768	2,743	36,803,883	87,367	1,393,043,522	5.35	15,945
2003	6,216	123,497,444	2,780	38,449,020	90,803	1,478,091,946	6.11	16,278
2004	6,822	152,664,871	2,745	38,223,588	94,880	1,592,533,229	7.74	16,785
2005	8,179	179,497,068	2,863	41,696,122	100,196	1,730,334,175	8.65	17,269
2006	6,822	164,369,688	3,247	34,799,179	103,831	1,859,904,684	7.49	17.913
2007	5,967	177,884,598	1,443	17,852,392	108,355	2,019,936,890	8.60	18,642
2008	7,310	205,072,079	3,243	48,851,264	112,422	2,176,157,700	7.73	19,357
2009	6,700	218,347,411	3,115	56,523,577	116,007	2,337,981,534	7.44	20,154

LIABILITIES / SOLVENCY TEST
MUNICIPAL)

Ratio of Assets to Actuarial Liabilities						
Active Member Contributions	**Retirees Term Vested and Inactives**	**Active Members Employer Fin. Portion**	**Funded Ratio (Assets/Liab. Coverage)**	**Unfunded Actuarial Accrued Liability (UAAL)**	**Covered Payroll**	**UAAL as % of Covered Payroll**
100%	100%	93.77%	97.09%	$ 828,801,049	$6,312,417,000	13%
100	100	102.64	101.22	(369,513,715)	6,725,870,000	(5)
100	100	96.24	98.29	555,163,368	7,255,036,000	8
100	100	88.33	94.70	1,808,020,859	7,867,794,200	23
100	100	84.81	93.30	2,343,135,982	8,134,419,291	29
100	100	81.33	92.18	2,841,047,495	8,069,480,852	35
100	100	71.18	88.21	4,613,949,372	8,603,760,761	54
100	100	60.67	82.78	7,448,467,323	9,287,575,596	80
100	100	50.93	80.36	9,257,418,404	9,971,012,066	93
100	100	46.92	78.62	10,739,762,798	10,542,806,018	102
100	100	11.56	65.02	18,444,602,713	10,714,167,517	172

STATEMENT OF CHANGES IN TOTAL ACTUARIAL PRESENT VALUE OF ALL ACCRUED BENEFITS
(STATE AND MUNICIPAL)

(Expressed in Millions)

	Accumulated Benefit Obligation (FASB 35)
Actuarial present value of accrued benefits at June 30, 2008	$ 43,495
Increase (decrease) during year attributable to:	
Benefits Paid – FY 2009	(2,329)
Operation of Decrements	5,719
Plan Amendment	0
Actuarial Assumption Changes	100
Net Increase (Decrease)	3,490
Actuarial present value of accrued benefits at June 30, 2009	$ 46,985

TABLE V-1
ACCOUNTING STATEMENT INFORMATION
THE TOTAL SYSTEMS OF THE STATE OF MARYLAND
(STATE AND MUNICIPAL)

Item	June 30, 2009	June 30, 2008
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	$27,638,063,932	$26,024,615,048
b. Former Vested Members	1,276,760,252	1,199,988,380
c. Active Members	18,070,334,086	16,270,811,666
2. Total Present Value of Accrued Benefits (1(a)+1(b)+1(c))	46,985,158,270	43,495,415,094
3. Assets at Market Value	28,570,473,847	36,613,710,023
4. Unfunded Present Value of Accrued Benefits (2-3)	$ 18,414,684,423	$ 6,881,705,071
5. Ratio of Assets to Value of Benefits (3/2)	60.81%	84.18%
B. GASB No. 25 Basis		
1. Actuarial Accrued Liabilities for Retirees and Beneficiaries Currently Receiving Benefits and Terminated Vested Employees Not Yet Receiving Benefits	$28,914,824,184	$27,224,603,428
2. Actuarial Accrued Liabilities for Current Employees	23,814,347,146	23,019,443,779
3. Total Actuarial Accrued Liability (1+2)	52,729,171,330	50,244,047,207
4. Net Actuarial Assets Available for Benefits	34,284,568,617	39,504,284,202
5. Unfunded Actuarial Accrued Liability	$18,444,602,713	$ 10,739,763,005

REPORT OF THE ACTUARY ON THE VALUATION OF THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM
(STATE AND MUNICIPAL)

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Counts			
Active Members	199,705	199,255	0.2%
Retired Members and Beneficiaries	116,007	112,422	3.2%
Vested Former Members	51,886	51,795	(0.1%)
Total	367,578	363,472	1.1%
Covered Annual Salaries of Active Members	$10,714,167,517	$ 10,542,806,018	1.6%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 2,337,981,534	$ 2,176,157,705	7.4%
2. Assets and Liabilities			
Total Actuarial Liability	$52,729,171,330	$50,244,047,207	4.9%
Assets for Valuation Purposes	34,284,568,617	39,504,284,202	-13.2%
Unfunded Actuarial Liability	$18,444,602,713	$ 10,739,763,005	71.7%
Funding Ratio	65.0%	78.6%	
Present Value of Accrued Benefits	$46,985,158,270	$43,495,415,094	8.0%
Market Value of Assets	28,570,473,847	36,613,710,023	-22.0%
Unfunded FASB Accrued Liability	$ 18,414,684,423	$ 6,881,705,071	167.6%
Accrued Benefit Funding Ratio	60.8%	84.2%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE TEACHERS' COMBINED SYSTEM OF THE STATE OF MARYLAND

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Counts			
Active Members	106,107	105,961	0.1%
Retired Members and Beneficiaries	55,756	54,035	3.2%
Vested Former Members	22,995	22,818	0.8%
Total	184,858	182,814	1.1%
Covered Annual Salaries of Active Members	$ 6,194,734,040	$ 6,117,590,424	1.3%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 1,394,374,299	$ 1,302,456,748	7.1%
2. Assets and Liabilities			
Total Actuarial Liability	$31,172,917,174	$29,868,704,554	4.4%
Assets for Valuation Purposes	20,605,618,296	23,784,403,753	-13.4%
Unfunded Actuarial Liability (Surplus)	$10,567,298,878	$ 6,084,300,801	73.7%
Funding Ratio	66.1%	79.6%	
Present Value of Accrued Benefits	$27,570,740,648	$25,454,365,719	8.3%
Market Value of Assets	17,171,348,580	22,058,961,997	-22.2%
Unfunded FASB Accrued Liability	$10,399,392,068	$ 3,395,403,722	206.3%
Accrued Benefit Funding Ratio	62.3%	86.7%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE EMPLOYEES' COMBINED SYSTEM OF THE STATE OF MARYLAND

(STATE AND MUNICIPAL)

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Counts			
Active Members	89,380	89,202	0.2%
Retired Members and Beneficiaries	56,610	54,920	3.1%
Vested Former Members	28,608	28,725	-0.4%
Total	174,598	172,847	1.0%
Covered Annual Salaries of Active Members	$ 4,249,462,513	$ 4,165,012,635	2.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 793,268,952	$ 734,343,434	8.0%
2. Assets and Liabilities			
Total Actuarial Liability	$18,517,486,423	$ 17,609,769,165	5.2%
Assets for Valuation Purposes	11,839,115,494	13,599,717,089	-12.9%
Unfunded Actuarial Liability (Surplus)	$ 6,678,370,929	$ 4,010,052,076	66.5%
Funding Ratio	63.9%	77.2%	
Present Value of Accrued Benefits	$ 16,448,959,736	$ 15,371,268,908	7.0%
Market Value of Assets	9,865,929,578	12,617,280,261	-21.8%
Unfunded FASB Accrued Liability (Surplus)	$ 6,583,030,158	$ 2,753,988,647	139.0%
Accrued Benefit Funding Ratio	60.0%	82.1%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE
STATE POLICE RETIREMENT SYSTEM OF THE STATE OF MARYLAND

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Counts			
Active Members	1,408	1,426	-1.3%
Retired Members and Beneficiaries	2,226	2,149	3.6%
Vested Former Members	68	61	11.5%
Total	3,702	3,636	1.8%
Covered Annual Salaries of Active Members	$ 85,585,708	$ 86,464,247	-1.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 94,121,168	$ 87,639,631	7.4%
2. Assets and Liabilities			
Total Actuarial Liability	1,710,356,297	1,601,575,853	6.8%
Assets for Valuation Purposes	1,119,765,683	1,343,208,496	-16.6%
Unfunded Actuarial Liability (Surplus)	$ 590,590,614	$ 258,367,357	128.6%
Funding Ratio	65.5%	83.9%	
Present Value of Accrued Benefits	$ 1,699,734,417	$1,571,642,305	8.2%
Market Value of Assets	933,138,069	1,222,164,139	-23.6%
Unfunded FASB Accrued Liability (Surplus)	$ 766,596,348	$ 349,478,166	119.4%
Accrued Benefit Funding Ratio	54.9%	77.8%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE PENSION PLAN OF JUDGES AND THEIR SURVIVING SPOUSES

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Data			
Active Members	297	286	3.8%
Retired Members and Beneficiaries	348	342	1.8%
Vested Former Members	6	8	-25.0%
Total	651	636	2.4%
Covered Annual Salaries of Active Members	$40,266,330	$ 37,943,327	6.1%
Annual Retirement Allowances for Retired Members and Beneficiaries	$23,548,132	$ 23,135,728	1.8%
2. Assets and Liabilities			
Total Actuarial Liability	$421,038,964	$406,781,743	3.5%
Assets for Valuation Purposes	270,869,530	306,716,176	-11.7%
Unfunded Actuarial Liability (Surplus)	$150,169,434	$100,065,567	50.1%
Funding Ratio	64.3%	75.4%	
Present Value of Accrued Benefits	$414,773,496	$392,392,720	5.7%
Market Value of Assets	225,724,608	283,759,913	-20.5%
Unfunded FASB Accrued Liability (Surplus)	$189,048,888	$108,632,807	74.0%
Accrued Benefit Funding Ratio	54.4%	72.3%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE
LAW ENFORCEMENT OFFICERS' PENSION SYSTEM OF THE STATE OF MARYLAND
(STATE AND MUNICIPAL)

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Data			
Active Members	2,445	2,327	5.1%
Retired Members and Beneficiaries	1,067	958	11.4%
Vested Former Members	189	174	8.6%
Total	3,701	3,459	7.0%
Covered Annual Salaries of Active Members	$140,071,292	$133,445,391	5.0%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 32,688,983	$ 28,250,389	15.6%
2. Assets and Liabilities			
Total Actuarial Liability	$895,099,496	$748,005,298	19.7%
Assets for Valuation Purposes	441,826,566	465,386,285	-5.1%
Unfunded Actuarial Liability (Surplus)	$453,272,930	$282,619,013	60.4%
Funding Ratio	49.4%	62.2%	
Present Value of Accrued Benefits	$841,774,730	$697,424,997	20.7%
Market Value of Assets	368,188,805	426,877,468	-13.7%
Unfunded FASB Accrued Liability (Surplus)	$473,585,925	$270,547,529	75.0%
Accrued Benefit Funding Ratio	43.7%	61.2%	

REPORT OF THE ACTUARY ON THE VALUATION OF THE CORRECTIONAL OFFICERS' RETIREMENT SYSTEM OF THE STATE OF MARYLAND (MUNICIPAL)

Summary of Principal Plan Results

	June 30, 2009	June 30, 2008	% Change
1. Participant Data			
Active Members	68		
Retired Members and Beneficiaries	0		
Vested Former Members	0	Intentionally Left Blank	
Total	68		
Covered Annual Salaries of Active Members	$ 4,047,633		
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 0		
2. Assets and Liabilities			
Total Actuarial Liability	$12,272,976		
Assets for Valuation Purposes	7,373,048	Intentionally Left Blank	
Unfunded Actuarial Liability (Surplus)	$4,899,928		
Funding Ratio	60.1%		
Present Value of Accrued Benefits	$9,175,244		
Market Value of Assets	6,144,207	Intentionally Left Blank	
Unfunded FASB Accrued Liability (Surplus)	$3,031,037		
Accrued Benefit Funding Ratio	67.0%		

SCHEDULE OF ACTIVE MEMBERSHIP VALUATION DATA BY PLAN

Teachers' Retirement

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	11,634	$ 671,990,806	$ 57,761	4.77 %
2001	10,396	638,864,807	61,453	6.39
2002	9,270	604,172,528	65,175	6.06
2003	8,199	555,522,563	67,755	3.96
2004	7,197	502,487,678	69,819	3.05
2005	6,255	464,693,323	74,291	6.41
2006	5,449	413,849,937	75,950	2.23
2007	4,788	383,619,438	80,121	5.49
2008	4,125	352,954,397	85,565	6.79
2009	3,554	306,096,545	86,127	0.66

Teachers' Pension

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	79,297	$ 3,057,854,648	$ 38,562	2.93 %
2001	82,901	3,355,335,942	40,474	4.96
2002	87,086	3,718,881,395	42,704	5.51
2003	89,099	3,966,679,839	44,520	4.25
2004	88,765	4,113,119,415	46,337	4.08
2005	91,535	4,590,698,122	50,152	8.23
2006	94,869	4,855,335,579	51,179	2.04
2007	98,789	5,326,145,893	53,914	5.34
2008	101,836	5,764,636,027	56,607	4.99
2009	102,553	5,888,637,495	57,420	1.44

Employees' Retirement

(State and Municipal)

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	12,213	$ 444,062,220	$ 36,360	5.37 %
2001	11,962	457,899,607	38,280	5.28
2002	11,722	470,462,717	40,135	4.85
2003	11,347	462,088,968	40,723	1.47
2004	10,489	438,455,277	41,801	2.65
2005	9,869	423,715,070	42,934	2.71
2006	10,121	467,808,791	46,222	7.66
2007	9,980	472,525,475	47,347	2.44
2008	9,740	472,800,066	48,542	2.52
2009	9,962	483,871,203	48,572	0.06

SCHEDULE OF ACTIVE MEMBERSHIP VALUATION DATA BY PLAN
(continued)

Employees' Pension
(State and Municipal)

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	73,212	$ 2,385,187,733	$ 32,579	5.40 %
2001	76,024	2,626,959,051	34,554	6.06
2002	78,584	2,886,208,074	36,728	6.29
2003	77,939	2,961,965,306	38,004	3.47
2004	75,955	2,964,093,317	39,024	2.68
2005	76,787	3,187,380,273	41,509	6.37
2006	76,979	3,325,316,541	43,198	4.07
2007	78,719	3,543,695,246	45,017	4.21
2008	79,462	3,692,212,569	46,465	3.22
2009	79,418	3,765,664,905	47,416	2.05

Judges' Retirement

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	283	$ 30,146,837	$ 106,526	1.93 %
2001	281	30,554,439	108,735	2.07
2002	281	31,824,096	113,253	4.16
2003	287	33,168,859	115,571	2.05
2004	283	33,149,832	117,137	1.36
2005	282	33,897,984	120,206	2.62
2006	296	35,939,104	121,416	1.01
2007	297	37,638,491	126,729	4.38
2008	286	37,943,327	132,669	4.69
2009	297	40,266,330	135,577	2.19

State Police Retirement

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	1,636	$ 79,388,246	$ 48,526	5.71 %
2001	1,578	79,382,508	50,306	3.67
2002	1,589	81,141,520	52,323	4.01
2003	1,542	80,838,519	52,424	0.19
2004	1,445	77,531,613	53,655	2.35
2005	1,439	77,610,367	53,934	0.52
2006	1,441	80,648,855	55,967	3.77
2007	1,416	83,190,937	58,751	4.97
2008	1,426	86,464,247	60,634	3.21
2009	1,408	85,585,708	60,785	0.25

SCHEDULE OF ACTIVE MEMBERSHIP VALUATION DATA BY PLAN

(continued)

Law Enforcement Officers' Pension

(STATE AND MUNICIPAL)

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2000	1,130	$ 50,301,859	$ 44,515	5.32 %
2001	1,318	60,438,291	45,856	3.01
2002	1,410	65,915,519	46,748	1.95
2003	1,481	69,469,540	46,907	0.34
2004	1,675	78,628,672	46,942	0.07
2005	1,826	88,925,957	48,700	3.75
2006	2,063	106,668,684	51,706	6.17
2007	2,217	122,015,164	55,036	6.44
2008	2,327	133,445,391	57,347	4.20
2009	2,445	140,071,292	57,289	-0.10

Correctional Officers' Retirement System

(MUNICIPAL)

Valuation Date As of June 30,	Number	Annual Payroll	Annual Average Pay	% Increase Avg. Pay
2009	68	$ 4,047,633	$ 59,524	NA

Statistical Section

The Maryland State Retirement and Pension System (MSRPS) is implementing GASB Statement 44, Economic Condition Reporting: The Statistical Section. This statement establishes standardized reporting requirements relative to the supplementary information provided in this section in an effort to improve the understandability and usefulness of the information presented. GASB Statement 44 further states that the purpose of the. Statistical Section is to provide historical perspective, context, and detail to assist readers in using the information in the financial statements and the notes to the financial statements to better understand and assess the System's overall economic condition. The schedules within the Statistical Section are classified into the following four categories: Financial Trends, Revenue Capacity, Demographic and Economic information, and Operating Information.

The schedules beginning on page 91 show financial trend information to assist users in understanding and assessing how the MSRPS's financial position has changed over the past 10 years. The financial trend schedules presented are:

- Changes in Net Assets
- Benefits Expense by Type

The schedules beginning on page 92 show demographic and economic information and operating information. The demographic and economic information is intended to assist users in understanding the environment in which MSRPS operates. The operating information is intended to provide contextual information about MSRPS's operations to assist readers in using financial statement information. The demographic and economic information and the operating information presented include:

- Schedule of Average Benefit Payments .
- Funding Progress
- Contribution Rates by Plan
- Schedule of Retired Members by Type
- Schedule of Active Membership by Plan
- Schedule of Retirees and Beneficiaries by Plan
- Revenues by Source and Expenses by Type
- Revenues vs. Experises
- Principal Participating Employers

TEN-YEAR HISTORY OF CHANGES IN NET ASSETS

for the Years Ended June 30,
(Expressed in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Additions										
Employer contributions	$ 682,422	$ 634,309	$ 581,371	$ 606,900	$ 632,052	$ 670,554	$ 720,876	$ 833,782	$ 1,047,963	$ 1,109,563
Members contributions	182,507	189,769	199,304	207,584	204,158	208,997	215,077	319,274	420,461	532,100
Net Investment income	3,487,722	(3,138,763)	(2,265,315)	756,747	4,202,632	2,766,389	3,225,649	5,924,070	(2,139,662)	(7,355,906)
Total Additions	4,352,651	(2,314,685)	(1,484,640)	$1,571,231	5,038,842	3,645,940	4,161,602	7,077,126	(671,238)	(5,714,243)
Deductions										
Benefit payments	1,190,954	1,272,804	1,372,325	1,474,257	1,570,622	1,697,397	1,829,468	1,965,872	2,120,463	2,279,170
Refunds	16,805	16,977	17,476	16,310	11,942	19,162	16,455	16,021	16,223	22,325
Administrative expenses	19,751	24,823	20,064	21,352	17,376	22,386	18,579	21,271	23,147	27,499
Total Deductions	1,227,510	1,314,604	1,409,865	1,511,919	1,599,940	1,738,945	1,864,502	2,003,164	2,159,833	2,328,994
Changes in net assets	$3,125,141	$(3,629,289)	$(2,894,505)	$ 59,312	$3,438,902	$1,906,995	$2,297,100	$5,073,962	$(2,831,071)	$(8,043,237)

SCHEDULE OF BENEFIT EXPENSE BY TYPE

(Expressed In Thousands)

	Age & Service Benefits		Death In Service Pre-Retirement	Disability Benefits			Death After Retirement Post-Retirement	
				Retirees				
Fiscal Year	**Retirees**	**Survivors**	**Benefits**	**Accidental**	**Ordinary**	**Survivors**	**Benefits**	**Total**
2000	$ 974,585	$ 62,158	$ 7,372	$ 25,801	$ 96,168	$ 14,073	$ 10,797	$ 1,190,954
2001	1,039,129	66,756	7,561	29,230	103,575	15,599	10,954	1,272,804
2002	1,116,884	72,211	7,908	32,642	113,107	16,836	12,738	1,372,326
2003	1,197,037	78,064	7,443	36,113	122,967	18,355	14,278	1,474,257
2004	1,275,254	82,862	8,515	39,777	131,115	19,798	13,301	1,570,622
2005	1,377,977	88,895	8,369	43,933	142,872	21,318	14,033	1,697,397
2006	1,479,107	101,395	8,655	48,351	152,900	24,036	15,124	1,829,468
2007	1,597,722	102,972	10,133	52,505	166,561	24,695	11,284	1,965,872
2008	1,714,059	118,215	8,908	59,908	176,802	28,052	14,519	2,120,463
2009	1,907,483	94,654	18,133	95,933	148,098	14,845	–	2,279,146

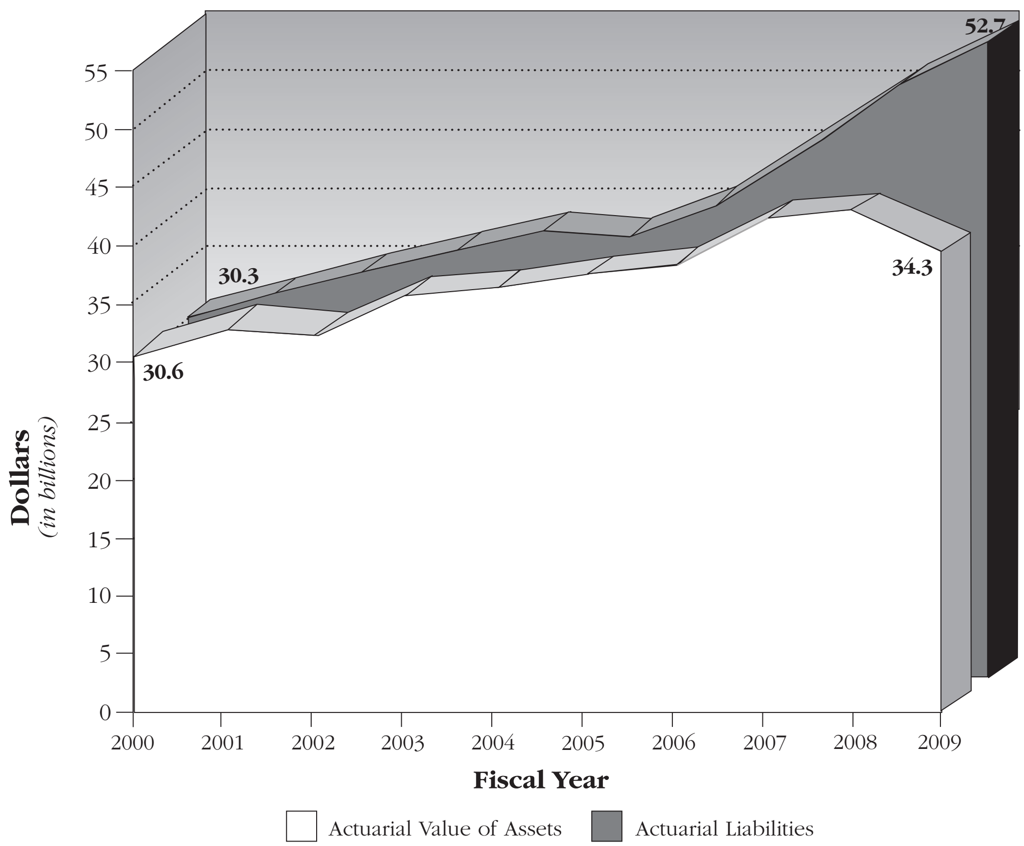
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

Average Benefit Payments – *Last Ten Years*

Years Credited Service

	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30+
Period 7/1/1999 to 6/30/2000							
Average monthly benefit	$ 269	$ 401	$ 661	$ 1,030	$ 1,621	$ 2,468	$ 2,401
Monthly final average salary	$ 1,746	$ 2,148	$ 2,641	$ 2,989	$ 3,539	$ 4,279	$ 3,987
Number of retired members	147	544	589	644	881	1,533	615
Period 7/1/2000 to 6/30/2001							
Average monthly benefit	$ 301	$ 387	$ 688	$ 1,066	$ 1,732	$ 2,496	$ 2,211
Monthly final average salary	$ 2,091	$ 2,260	$ 2,822	$ 3,201	$ 3,617	$ 4,419	$ 3,761
Number of retired members	183	575	584	657	924	1,560	670
Period 7/1/2001 to 6/30/2002							
Average monthly benefit	$ 327	$ 423	$ 739	$ 1,111	$ 1,534	$ 2,495	$ 2,349
Monthly final average salary	$ 1,951	$ 2,389	$ 2,999	$ 3,365	$ 3,689	$ 4,584	$ 4,091
Number of retired members	178	555	645	662	856	1,471	685
Period 7/1/2002 to 6/30/2003							
Average monthly benefit	$ 282	$ 463	$ 750	$ 1,087	$ 1,605	$ 2,527	$ 2,287
Monthly final average salary	$ 2,062	$ 2,521	$ 3,195	$ 3,597	$ 3,859	$ 4,774	$ 4,200
Number of retired members	242	595	671	731	884	1,453	858
Period 7/1/2003 to 6/30/2004							
Average monthly benefit	$ 295	$ 452	$ 767	$ 1,066	$ 1,616	$ 2,520	$ 2,433
Monthly final average salary	$ 2,416	$ 2,634	$ 3,287	$ 3,640	$ 4,000	$ 4,949	$ 4,585
Number of retired members	273	669	669	795	1,009	1,530	1,172
Period 7/1/2004 to 6/30/2005							
Average monthly benefit	$ 349	$ 509	$ 742	$ 1,105	$ 1,591	$ 2,510	$ 2,361
Monthly final average salary	$ 2,461	$ 2,818	$ 3,392	$ 3,882	$ 4,136	$ 5,071	$ 4,615
Number of retired members	254	710	689	878	986	1,552	1,368
Period 7/1/2005 to 6/30/2007							
Average monthly benefit	$ 303	$ 525	$ 819	$ 1,360	$ 1,555	$ 2,426	$ 2,439
Monthly final average salary	$ 2,409	$ 2,852	$ 3,425	$ 4,031	$ 4,183	$ 5,147	$ 4,782
Number of retired members	261	713	702	850	872	1,454	1,319
Period 7/1/2006 to 6/30/2007							
Average monthly benefit	$ 457	$ 637	$ 868	$ 1,253	$ 1,696	$ 2,499	$ 2,256
Monthly final average salary	$ 3,202	$ 3,425	$ 3,733	$ 4,249	$ 4,524	$ 5,435	$ 5,052
Number of retired members	275	750	701	983	937	1,256	1,383
Period 7/1/2007 to 6/30/2008							
Average monthly benefit	$ 419	$ 603	$ 993	$ 1,367	$ 1,732	$ 2,594	$ 2,727
Monthly final average salary	$ 2,811	$ 3,172	$ 3,825	$ 4,510	$ 4,617	$ 5,478	$ 5,224
Number of retired members	275	750	701	983	937	1,256	1,383
Period 7/1/2008 to 6/30/2009							
Average monthly benefit	$ 534	$ 577	$ 868	$ 1,232	$ 1,657	$ 1,973	$ 2,925
Monthly final average salary	$ 2,604	$ 3,273	$ 3,638	$ 4,222	$ 4,781	$ 4,924	$ 5,679
Number of retired members	191	751	625	757	872	678	2,171

TEN-YEAR HISTORY OF FUNDING PROGRESS



TEN-YEAR HISTORY OF EMPLOYER CONTRIBUTION RATES BY PLAN

	State						Participating Governmental Units (PGU)				
Fiscal Year	**Combined State Rate**	**Teachers' Combined Rate**	**Employees' Combined Rate**	**Judges' Retirement**	**State Police Retirement**	**Enforcement Officers' Pension**	**Combined PGU Rate**	**Enforcement Officers' Pension**	**Employees' Retirement**	**Employees' Pension**	**Correctional Officers' Retirement**
2000	10.70%	12.54%	7.15%	48.18%	1.26%	22.96%	3.83%	N/A	8.70%	3.70%	– %
2001	9.31	10.95	5.71	46.75	8.44	23.38	2.95	N/A	7.81	2.81	–
2002	7.98	9.35	4.73	42.66	5.83	32.41	1.94	31.83%	6.75	1.75	–
2003	8.01	9.35	4.73	43.92	5.78	36.10	1.95	29.59	6.95	1.95	–
2004	8.06	8.06	4.73	43.74	7.58	35.13	2.87	30.21	7.59	2.59	–
2005	7.97	9.35	4.73	36.72	–	37.73	5.28	32.10	9.87	4.87	–
2006	8.46	9.35	5.76	41.12	8.22	38.47	5.36	32.67	9.80	4.80	–
2007	9.18	9.71	6.83	42.43	13.83	40.60	N/A	33.18	10.68	5.68	–
2008	11.10	11.60	8.86	44.12	15.44	41.74	N/A	36.80	10.27	5.27	–
2009	11.14	11.70	8.73	43.61	20.53	36.99	N/A	30.53	8.87	3.87	8.41

SCHEDULE OF RETIRED MEMBERS BY TYPE

as of June 30, 2009

Amount of Monthly Benefit	Number of Retirees	Type of Retirement 1	2	3	4	5	6	7
1 - 300	14,022	10,807	1,197	1,024	23	23	621	327
301 - 600	14,428	8,759	2,409	1,115	78	68	1,548	451
601 - 900	12,691	7,281	2,031	1,043	99	99	1,850	288
901 - 1,200	10,843	6,536	1,619	784	98	201	1,412	192
1,201 - 1,500	10,278	6,489	1,330	692	99	347	1,184	138
1,501 - 1,800	8,701	5,520	1,204	518	73	388	926	72
1,801 - 2,100	7,856	5,198	1,126	388	68	397	622	56
2,101 - 2,400	7,196	5,006	945	325	71	350	474	26
2,401 - 2,700	6,155	4,341	802	237	77	339	340	19
2,701 - 3,000	5,604	4,227	639	195	62	221	248	14
Over 3000	18,234	15,345	952	569	123	894	321	30
	116,007	79,508	14,254	6,890	869	3,326	9,545	1,615

Type of Retirement:

1 – Normal retirement for age and service
2 – Early retirement
3 – Survivor payment – normal or early retirement
4 – Survivor payment – death in service
5 – Accidental disability retirement
6 – Ordinary disability retirement
7 – Survivor payment – disability retirement

OF RETIREMENT AND OPTION SELECTED

#Option Selected							
Basic	Opt. 1	Opt. 2	Opt. 3	Opt. 4	Opt. 5	Opt. 6	Opt. 7
6,247	3,180	1,791	1,054	896	435	405	14
5,486	2,924	1,793	1,658	1,393	414	743	16
4,496	2,154	1,544	1,653	1,711	335	788	10
3,626	1,711	1,449	1,509	1,512	320	709	7
3,059	1,562	1,669	1,478	1,466	379	659	6
2,480	1,324	1,467	1,242	1,228	371	583	6
2,249	1,148	1,350	1,147	1,147	289	521	6
2,215	1,006	1,132	1,021	1,105	225	488	5
2,109	755	957	810	1,027	170	323	3
1,800	669	974	743	861	222	329	7
6,979	1,863	2,281	2,646	3,096	340	989	39
40,747	18,296	16,408	14,961	15,441	3,500	6,536	117

Option Selected:

Basic – The standard benefit if no option is selected. Generally, at retiree's death, all payments cease. However, the basic allowance for the State Police, Law Enforcement Offices (LEOPS), Judges and Legislators provides a continuing benefit for spouses or children under 18.

Opt. 1 – Guarantees return of the present value of the retirement benefit less the total payments already paid to the member.

Opt. 2 – Guarantees the same payment to the designated beneficiaries for their lifetime.

Opt. 3 – Guarantees one half the member's payment to the designated beneficiaries for their lifetime.

Opt. 4 – Guarantees return of the member's accumulated contributions and interest less the member's accumulated reserves already paid.

Opt. 5 – Guarantees the same payment to the designated beneficiaries for their lifetime, unless the beneficiaries predecease the respective members. Allowance then increases to the basic.

Opt. 6 – Guarantees one half the member's payment to the designated beneficiaries for their lifetime, unless the beneficiaries predecease the respective members. Allowance then increases to the basic.

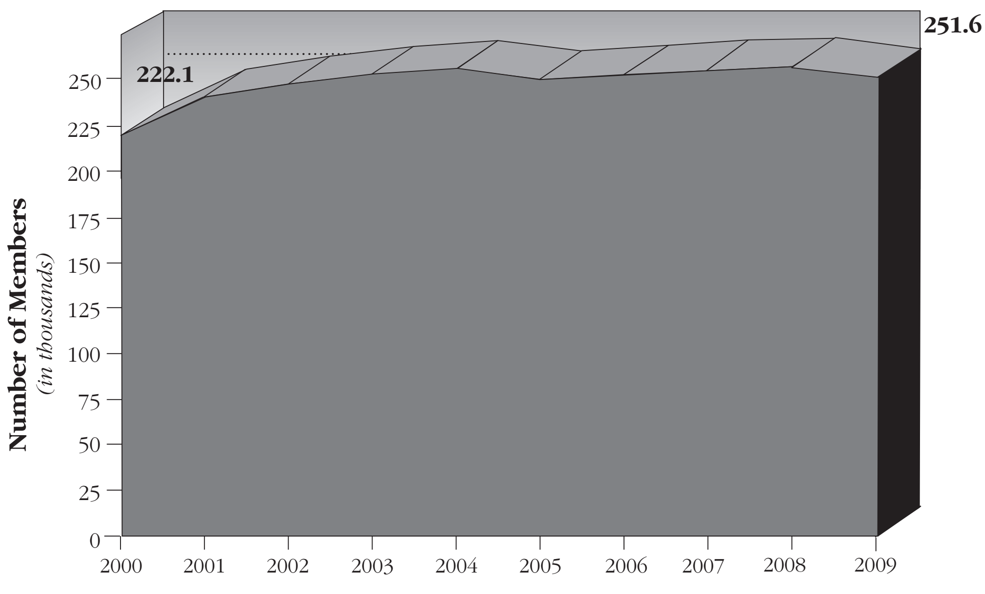
Opt. 7 – Special option calculation performed by actuary.

TEN-YEAR HISTORY OF MEMBERSHIP BY PLAN

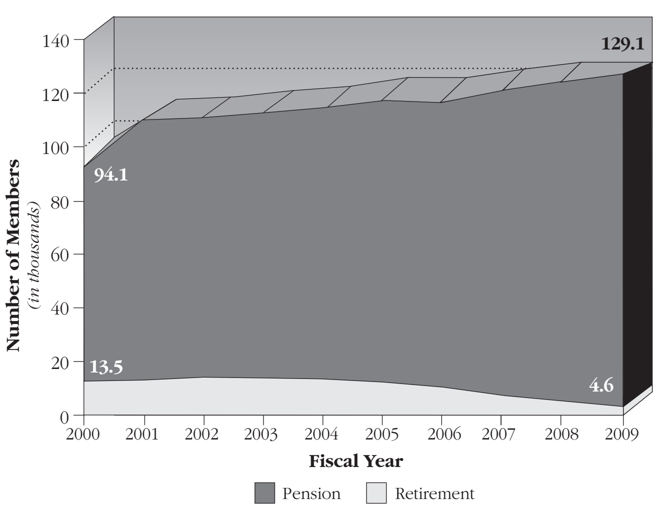
Fiscal Year	Total	Teachers' Retirement	Teachers' Pension	Employees' Retirement*	Employees' Pension	Judges' Retirement	State Police Retirement	Law Enforcement Officers' Pension	Local Correctional Officers' Retirement
2000	222,100	13,491	94,154	13,614	97,517	296	1,658	1,166	–
2001	227,799	12,126	98,508	13,312	100,420	294	1,602	1,367	–
2002	234,478	10,913	103,483	13,053	103,429	291	1,616	1,476	–
2003	235,594	9,776	106,383	12,696	103,151	300	1,583	1,543	–
2004	232,772	8,675	107,092	11,800	101,581	297	1,498	1,756	–
2005	235,714	7,606	110,327	11,160	102,845	297	1,486	1,930	–
2006	240,583	6,678	114,693	11,398	103,784	310	1,499	2,178	–
2007	248,289	5,963	120,333	11,240	106,566	310	1,470	2,344	–
2008	251,050	5,217	123,562	10,906	107,021	294	1,487	2,501	–
2009	251,571	4,550	124,552	11,027	106,961	365	1,414	2,634	68

Note: Includes vested former members. *Includes members of the Maryland General Assembly and State correctional officers.

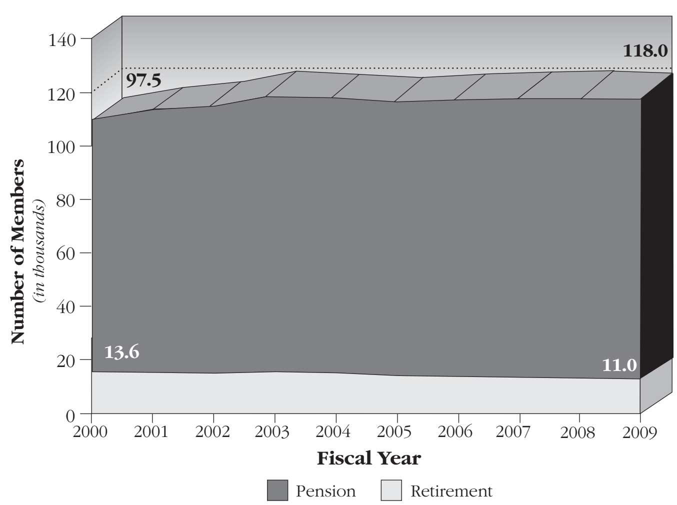
TOTAL SYSTEM MEMBERSHIP



MEMBERSHIP IN TEACHERS' PLANS



MEMBERSHIP IN EMPLOYEES' PLANS

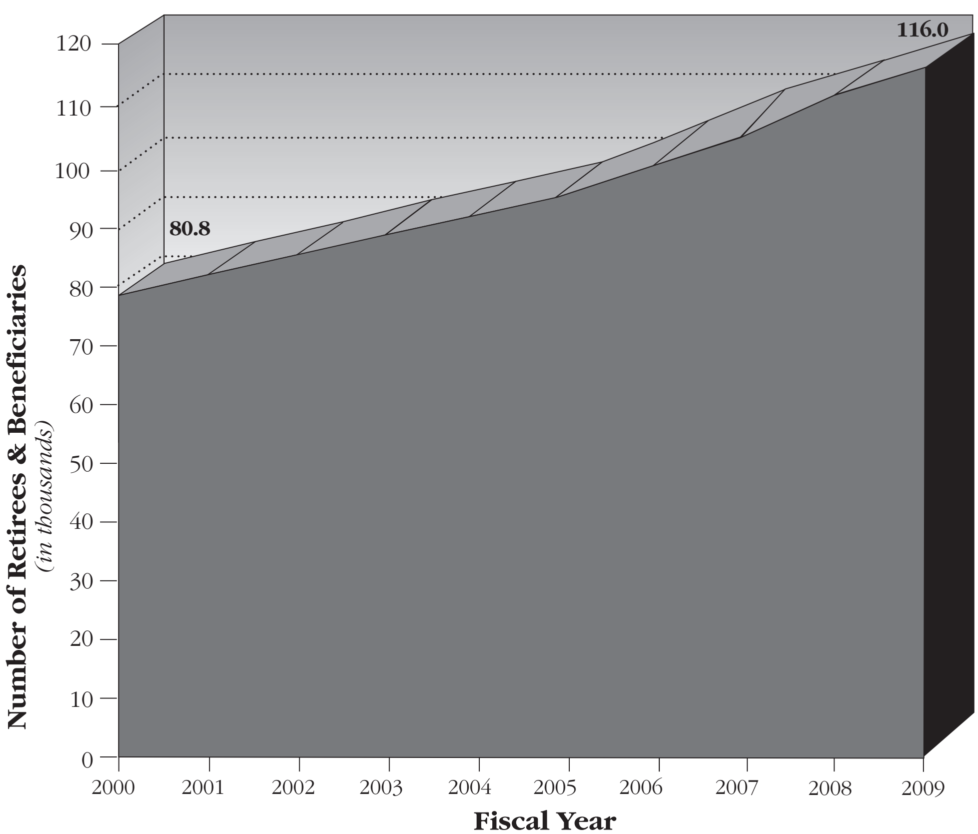


TEN-YEAR HISTORY OF RETIREES AND BENEFICIARIES BY PLAN

Fiscal Year	Total	Teachers' Retirement	Teachers' Pension	Employees' Retirement*	Employees' Pension	Judges' Retirement	State Police Retirement	Law Enforcement Officers' Pension
2000	80,773	29,061	9,084	25,489	15,241	285	1,388	206
2001	84,185	29,599	10,527	25,212	16,702	297	1,518	309
2002	87,367	29,989	11,931	24,904	18,205	311	1,598	403
2003	90,803	30,305	13,370	24,662	19,929	306	1,695	503
2004	94,880	30,598	15,093	24,559	21,913	309	1,790	581
2005	100,196	30,921	17,170	24,633	24,525	316	1,909	708
2006	103.831	31,138	19,144	24,271	26,216	330	1,937	782
2007	108,355	31,023	21,016	24,408	28,631	335	2,063	863
2008	112,422	30,955	23,030	24,197	30,723	342	2,149	958
2009	116,007	30,598	25,158	23,778	32,832	348	2,226	1,067

* Includes members of the Maryland General Assembly and correctional officers.

TOTAL SYSTEM RETIREES AND BENEFICIARIES



TEN-YEAR HISTORY OF REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

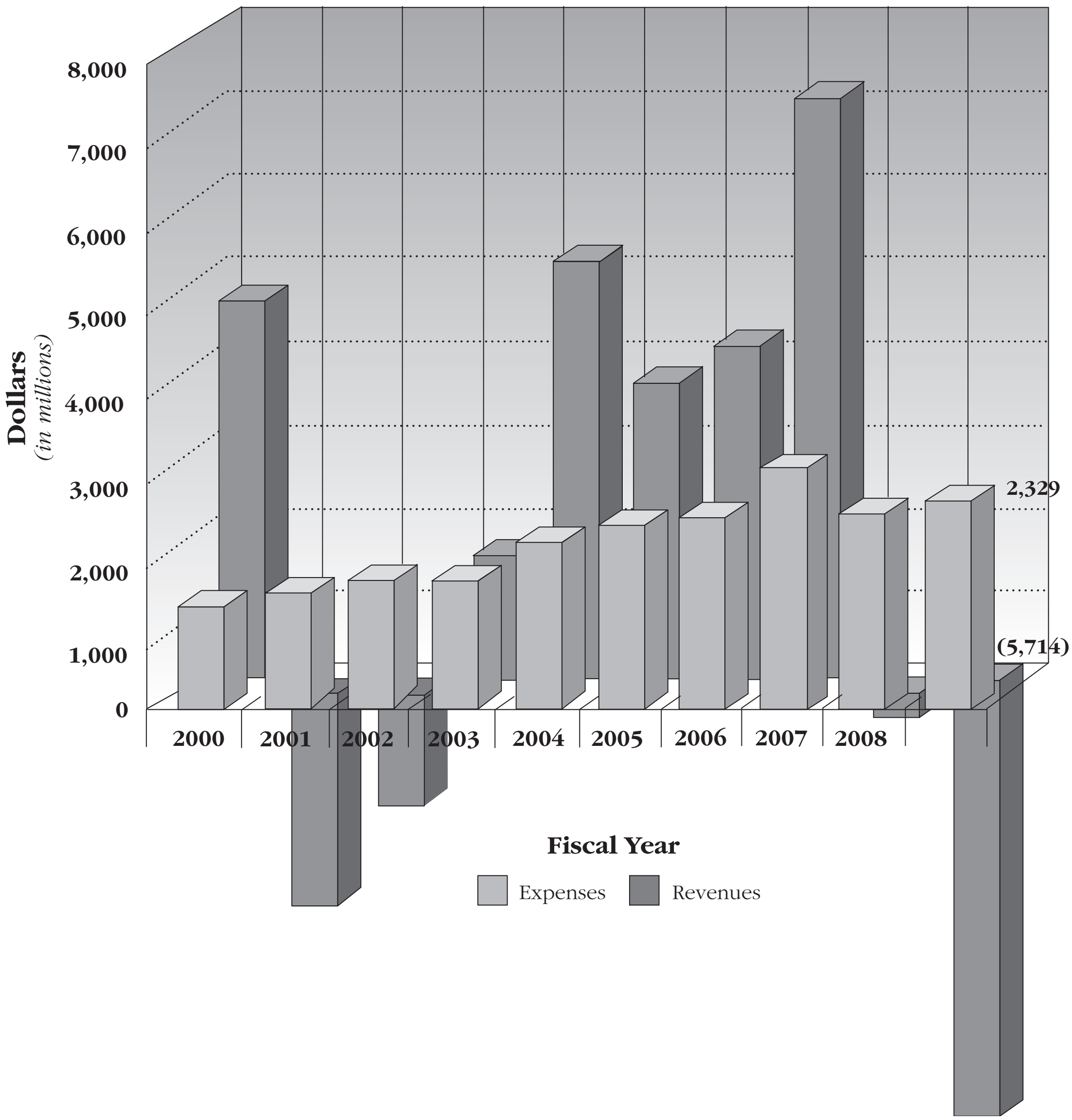
REVENUES

Fiscal Year	Members' Contributions	Employers' and Other Contributions	Annual Covered Payroll	Employers' and Other Contributions as a Percent of Covered Payroll	Net Investment Income	Total Revenues
2000	$182,507	$682,422	$6,725,870	10.15%	$3,487,722	$4,352,651
2001	189,769	717,576	7,255,036	8.74	(3,138,763)	(2,231,418)
2002	199,304	579,718	7,867,794	7.39	(2,265,315)	(1,486,293)
2003	207,584	606,900	8,134,419	7.46	756,747	1,571,231
2004	204,158	632,052	8,069,481	7.83	4,202,632	5,038,842
2005	208,997	670,554	8,603,761	7.79	2,766,389	3,645,940
2006	215,077	720,876	9,089,951	7.93	3,225,649	4,161,602
2007	319,274	833,782	9,971,012	8.36	5,924,070	7,077,126
2008	420,461	1,047,962	10,542,806	9.94	(2,139,661)	(671,238)
2009	532,100	1,109,563	10,714,167	10.36	(7,355,906)	(5,714,243)

EXPENSES

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
2000	$1,190,954	$19,751	$16,805	$1,227,510
2001	1,272,804	24,823	16,977	1,314,604
2002	1,372,325	20,064	17,476	1,409,865
2003	1,474,257	21,352	16,310	1,511,919
2004	1,570,622	17,376	11,942	1,599,940
2005	1,697,397	22,386	19,162	1,738,945
2006	1,829,468	18,579	16,455	1,864,502
2007	1,965,872	21,271	16,021	2,003,164
2008	2,120,463	23,147	16,223	2,159,833
2009	2,279,170	27,499	22,325	2,328,994

TEN-YEAR HISTORY OF REVENUES VS. EXPENSES



PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2009			2000		
	Covered Employees	**Rank**	**Percentage of Total System**	**Covered Employees**	**Rank**	**Percentage of Total System**
Participating Government						
State of Maryland	321,575	1	87%	266,088	1	88%
All other (Participating Municipalities)	46,003	2	13%	36,785	2	12%
Total System	367,578			302,873		

Governmental Units Participating in the Systems

as of June 30, 2009

Allegany Community College
Allegany County Board of Education
Allegany County Commission
Allegany County Housing Authority
Allegany County Library
Allegany County Transit Authority
Annapolis, City of
Anne Arundel County Board of Education
Anne Arundel County Community College
Anne Arundel County Economic Opportunity Commission
Berlin, Town of
Berwyn Heights, Town of
Bladensburg, Town of
Bowie, City of
Brunswick, Town of
Calvert County Board of Education
Cambridge, City of
Caroline County Board of Education
Carroll County Board of Education
Carroll County Public Library
Carroll Soil Conservation District
Catoctin & Frederick Soil Conservation District
Cecil County Board of Education
Cecil County Commission
Cecil County Library
Charles County Community College
Chesapeake Bay Commission
Chestertown, Town of
Cheverly, Town of
Cresaptown Civic Improvement Association
Crisfield, City of
Crisfield Housing Authority
Cumberland, City of
Cumberland, City of – Police Department
Denton, Town of
District Heights, City of
Dorchester County Board of Education
Dorchester County Commission
Dorchester County Roads Board
Eastern Shore Regional Library
Emmitsburg, Town of
Federalsburg, Town of
Frederick County Board of Education
Frostburg, Town of
Fruitland, City of
Garrett County Board of Education
Garrett County Community Action Committee
Garrett County Office for Children, Youth and Family
Greenbelt, City of
Greensboro, Town of
Hagerstown, City of
Hagerstown Junior College
Hampstead, Town of
Hancock, Town of
Harford Community College
Harford County Board of Education
Harford County Government
Harford County Library
Housing Authority of Cambridge
Howard Community College
Howard County Board of Education
Howard County Community Action Committee
Hurlock, Town of
Hyattsville, City of
Kent County Board of Education
Kent County Commissioners
Landover Hills, Town of
LaPlata, Town of
Manchester, Town of
Maryland Health & Higher Education Facilities Authority
Maryland Transit Administration
Middletown, Town of
Montgomery College
Mount Airy, Town of
Mount Rainier, City of
New Carrollton, City of
North Beach, Town of
Northeast Maryland Waste Disposal Authority
Oakland, Town of
Oxford, Town of
Pocomoke City
Preston, Town of
Prince Georges Community College
Prince Georges County Board of Education
Prince Georges County Crossing Guards
Prince Georges County Government
Prince Georges County Memorial Library
Princess Anne, Town of
Queen Anne's County Board of Education
Queen Anne's County Commission
Queenstown, Town of
Ridgely, Town of
Rockhall, Town of
St. Mary's County Board of Education
St. Mary's County Commission
St. Mary's County, Housing Authority
Salisbury, City of
Shore up!
Snow Hill, Town of
Somerset County Board of Education
Somerset County Commission
Somerset County Sanitary District, Inc.
Southern Maryland Tri-County Community Action Committee
St. Mary's County Metropolitan Commission
St. Michaels, Commissioners of
Takoma Park, City of
Talbot County Board of Education
Talbot County Council
Taneytown, Town of
Thurmont, Town of
Tri-County Council of Western Maryland
Tri-County for the Lower Eastern Shore
Upper Marlboro, Town of
Walkersville, Town of
Washington County Board of Education
Washington County Board of License Commission
Washington County Library
Westminister, City of
Worcester County Board of Education
Worcester County Commission
WOR-WIC Community College

Withdrawn Governmental Units

Allegany County Government
Anne Arundel County Government
Baltimore Metropolitan Council
Bethesda Fire Department
Caroline County Roads Board
Carroll County Government
Chevy Chase Fire Department
Elkton, Town of
Frederick County Government
Garrett County Commission
Garrett County Roads Board
Harford County Liquor Board
Howard County Government
Interstate Commission on the Potomac River Basin
Lexington Market Authority
Maryland Environmental Services
Maryland National Capital Park & Planning Commission
Montgomery County Board of Education
Montgomery County Government
Montgomery County Public Library
St. Mary's Nursing Home
University of Maryland Medical System
Washington County Commission
Washington County License Commissioners
Washington County Roads Board
Washington County Sanitary District
Washington Suburban Sanitary Commission
Wicomico County Department of Recreation and Parks
Wicomico County Roads Board

Plan Summary

TEACHERS' RETIREMENT SYSTEM

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	3,554	4,125
Active Non-vested	–	–
Vested Former Members	996	1,092
Retired Members	30,598	30,955
Active Members		
Number	3,554	4,125
Average Age	59.7	58.9
Average Years of Service	34.1	33.2
Average Annual Salary	$ 86,127	$ 85,565
Retirees & Beneficiaries		
Number	30,598	30,955
Average Age	73.8	73.9
Average Monthly Benefit	$ 2,600	$ 2,473

THE TEACHERS' RETIREMENT SYSTEM (TRS) was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Prior to January 1, 1980, membership in the TRS was a condition of employment for State and local teachers and certain board of education, public library and community college employees, unless those who were eligible elected to participate in an optional retirement program. Effective July 1, 1971 Baltimore City teachers and retired teachers were included in the TRS.

Effective January 1, 1980, the TRS was effectively closed to new membership when the Teachers' Pension System (TPS) was established. Individuals who were members of the TRS on December 31, 1979, continue their TRS membership unless, and until, they elected to transfer to the TPS prior to January1, 2005.

Member Contributions

All member contributions to the TRS are based on a specified percentage of annual earnable compensation. Members who elected in 1984 to receive unlimited future cost-of-living adjustments (COLA) contribute 7% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 7% or 2% more than the rate of contribution in effect on the date of their enrollment. This option is referred to as Selection A (Unlimited COLA).

Members who elected in 1984 to receive limited future COLA's contribute 5% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 5% or the rate of contribution in effect on the date of their enrollment. This option is referred to as Selection B (Limited COLA).

All other TRS members contribute **in accordance with the provisions of the Teachers' Pension System**. This option is referred to as Selection C (Combination Formula), that provides a two-part benefit calculation upon retirement.

Members who are in Selection A, B, or C will remain in these until their retirement. As of January 1, 2005, they were no longer permitted to change selections.

Service Retirement Allowances

Eligibility — TRS members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligibility service regardless of age.

Allowances — Full service retirement allowances equal 1/55 (**1.818**%) of the highest three years' average final **compensation** (AFC) multiplied by the number of years and months of accumulated creditable service. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to date of retirement. Service is accrued based on a full normal school year (ten months).

Early Retirement Allowances

Eligibility — TRS members are eligible for early service retirement allowances upon accumulating at least 25 years of eligibility service prior to attaining age 60.

Allowances — Early service retirement allowances equal the amount payable for a full service retirement reduced by 0.5% for each month by which the retirement date precedes the earlier of the date on which the member reaches age 60, or the date on which the member would have completed 30 years of service. The maximum reduction for a TRS member is 30 percent. The maximum reduction for a TRS member who elected Selection C is 30% on the first part and 42% on the second part of the benefit calculation.

Ordinary Disability Retirement Allowances

Eligibility — TRS members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — Ordinary disability retirement allowances generally equal 1/55 (1.818%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service. However, the ordinary disability benefits can be no greater than 1.818% of AFC for each year of creditable service the members would have received had they continued to work until age 60.

Accidental Disability Retirement Allowances

Eligibility — TRS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they became totally and permanently disabled.

Allowances — Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, plus 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Death Benefits

Eligibility — To be eligible for death benefits, TRS members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty.

Benefits — The benefit provided upon death for TRS members equals the members' annual earnable compensation at the time of death plus accumulated contributions. Under certain circumstances, surviving spouses who were named as sole primary beneficiaries may elect to receive either the aforementioned lump sum payment, or a monthly allowance calculated under Option 2 (100% survivor option).

Special Death Benefit - Provides a special death benefit to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 2/3 of the deceased member's average final compensation.

Vested Retirement Allowances

Eligibility — TRS members are eligible for vested retirement allowances after separation from service and upon reaching normal retirement age, provided that at least five years of eligibility service was accumulated prior to separation.

Allowances — Vested allowances equal the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation.

If members do not withdraw their contributions, and die before attaining age 60, their accumulated contributions are returned to the designated beneficiary.

Cost-of-Living Adjustments

Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are effective July 1st of each year and are applied to all allowances payable for the year. However, the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984). Each option is explained in the following column.

Selection A (Unlimited COLA) — TRS members who elected Selection A, agreed to contribute no more than 7% of earnable compensation in return for unlimited annual COLAs after retirement.

Selection B (Limited COLA) — TRS members who elected Selection B, agreed to contribute at the required TPS employee contribution rate of earnable compensation in return for COLAs that are limited to 5% annually after retirement.

Selection C (Combination Formula) — TRS members who elected Selection C, agreed to contribute at the required TPS employee contribution rate of earnable compensation in return for COLAs that, similar to the retirement benefit, are divided into two parts.

Part 1: The COLAs are unlimited unless the member elected Selection B prior to electing Selection C, in which case COLAs are limited to 5%.

Part 2: The COLAs are limited to 3%.

Optional Forms of Payment

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the retirement allowance at the date of retirement minus the total amount of payments (less COLAs) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS Regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits are payable. The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree's monthly health insurance premiums.

Pension Changes

Effective July 1, 2008, the employee contribution for selection C, Part 2 increases to 5%.

Teachers' Pension System

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	71,208	65,658
Active Non-vested	31,345	36,178
Vested Former Members	21,999	21,726
Retired Members	25,158	30,955
Active Members		
Number	102,553	101,836
Average Age	44.3	43.9
Average Years of Service	11.2	10.9
Average Annual Salary	$ 57,420	$ 56,607
Retirees & Beneficiaries		
Number	25,158	30,955
Average Age	67.2	66.9
Average Monthly Benefit	$ 1,457	$ 1,386

The Teachers' Pension System (TPS) was established on January 1, 1980 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Membership in the TPS is a condition of employment for all State and local teachers and certain board of education, public library and community college employees (unless those who are eligible elect to participate in an optional retirement program). As of July 1, 2006, all TPS members, except for those who transfer from the TRS after April 1, 1998, are members of the Teachers' Pension System - Alternate Contributory Pension Selection (ACPS).

Member Contributions

All ACPS members are required to contribute 4% of earnable compensation during FY2007. As of July 1, 2008 the member contribution becomes 5%.

Service Pension Allowances

Eligibility — ACPS members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

- age 62, & five years of eligibility service
- age 63, & four years of eligibility service
- age 64, & three years of eligibility service
- age 65 or older, & two years of eligibility service

Allowances — ACPS service pension allowances equals 1.2% of AFC for service accrued prior to July 1, 1998, plus 1.8% of AFC for service accrued on and after July 1, 1998.

Early Service Pension Allowances

Eligibility — ACPS members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Allowances — Early service pension allowances equal the amount payable for a full service pension reduced by 0.5% for each month by which the retirement date precedes the date on which the members reach age 62. The maximum reduction is 42 percent.

Ordinary Disability Pension Allowances

Eligibility — ACPS members are eligible for ordinary disability pension allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — Ordinary disability pension allowances equal the full service pension allowances if the members are at least age 62 on the date of retirement. Otherwise, the allowances equal the full service pension allowances computed as though the members had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

Accidental Disability Pension Allowances

Eligibility — ACPS members are eligible for accidental disability pension allowances if the Medical Board certifies that, in the course of their job performance and as the direct result of an accidental injury, they became totally and permanently disabled.

Allowances — Accidental disability pension allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Death Benefits

Eligibility — To be eligible for death benefits, ACPS members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty.

Benefits — The benefit provided upon death of ACPS members equals the members' annual earnable compensation on the date of death plus accumulated contributions. Under certain circumstances, surviving spouses who were named as sole primary beneficiaries may elect to receive either the aforementioned lump sum payment, or a monthly allowance calculated under Option 2 (100% survivor option).

If at the time of death, the members had:

- accrued at least 25 years of eligibility service, or
- attained age 55 with at least 15 years of eligibility service, or
- attained age 62, then

the survivor's allowance is determined as if the members had been eligible to retire, and had in fact retired.

Special Death Benefit - Provides a special death benefit to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 2/3 of the deceased member's average final compensation.

Vested Pension Allowances

Eligibility — ACPS members are eligible for vested pension allowances after separation from service and upon reaching age 62, provided that at least five years of eligibility service was accumulated prior to separation. Members may be eligible for reduced vested pension allowances upon attaining age 55 with at least 15 years of eligibility service. Vested allowances are reduced by 0.5% for each month by which the allowance commencement date precedes the date on which the members attain age 62.

Allowances — Vested allowances equal the normal service pension allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation.

If members do not withdraw their contributions, and die before attaining age 62, their accumulated contributions are returned to the designated beneficiary.

Cost-of-Living Adjustments

Retirement allowances for ACPS members are adjusted each year based on the Consumer Price Index. COLAs are effective July 1st of each year and, are compounded annually. The System limits the increase a retiree may receive to a maximum of 3%.

Optional Forms of Payment

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the pension allowance at the date of retirement minus the total amount of payments (less COLAs) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits were paid. The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree's monthly health insurance premiums.

Pension Changes

Effective July 1, 2008, the employee contribution rate increases to 5%.

EMPLOYEES' RETIREMENT SYSTEM

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	6,461	9,740
Active Non-vested	3,501	–
Vested Former Members	1,065	1,166
Retired Members	23,778	24,197
Active Members		
Number	9,962	9,740
Average Age	43.8	44.1
Average Years of Service	13.8	14.2
Average Annual Salary	$ 48,572	$ 48,542
Retirees & Beneficiaries		
Number	23,778	24,197
Average Age	72.6	73.4
Average Monthly Benefit	$ 1,530	$ 1,451

THE EMPLOYEES' RETIREMENT SYSTEM (ERS) was established on October 1, 1941 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Prior to January 1, 1980, membership in the ERS was a condition of employment for all State employees (other than those eligible for participation in another system) and employees of participating governmental units. For certain elected and appointed officials, participation in ERS was optional.

Effective January 1, 1980, the ERS was effectively closed to new membership when the Employees' Pension System (EPS) was established. Individuals who were members of the ERS on December 31, 1979, continue their ERS membership unless, and until, they elect to transfer to the EPS, prior to January 1, 2005..

Member Contributions

All member contributions to the ERS are based on a specified percentage of annual earnable compensation. Members who elected in 1984 to receive unlimited future COLAs contribute 7% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 7% or 2% more than the rate of contribution in effect on their date of enrollment. This option is referred to as Selection A (Unlimited COLA).

Members who elected in 1984 to receive limited future COLAs contribute 5% if enrolled after June 30, 1973. Members enrolled before July 1, 1973 contribute the lesser of 5% or the rate of contribution in effect on the date of their enrollment. This option is referred to as Selection B (Limited COLA).

Members who are State employees as well as members whose employer elected to participate in the Employees' Pension System contribute in accordance with the provisions of the Employees' Pension System elected by the employer. This option is referred to as Selection C (Combination Formula).

Members who are in Selection A, B, or C will remain in these until their retirement. As of January 1, 2005, they were no longer permitted to change selections.

Service Retirement Allowances

Eligibility — ERS members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligibility service regardless of age.

Allowances — Full service retirement allowances equal 1/55 (1.818%) of the highest three years' AFC multiplied by the number of years and months of accumulated creditable service. Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to date of retirement.

Early Retirement Allowances

Eligibility — ERS members are eligible for early service retirement allowances upon accumulating at least 25 years of eligibility service prior to attaining age 60.

Allowances — Early service retirement allowances equal the amount payable for a full service retirement reduced by 0.5% for each month by which the retirement date precedes the earlier of the date on which the member reaches age 60, or the date on which the member would have completed 30 years of service. The maximum reduction for an ERS member is 30 percent. The maximum reduction for an ERS member who elected Selection C is 30% on the first part and 42% on the second part of the benefit calculation.

Ordinary Disability Retirement Allowances

Eligibility — ERS members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — Ordinary disability retirement allowances generally equal 1/55 (**1.818%**%) of the highest three years' AFC multiplied by the number of years of accumulated creditable service. However, the ordinary disability benefits can be no greater than **1.818%** of AFC for each year of creditable service the members would have received had they continued to work until age 60.

Accidental Disability Retirement Allowances

Eligibility — ERS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they became totally and permanently disabled.

Allowances — Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, plus 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Death Benefits

Eligibility — To be eligible for death benefits, ERS members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty.

Benefits — The benefit provided upon death for ERS members equals the members' annual earnable compensation at the time of death plus accumulated contributions. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment, or a monthly allowance calculated under Option 2 (100% survivor option).

Special Death Benefit - Provides a special death benefit to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 2/3 of the deceased member's average final compensation.

Vested Retirement Allowances

Eligibility — ERS members are eligible for vested retirement allowances after separation from service and upon reaching normal retirement age, provided that at least five years of eligibility service was accumulated prior to separation.

Allowances — Vested allowances equal the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation.

If members do not withdraw their contributions, and die before attaining age 60, their accumulated contributions are returned to the designated beneficiary.

Cost-of-Living Adjustments

Retirement allowances are adjusted each year based on the Consumer Price Index. COLAs are effective July 1st of each year and are applied to all allowances payable for the year. However, the method by which the annual COLAs are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service for members who were inactive on July 1, 1984). Each option is explained below.

Selection A (Unlimited COLA) — ERS members who elected Selection A, agreed to contribute no more than 7% of earnable compensation in return for unlimited annual COLAs after retirement.

Selection B (Limited COLA) — ERS members who elected Selection B, agreed to contribute no more than 5% of earnable compensation in return for COLAs that are limited to 5% annually after retirement.

Selection C (Combination Formula) — ERS members who elected Selection C, agreed to contribute at the required EPS employee contribution rate of earnable compensation in return for COLAs that, similar to the retirement benefit, are divided into two parts:

Part 1: The COLAs are unlimited unless the members elected Selection B prior to electing Selection C, in which case COLAs are limited to 5%.

Part 2: Generally, the COLAs are limited to 3%; however, if the employers participate in the Non-Contributory Pension System, the COLA's are limited to 3% of the initial allowance.

Optional Forms of Payment

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the retirement allowance at the date of retirement minus the total amount of payments (less COLA's) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances, except for employees of participating governmental units, are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits are payable. The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree's monthly health insurance premiums.

Miscellaneous Provisions for Members of the Maryland General Assembly

Upon attaining age 60 with at least eight years of eligibility service, members of the Maryland General Assembly are eligible for a service retirement allowance. The allowance is equal to 3% of the current salary for an active legislator multiplied by the number of years of accumulated creditable service (to a maximum of 22 years, 3 months). The maximum benefit payable is two-thirds of the current legislative salary.

Reduced benefits are payable upon attaining age 50 with at least eight years of eligibility service. Early service retirement allowances equal the amount payable for a full service retirement reduced by 0.5% for each month by which the retirement date precedes the date on which the member reaches age 60.

Legislators contribute 5% of annual earnable compensation during the first 22 years and 3 months of service, after which no employee contributions are required. If legislators are separated from service before accumulating eight years of eligibility service, they may elect to continue to contribute an amount equal to the combined member and employer contributions until the date the members would have completed eight years of eligibility service. By doing so, such legislators would be eligible for a retirement allowance equal to 24% of the current salary for an active legislator, payable at age 60 (or a reduced benefit upon attaining age 50).

Legislators who have a minimum 8 years of service and who are certified as disabled may resign their positions and receive a normal service retirement allowance. Upon the death of a legislator, the surviving spouse receives 50% of the amount to which the legislator would have been entitled. However, the surviving spouse of a legislator who dies in office with fewer than eight years of eligibility service will receive a lump sum death benefit equal to the sum of the legislator's annual earnable compensation at the time of death, plus accumulated contributions.

Legislators' retirement allowances are adjusted based on changes in the salaries of current members of the General Assembly.

Miscellaneous Provisions for State Correctional Officers

State correctional officers, within certain grades, as well as dietary, maintenance and supply correctional officers, become members of the Correctional Officers' Retirement System (CORS) as a condition of employment. Correctional officers are eligible for normal service retirement allowances upon accumulating 20 years of eligibility service. Members are eligible to receive vested retirement allowance payments upon attaining age 55. For administrative convenience, the CORS is accounted for as a component of the ERS.

Pension Changes

Effective July 1, 2008, the employee contribution rate for Selection C, Part 2 increases to 5%.

Employees' Pension System

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	56,009	49,507
Active Non-vested	23,409	29,955
Vested Former Members	27,543	27,559
Retired Members	32,832	30,723
Active Members		
Number	79,418	79,462
Average Age	47.8	47.4
Average Years of Service	12.5	12.1
Average Annual Salary	$ 47,415	$ 46,465
Retirees & Beneficiaries		
Number	32,832	30,723
Average Age	67.2	67.1
Average Monthly Benefit	$ 905	$ 849

The Employees' Pension System (EPS)

The Employees' Pension System (EPS) is administered in accordance with the State Personnel and Pension Article of the Annotated Code. The EPS consists of three parts:

Non-Contributory Pension System (NCPS)

The NCPS was established on January 1, 1980 and consists only of those participating employers that did not elect membership in the Employees' Contributory Pension System (ECPS) or the Alternate Contributory Pension Selection (ACPS).

Employees' Contributory Pension System (ECPS)

The ECPS was established as of July 1, 1998 and consists of those participating employers that elected participation in the ECPS effective July 1, 1998 through July 1, 2005 and did not elect membership in the ACPS as of July 1, 2006. Employees who transferred from the ERS to the EPS after April 1, 1998 were not eligible for the benefits of the ECPS.

Alternate Contributory Pension Selection (ACPS)

The ACPS was established as of July 1, 2006 and consists of all eligible State employees and those participating employers that elected participation in the ACPS effective July 1, 2006. Employees who transferred from the ERS to the EPS after April 1, 1998 were not eligible for the benefits of the ACPS.

Member Contributions

NCPS — Members were required to contribute 5% of earnable compensation in excess of the social security wage base.
ECPS — Members are required to contribute 2% of earnable compensation.
ACPS — Members were required to contribute 4% of earnable compensation during FY2008, and 5% as of July 1, 2008 and thereafter.

Service Pension Allowances

***Eligibility* — All EPS** members are eligible for full service pension allowances upon accumulating 30 years of eligibility service regardless of age. Absent 30 years of eligibility service, members must meet one of the following conditions to be eligible for full service pension allowances:

- age 62, & five years of eligibility service
- age 63, & four years of eligibility service
- age 64, & three years of eligibility service
- age 65 or older, & two years of eligibility service

Allowances

NCPS - Full service pension allowances equal .8% of the highest three consecutive years AFC up to the SSIL, plus 1.5% of the AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For purposes of computing pension allowances, the SSIL is the average of the social security wage bases for the 35 years immediately prior to the year of retirement.

ECPS - Full service pension allowance equals 1.2% of AFC for service accrued prior to July 1, 1998 plus 1.4% of the AFC for service accrued on or after July 1, 1998.

ACPS - Full service pension allowance equals 1.2% of AFC for service accrued prior to July 1, 1998 plus 1.8% of the AFC for service accrued on or after July 1, 1998.

Early Service Pension Allowances

***Eligibility* — All EPS** members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Allowances — Early service pension allowances equal the amount payable for a full service pension reduced by 0.5% for each month by which the retirement date precedes the date on which the member reaches age 62. The maximum reduction is 42 percent.

Ordinary Disability Pension Allowances

***Eligibility* — All EPS** members are eligible for ordinary disability pension allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — Ordinary disability pension allowances equal the full service pension allowances if the members are at least age 62 on the date of retirement. Otherwise, the allowances equal the full service pension allowances computed as though the members had continued to accrue service credits until age 62 without any change in the rate of earnable compensation.

Accidental Disability Pension Allowances

Eligibility — All EPS members are eligible for accidental disability pension allowances if the Medical Board certifies that, in the course of their job performance and as the direct result of an accidental injury, they became totally and permanently disabled.

Allowances — Accidental disability pension allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Death Benefits

Eligibility — To be eligible for death benefits, EPS members must have either accumulated at least one year of eligibility service prior to the date of death or died in the line of duty.

Benefits — The benefit provided upon death of all EPS members equals the members' annual earnable compensation on the date of death plus accumulated contributions. Under certain circumstances, surviving spouses who were named sole primary beneficiaries may elect to receive either the aforementioned lump sum payment, or a monthly allowance calculated as payment under Option 2 (100% survivor option).

If at the time of death, the members had:

- accrued at least 25 years of eligibility service, or
- attained age 55 with at least 15 years of eligibility service, or
- attained age 62, then

the survivor's allowance is determined as if the members had been eligible to retire.

Special Death Benefit - Provides a special death benefit to the surviving spouse, dependent children, or dependent parents of employees killed in the line of duty equal to 2/3 of the deceased member's average final compensation.

Vested Pension Allowances

Eligibility — All EPS members are eligible for vested pension allowances after separation from service and upon reaching age 62, provided that at least five years of eligibility service was accumulated prior to separation. Members may be eligible for reduced vested pension allowances upon attaining age 55 with at least 15 years of eligibility service. Vested allowances are reduced by 0.5% for each month by which the allowance commencement date precedes the date on which the members attain age 62.

Allowances — Vested allowances equal the normal service pension allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation.

EPS members who elect to withdraw their accumulated contributions, remain eligible to receive the employer-provided share of the vested benefit. If EPS members do not withdraw their contributions, and die before attaining age 62, their accumulated contributions are returned to the designated beneficiary.

Cost of Living Adjustments

Retirement allowances for all EPS members are adjusted each year based on the Consumer Price Index. The Cost of Living Adjustments (COLA) are effective July 1st of each year.

NCPS - Limits the increase the retiree may receive to a maximum of 3% of the initial allowance annually.

ECPS - Limits the increase the retiree may receive to a maximum of 3%, compounded annually

ACPS - Limits the increase the retiree may receive to a maximum of 3%, compounded annually

Optional Forms of Payment

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the pension allowance at the date of retirement minus the total amount of payments (less COLAs) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances, except for retirees of a participating governmental unit, are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits were paid.

The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree's monthly health insurance premiums.

Judges' Retirement System

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	297	286
Active Non-vested	–	–
Vested Former Members	6	8
Retired Members	348	342
Active Members		
Number	297	286
Average Age	57.3	57.2
Average Years of Service	9.4	10.9
Average Annual Salary	$ 135,577	132,669
Retirees & Beneficiaries		
Number	348	342
Average Age	76.1	77.3
Average Monthly Benefit	$ 5,639	5,637

The Judges' Retirement System (JRS) was established on June 30, 1969 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Membership is a condition of employment for all District Court, Circuit Court, Court of Appeals and Court of Special Appeals judges. Full-time masters in chancery and masters in juvenile causes appointed prior to June 30, 1989 and Workers' Compensation Commission judges are also members of the JRS.

Member Contributions

All members contribute 6% of annual earnable compensation during the first 16 years of service. After accruing 16 years of credit, no member contributions are required.

Service Retirement Allowances

Eligibility — JRS members are eligible for full service retirement allowances upon attaining age 60 or upon retirement by order of the Court of Appeals, with at least 16 years of eligibility service. All JRS members must retire at age 70.

Allowances — Full service retirement allowances equal 2/3 (66.7%) of the current salary for an active judge holding a comparable position. If members retire with less than 16 years of eligibility service, the annual retirement allowance is prorated accordingly.

Early Retirement Allowances

Eligibility — JRS members are not eligible for early service retirement allowances.

Disability Retirement Allowances

Eligibility — JRS members are eligible for disability retirement allowances upon receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — The disability retirement allowances for JRS members generally equal the full service retirement allowance based on the members' actual length of service. However, for members completing at least three years of eligibility service, the disability benefit will be no less than 1/3 (33.3%) of the members' annual earnable compensation at the time of retirement.

Death Benefits

Eligibility — All JRS members, and former members, are eligible for death benefits regardless of age or length of service.

Benefits — The benefit provided upon death for JRS members, former members or retirees equals 50% of a service retirement allowance payable to the surviving spouse.

Special provisions apply in circumstances where deceased JRS members, former members or retirees have no surviving spouses, but are survived by a minor child (under age 18). In the event that deceased JRS members or former members are not survived by spouses or minor children, then all accumulated contributions are refunded to the estate.

Vested Retirement Allowances

Eligibility — JRS members are immediately vested. Members leaving the bench before attaining age 60 are eligible to receive their service retirement allowances commencing upon attaining age 60.

Allowances — Vested allowances equal the normal service retirement allowances computed on the basis of the members' accumulated creditable service and the **salary** of active judges holding comparable positions.

JRS members may elect to withdraw their accumulated contributions within six months of separation in lieu of receiving vested retirement allowances.

Optional Forms of Payment

Generally, JRS retirement allowances are paid as a 50% joint and survivor annuity to the retirees' surviving spouse, or if there is no spouse, to any child under age 18. If the retirees have neither a living spouse nor children under 18 at retirement, retirees may select any one of the following six payment options.

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the retirement allowance at the date of retirement minus the total amount of payments made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Once retired, neither the option nor designated beneficiary(ies) may be changed. Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

State Police Retirement System

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	968	989
Active Non-vested	440	437
Vested Former Members	68	61
Retired Members	2,226	2,149
Active Members		
Number	1,408	1,426
Average Age	35.1	35.3
Average Years of Service	10.7	10.5
Average Annual Salary	$ 60,785	$ 60,634
Retirees & Beneficiaries		
Number	2,226	2,149
Average Age	59.4	59.6
Average Monthly Benefit	$ 3,524	$ 3,398

The State Police Retirement System (SPRS) was established on July 1, 1949 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Membership is a condition of employment for all uniformed officers of the Maryland State Police. The Superintendent of the Maryland State Police may elect membership in either the SPRS or the EPS.

Member Contributions

All SPRS members contribute 8% of annual earnable compensation during employment.

Service Retirement Allowances

Eligibility — SPRS members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 22 years of eligibility service regardless of age. Except for the Superintendent, all SPRS members must retire at age 60.

Allowances — Full service retirement allowances equal 2.55% of AFC up to a maximum 71.4% of AFC (28 years). Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to date of retirement.

Early Retirement Allowances

Eligibility — SPRS members are not eligible for early service retirement allowances.

Ordinary Disability Retirement Allowances

Eligibility — SPRS members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job functions.

Allowances — Ordinary disability retirement allowances generally equal 2.55% of the AFC multiplied by the number of years of creditable service up to a maximum of 28 years. The minimum ordinary disability retirement allowance is 35% of AFC.

Special Disability Retirement Allowances

Eligibility — SPRS members are eligible for special disability benefits if the Medical Board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty.

Allowances — Special disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Ordinary Death Benefits

Eligibility — To be eligible for ordinary death benefits, SPRS members must have accumulated at least one but less than two years of eligibility service prior to the date of death.

Benefits — The ordinary death benefit equals the members' annual earnable compensation at time of death plus accumulated contributions.

Special Death Benefits

Members in Service

Eligibility — To be eligible for special death benefits, SPRS members in service must have accumulated at least two years of eligibility service prior to the date of death or died in the line of duty.

Benefits — The special benefit provided upon the death of SPRS members in service equals 50% of the members' annual earnable compensation at time of death paid as an annuity plus return of accumulated contributions. In cases where the deceased members are not survived by a spouse, the decedents' children or dependent parents, if any, will continue to receive an annuity equal to 50% of the members' annual earnable compensation until the youngest child reaches age 18, or for the life of each dependent parent. The special death benefit for troopers killed in the line of duty is 2/3 (66.7%) of AFC.

Survivor Benefit

Eligibility — To be eligible for survivor benefits, SPRS retirees must have retired on either a service retirement allowance or a disability allowance.

Benefits — The survivor benefit provided upon the death of an SPRS retiree equals 80% of the retirees' retirement allowance, paid as an annuity. In cases where the deceased members are not survived by a spouse, the decedents' children, if any, will continue to receive 80% of the retirees' allowance until the youngest child reaches age 18.

Vested Retirement Allowances

Eligibility — SPRS members are eligible for vested retirement allowances after separation from service and upon reaching age 50, provided that at least five years of eligibility service was accumulated prior to separation.

Allowances — Vested allowances equal the normal service retirement allowances computed on the basis of the members' accumulated creditable service and AFC at the point of separation.

SPRS members may elect to withdraw their accumulated contributions within two years of separation in lieu of receiving vested retirement allowances. If members do not withdraw their contributions, and die before attaining age 50, their accumulated contributions are returned to the designated beneficiary.

Cost-of-Living Adjustments

Retirement allowances are adjusted each year based on the Consumer Price Index. COLAs are effective July 1st of each year and are applied to all allowances payable for the year.

Optional Forms of Payment

Generally, SPRS retirement allowances are paid as an 80% joint and survivor annuity to the retirees' spouse, or if there is no spouse, to any child under age 18. If the retirees have neither a living spouse nor children under 18 at retirement, the retirees may select any one of the following six payment options.

Option 1: Payment guarantees a cash reserve equal to the present value of the retirement allowance at the date of retirement minus the total amount of payments (less COLAs) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits are payable. The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree's monthly health insurance premiums.

Deferred Retirement Option Program

SPRS members are eligible to participate in a Deferred Retirement Option Program (DROP). To participate, the SRPS member must have at least 22 years of creditable service, but less than 28 years, and be under age 60. The maximum period of participation is 4 years. During the DROP period, the SPRS member is deemed retired and the retirement allowance is placed in an account earning 6% interest. At the end of the DROP period, the lump sum held in the DROP account is paid to the SPRS retiree. The SPRS member must end employment and fully retire at the end of the DROP period.

Law Enforcement Officers' Pension System

A COMPOSITE PICTURE

	2009	2008
Total Membership		
Active Vested	1,760	1,577
Active Non-vested	685	750
Vested Former Members	189	174
Retired Members	1,067	958
Active Members		
Number	2,445	2,327
Average Age	40.2	35.3
Average Years of Service	10.8	10.5
Average Annual Salary	$ 57,289	$ 57,347
Retirees & Beneficiaries		
Number	1,067	958
Average Age	56.8	57.2
Average Monthly Benefit	$ 2,551	$ 2,458

The Law Enforcement Officers Pension System (LEOPS) was established on July 2, 1990 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Membership in the LEOPS is a condition of employment for all uniformed law enforcement officers of the Maryland State Department of Natural Resources; the Maryland Investigative Services Unit; the Maryland Transportation Authority Police Force; the Baltimore City Sheriff's Department; the State Fire Marshall's Office; the University System of Maryland Police Force; Morgan University Police Force; the BWI Airport Fire and Rescue Department; the Department of General Services Police Force; the Department of Health and Mental Hygiene; the Motor Vehicle Administration; and the Department of Labor, Licensing, and Regulation; the State Department of Elections; Field Enforcement Bureau; Firefighters for Martin's Airport Aviators employed by the Department of State Police. In addition, membership includes law enforcement officers, firefighters, and paramedics employed by a governmental unit that elects to participate in LEOPS.

The LEOPS consists of two separate components — a retirement plan (closed to new members January 1, 2005) and a pension plan. Retirement plan provisions are applicable to those officers who, on the date they elected to participate in the LEOPS, were members of ERS (closed as of January 1, 2005). Pension plan provisions are applicable to all other LEOPS members.

Member Contributions

All member contributions to the LEOPS are based on the members' annual earnable compensation. Members subject to retirement plan provisions that elected to receive unlimited future COLAs contribute 7%. This option is referred to as Selection A (Unlimited COLA).

Members subject to retirement plan provisions that elected to receive limited future COLAs contribute 5%. This option is referred to as Selection B (Limited COLA).

Members subject to pension plan provisions contribute 4% of annual earnable compensation during employment.

Service Retirement Allowances

Eligibility — LEOPS members are eligible for full service retirement allowances upon attaining age 50 or upon accumulating 25 years of eligibility service regardless of age.

Allowances — For members subject to the retirement plan provisions, full service retirement allowances equal 2.3% of AFC for the first 30 years of creditable service, plus 1.0% of AFC for each additional year.

For members subject to the pension system provisions, full service pension allowances equal 2.0% of AFC up to a maximum benefit of 60% of AFC (30 years of credit).

Allowances for members who fail to make all required contributions are reduced by the actuarial equivalent of the total unpaid contributions plus interest to the date of retirement.

Early Retirement Allowances

Eligibility — LEOPS members are not eligible for early service retirement allowances.

Ordinary Disability Retirement Allowances

Eligibility — LEOPS members are eligible for ordinary disability retirement allowances upon completing five years of eligibility service and receiving Medical Board certification as to their permanent incapacity to perform their necessary job functions.

Allowances — Ordinary disability retirement allowances for LEOPS members subject to retirement plan provisions equal the greater of the normal service retirement allowance or 25% of AFC.

Ordinary disability retirement allowances for LEOPS members subject to pension plan provisions equal the full service pension allowance if the member is at least age 50 on the date of retirement. Otherwise, the allowances equal full service pension allowances computed as though the member had continued to work until age 50 without any change in the rate of earnable compensation.

Accidental Disability Retirement Allowances

Eligibility — LEOPS members are eligible for accidental disability benefits if the Medical Board certifies that they became totally and permanently incapacitated for duty arising out of or in the actual performance of duty.

Allowances — Accidental disability allowances equal the sum of an annuity determined as the actuarial value of the members' accumulated contributions, and 2/3 (66.7%) of AFC. Allowances may not exceed the members' AFC.

Ordinary Death Benefits

Eligibility — To be eligible for ordinary death benefits, LEOPS members must have accumulated at least one but less than two years of eligibility service prior to the date of death.

Benefits — The ordinary death benefit equals the members' annual earnable compensation at the time of death plus accumulated contributions.

Special Death Benefits

Members in Service

Eligibility — To be eligible for special death benefits, LEOPS members in service must have accumulated at least two years of eligibility service prior to the date of death or died in the line of duty.

Benefits — The special death benefit provided upon death for LEOPS members in service equals 50% of the applicable ordinary disability allowance. In cases where the deceased members are not survived by a spouse, the decedents' children, if any, will continue to receive the special death benefit until the youngest child reaches age 18. The special death benefit for officers killed in the line of duty is 2/3 (66.7%) of AFC.

Survivor Benefits

Eligibility — To be eligible for survivor benefits, LEOPS retiree must have retired on either a service retirement allowance or a disability allowance.

Benefits — The survivor benefit provided upon death for LEOPS retiree equals 50% of the retiree' retirement allowance, paid as an annuity. In cases where the deceased members are not survived by a spouse, the decedents' children, if any, will continue to receive 50% of the retiree' allowance until the youngest child reaches age 18.

Vested Pension Allowances

Eligibility — LEOPS members are eligible for vested pension allowances after separation from service and upon attaining age 50, provided that they accumulated at least five years of eligibility service prior to separation.

Allowances — Vested allowances equal the normal service retirement or pension allowances computed on the basis of the members' accumulated creditable service and AFC at the date of separation.

Cost-of-Living Adjustments

Retirement allowances are adjusted each year based on the Consumer Price Index. COLAs are effective July 1st of each year and are applied to all allowances payable for the year. For LEOPS members subject to retirement plan provisions, annual COLAs are determined under the various methods applicable to ERS members. Each method is explained below:

Selection A (Unlimited COLA) — LEOPS members who elected Selection A (while enrolled in the ERS), agreed to contribute 7% of earnable compensation in return for unlimited annual COLAs after retirement.

Selection B (Limited COLA) — LEOPS members who elected Selection B (while enrolled in the ERS), agreed to contribute no more than 5% of earnable compensation in return for COLAs which are limited to 5% annually after retirement.

For all other LEOPS members, annual COLA's are limited to 3% of the annual allowance.

Optional Forms of Payment

Generally, LEOPS retirement allowances are paid as a 50% joint and survivor annuity to the retiree' spouse, or if there is no spouse, to any child under age 18. If the retiree have neither a living spouse nor children under 18 at retirement, the retiree may select any one of the following six payment options.

Option 1: Payment guarantees a cash reserve equal to the excess of the present value of the retirement allowance at the date of retirement minus the total amount of payments (less COLAs) made to the date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Payment guarantees a minimum return of the members' accumulated contributions.

Option 5: 100% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Option 6: 50% joint and survivor annuity with adjustment to maximum benefit if beneficiary predeceases retiree.

Except for a spouse or disabled child, the beneficiary designated under Option 2 or 5 cannot be more than 10 years younger than the retiree (IRS regulation).

Workers' Compensation Benefits Reduction

Disability retirement allowances are generally reduced by workers' compensation benefits paid after retirement if, and to the extent that, such benefits are for the same injury and the same period of time for which the retirement benefits are payable. The workers' compensation benefit reduction cannot reduce any retirement allowance to less than the amount necessary to cover the retiree' monthly health insurance premiums.

Deferred Retirement Option Program

LEOPS members are eligible to participate in a Deferred Retirement Option Program (DROP). To participate, the LEOPS member must have at least 25 years of creditable service, but less than 30 years. The maximum period of participation is 5 years. During the DROP period, the LEOPS member is deemed retired and the retirement allowance is placed in an account earning 6% interest. At the end of the DROP period, the lump sum held in the DROP account is paid to the LEOPS retiree. The LEOPS member must end employment and fully retire at the end of the DROP period.