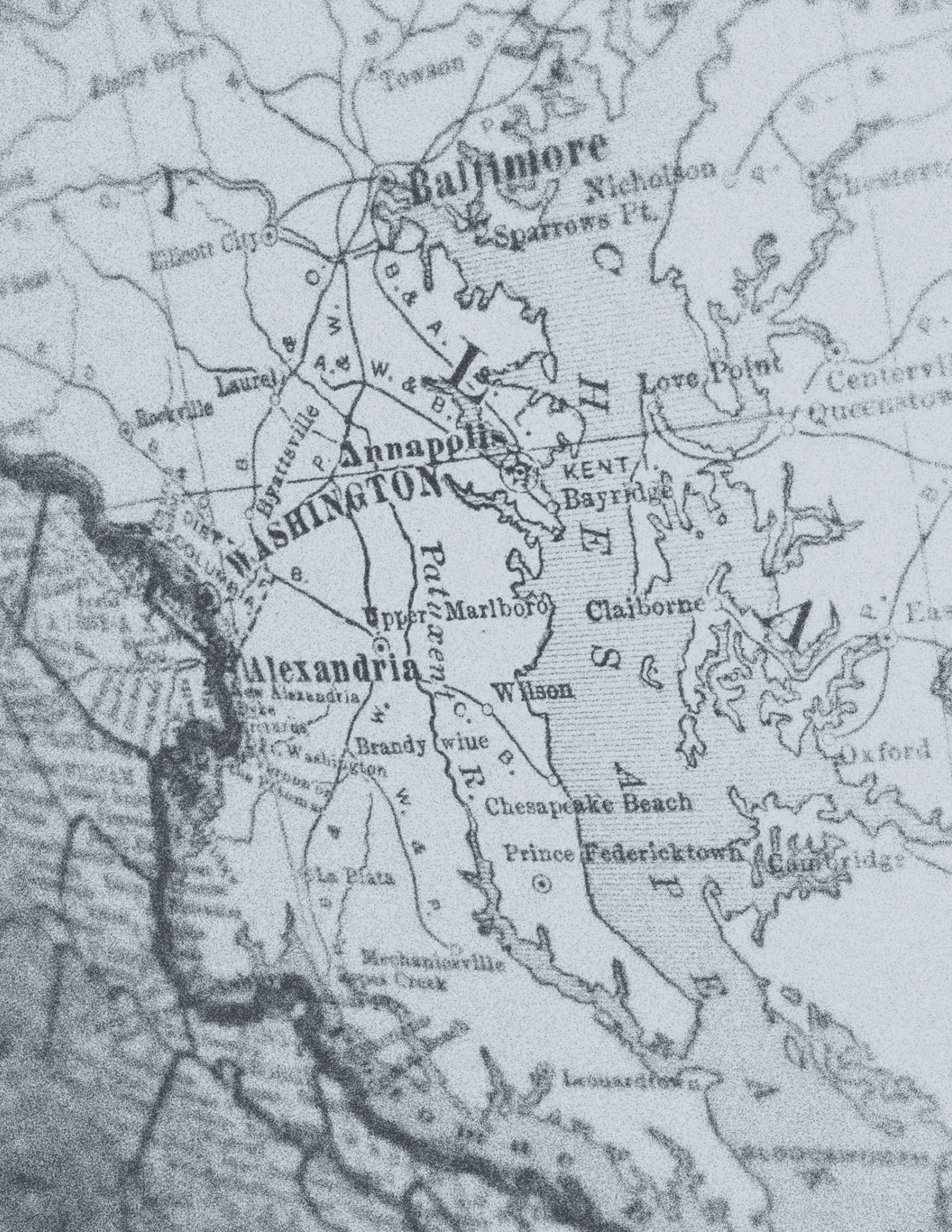


Maryland
State Treasurer's

2010 ANNUAL REPORT

INVESTING FOR MARYLAND'S FUTURE



Baltimore

Elkton City

Nicholson
Sparrows Pt.

Laurel

Love Point

Rockville

Brattsville

Annapolis

Centerville
Queenstown

WASHINGTON

KENT
Bayridge

Upper Marlboro

Claiborne

Alexandria

Wilson

Brandywine

Oxford

Chesapeake Beach

Prince Fredericktown

Cambridge

La Plata

Mechanicville
Appas Creek

Leonardtown

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Nancy K. Kopp
State Treasurer

BIOGRAPHY OF THE HONORABLE NANCY K. KOPP

Elected in February 2002, and re-elected to full four-year terms in 2003 and 2007, Nancy K. Kopp is the 23rd Maryland State Treasurer since the adoption of the Constitution of 1851. She is the second woman ever to serve as Maryland's State Treasurer and is the only woman serving Maryland in a Constitutional Office. In addition to her responsibilities for managing the Office of State Treasurer and representing the General Assembly, the Treasurer holds positions of leadership on a number of key State financial planning committees.

Treasurer Kopp chairs both the Capital Debt Affordability Committee and the Commission on State Debt, and sits on Maryland's three-member Board of Revenue Estimates. She is the chief representative of the State dealing with financial rating agencies and investment banking firms. The Treasurer also serves as Chair of the Board of Trustees of the Maryland State Retirement and Pension Systems, as Chair of the College Savings Plans of Maryland and as a member of the Maryland Supplemental Retirement Board, the Maryland Health and Higher Education Financing Authority, the Maryland Agricultural Land Preservation Foundation Board, the Small Business Development Financing Authority and the Hall of Records Commission. Unique among the Treasurer's responsibilities is her position on the Board of Public Works with the Governor and the Comptroller of the State. This Board oversees a substantial portion of the procurements and contracts of the State, ranging from wetlands licenses to construction projects.

Treasurer Kopp represented the Bethesda, Maryland area in the Maryland House of Delegates for 27 years prior to her election as Treasurer. As a member of the House of Delegates, Treasurer Kopp chaired the Joint Committee on Spending Affordability, as well as the Appropriations Subcommittee on Education

and Economic Development. She also served on the Capital Budget Subcommittee, Subcommittee on Pensions, and Joint Committee on Budget and Audits, and at various times as Deputy Majority Leader and Speaker Pro Tem. During her legislative career, Treasurer Kopp was named by her colleagues as the most effective woman legislator and one of the 10 most effective members of the House.

Treasurer Kopp has been active in numerous national, regional and State organizations and boards over the years, primarily focused on finance, budgeting and education. Appointed by President Clinton to the National Assessment Governing Board, which oversees the National Assessment of Educational Progress (the "Nation's Report Card"), Treasurer Kopp also served as Treasurer of the Southern Regional Education Board and chaired its Commission on Educational Quality. She served on the Executive Committee of the National Conference of State Legislatures and chaired its Assembly on Legislative Issues, and Committees on Federal Budget Issues, State Fiscal Issues and Capital Budgeting Procedures. Treasurer Kopp also was Vice-Chair of the National Commission on State and Local Budget and Finance Procedures. She is a member of the National Association of State Treasurers and President of the National Association of State Auditors, Comptrollers and Treasurers.

A graduate of Wellesley College, Treasurer Kopp holds a master's degree in Government from the University of Chicago. She also has received honorary doctorate degrees from Hood College, the University of Maryland at Baltimore, the University of Maryland University College and Towson University and is an Honorary Alumna of the University of Maryland, College Park. She and her husband, Robert Kopp, live in Bethesda and have two adult children.

HISTORICAL REVIEW

During the exploration and settlement period of North America (1492-1607), European powers competed to settle the New World. England laid claim to large tracts of land along the East Coast and successfully colonized the Chesapeake Bay area. England's first official colony, settled in Jamestown, Virginia, in 1607 (the Jamestown Colony), included what we now know as Maryland. In 1632, King Charles I of England granted the Charter of Maryland to Cecil Calvert. Calvert was granted extensive autocratic powers over the Maryland colony. Among those powers was the right to appoint government officials.

Soon after his appointment as Governor of Maryland, Sir Francis Nickelson appointed Maryland's first two State Treasurers in 1694. At that time, there were two Treasurers appointed for the State – a Treasurer for the Eastern Shore and a Treasurer for the Western Shore. Maryland's first Treasurers were Colonel William Whittington (Eastern Shore) and Captain Thomas Tasker (Western Shore). The primary duty of the State Treasurers at that time was to manage and disburse State funds. The Governor held the task of appointing State Treasurers throughout the 18th century. This responsibility was ultimately transferred to the Legislature with the adoption of the Maryland Constitution in 1776.

In 1843, the two-Treasurer system was abolished with the duties of the Eastern Shore Treasurer being assumed by the Treasurer of the Western Shore. The Maryland Constitution of 1851 finally established a single office of Treasurer for the entire State to be elected by joint ballot of both houses of the General Assembly. Historically, the Treasurer's position was appointed for a term of two years as a part-time position. In 1922, the Treasurer's term was extended from two years to four years and became a full-time position in 1973.

In addition to having authority over custody, safeguarding, investment and disbursement of State funds, the Maryland State Treasurer is considered among the most powerful treasurers in the country due to membership on the Board of Public Works, which reviews and approves all major State procurements. It is the Treasurer's job to brief members of the General Assembly on issues regarding the financial operation and condition of the State. The Treasurer maintains the State's ongoing relationship with financial rating agencies and conducts outreach with State agencies and other appropriate offices.

The Treasurer also produces this annual report in keeping with her statutory responsibility to provide the General Assembly with current information regarding the State's financial condition.



...Sir Francis Nickelson appointed Maryland's first two State Treasurers in 1694 ... a Treasurer for the Eastern Shore and a Treasurer for the Western Shore.

TREASURERS OF THE PAST

Treasurers of the Eastern Shore

1694-1695	Col. William Whittington
1695-1714	Maj. Thomas Smithson
1714-1727	Robert Ungle
1727-1747	Col. James Hollyday
1747-1766	Col. Edward Lloyd
1766	John Leeds
1766-1769	Bedingfield Hands
1769-1775	William Hemsley, Jr.
1775-1777	William Hindman
1777-1778	James Hindman
1778-1779	Edward Hindman
1779-1789	Henry Dickinson
1789-1802	William Richardson
1802-1813	William Chambers
1813-1825	William Richardson
1825-1826	John K.B. Emory
1826-1840	William K. Lambdin
1840-1841	Perry Robinson
1841-1842	John H. Harris
1842-1843	Perry Robinson
1694-1695	Capt. Thomas Tasker

Treasurers of the Western Shore

1695-1698	Robert Mason
1699-1700	Robert Mason
1700-1736	Col. Samuel Young
1736-1772	Col. Charles Hammond
1772-1775	Col. William Fitzhugh
1775-1804	Thomas Harwood, Jr.
1804-1826	Benjamin Harwood
1826-1843	George MacKubin
1843-1844	James Owens
1844-1852	Dennis Claude
1852-1854	James Owens
1854-1860	Dennis Claude

Maryland State Treasurers

(Beginning of single-Treasurer system)

1860-1862	Sprigg Harwood
1862-1870	Robert Fowler
1870-1872	John Merryman
1872-1874	John W. Davis
1874-1885	Barnes Compton
1885-1886	John Gittings
1886-1890	Stevenson Archer
1890-1892	Edwin Brown
1892-1896	Spencer C. Jones
1896-1900	Thomas J. Shryock
1900-1916	Murray Vandiver
1916-1918	John M. Dennis
1918-1920	William P. Jackson
1920-1935	John M. Dennis
1935-1963	Hooper S. Miles
1963-1973	John A. Luetkemeyer
1973-1975	J. Millard Tawes
1975-1987	William S. James
1987-1996	Lucille D. Maurer
1996-2002	Richard N. Dixon
2002-Present	Nancy K.Kopp



MARYLAND'S BOARD OF PUBLIC WORKS

As the State's ultimate policy-making and oversight board for State procurements, the Maryland Board of Public Works is an entity with wide-ranging jurisdiction over nearly every facet of State government. It comprises the Governor, the Treasurer and the Comptroller.

On any given agenda, every other Wednesday in the Governor's Reception Room in the State House, the Board might review and approve 80 to 100-plus procurements, which also may include land acquisitions and easements, space leases for State agencies, wastewater grants, ground leases, purchase of Video Lottery Terminals (VLTs), information technology contracts, architectural/engineering contracts for new construction and renovation at universities, sales of General Obligation bonds, energy performance contracts and wetlands licenses.

For the fiscal year 2010, beginning July 1, 2009 and ending June 30, 2010, the Board acted on **1,929** transactions totaling **\$6,057,741,129.54**.

The Board of Public Works, the only constitutionally mandated government body of its type in the nation, provides a public setting for an open, well-publicized review of procurement actions. The result is enhanced transparency and accountability. In many states, such decisions are made within executive departments and agencies, away from public scrutiny.

The goal of this public review is to ensure that the procurement process, one sometimes entailing large, expensive contracts with five to 15-year terms, is fair, open, honest and competitive. The procurement process is intended to produce the delivery of projects and services in a cost-effective manner. Board decisions often can hinge on complicated policy and legal considerations; the process of review, discussion and approval can seem tedious. It ensures intense scrutiny.

Some contracts, property acquisitions and wetlands licenses can be contentious, creating a situation whereby the meeting takes on the tone of a hearing, with testimony from both proponents and opponents. While members normally vote on all issues on the agenda before it, the Board sometimes decides to defer an item for further study.

The Board is also responsible for cutting the State's current year budget to ensure that it remains balanced even in times of reduced revenue. An overriding theme for the Board of Public Works during the past 12 months has been the State's fiscal condition resulting from the national recession. The Board cut \$282 million in July 2009, \$454 million in August 2009 and \$364 million in November 2009—for a total of \$1.1 billion.

As might be expected, the meetings at which cuts were made were dominated by discussion and questions by Board members about the proposed reductions, presentations by the Governor's cabinet secretaries and public input. One particular reduction, resulting in the closing of the Upper Shore Mental Health Center in Chestertown, drew considerable attention at a few Board meetings and disagreement from the community.

Acquisition of Video Lottery Terminals (VLTs), commonly known as slots, also drew much discussion at Board meetings, as the State moved toward the October 2010 opening of the first casino in Perryville, Cecil County. Maryland is one of the few states in which the State government is legally required to purchase or lease the gaming machines, as opposed to authorizing the operators to lease or purchase the equipment.

The Treasurer's participation on the Board ensures that the General Assembly has a voice throughout

On any given agenda, every other Wednesday in the Governor's Reception Room in the State House the Board might review and approve 80 to 100-plus procurements...

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Public Works continued from page 5



The Constitutional Convention of 1864 created the Board of Public Works based on predecessor boards dating back to 1825.

the year in the post-appropriations management of public funds.

During the past fiscal year, the following issues, in addition to the budget cuts and VLTs, were among many that came before the Board of Public Works and generated much discussion:

- ◆ Naming of the Choptank River Fishing Pier in Cambridge for Bill Burton, a well-known sportsman and outdoor-living writer
- ◆ Sale of \$485 million in General Obligation bonds, including the sale of more than \$235 million in retail bonds sold to Marylanders
- ◆ The sale of refunding bonds, resulting in the saving of several million dollars in interest payments
- ◆ \$43 million information technology contract for the Department of Transportation
- ◆ \$3.1 million Program Open Space acquisition of 1,043 acres in Dorchester County
- ◆ \$3,350,000 million contract for new video boards at M&T Bank Stadium in Baltimore
- ◆ Presentation of superior maintenance awards to elementary schools in Allegany, Anne Arundel, Baltimore, Calvert, Cecil, Frederick, Garrett, Howard and Montgomery counties
- ◆ \$2 million contract to conduct a statewide disparity study for the Department of Transportation
- ◆ Approval of a 50-year public-private partnership (P3) lease for the operation of the Maryland Port Administration's Seagirt Terminal and Canton Property by Ports America Chesapeake, enabling construction of a 50-foot deep berth at Seagirt
- ◆ Declaration of surplus of 178 acres at the Rosewood Center in Owings Mills in Baltimore County for potential sale to Stevenson University
- ◆ Approval of a ground lease for a new National Sailing Hall of Fame Museum on the waterfront in Annapolis
- ◆ \$12 million acquisition of the former *Washington Post* printing plant in College Park for use by the University of Maryland, College Park in revitalization of Route 1
- ◆ Namings of three Department of Natural Resources (DNR) facilities in the western, southern and eastern parts of the State for Gary Yoder, Tom Wisner and Julie Schweikert
- ◆ Approval of the State property tax for 2011 at 11.2 cents per \$100 of the full value of real property (other than utilities) and 28 cents per \$100 of the full assessed value on operating real property of public utilities
- ◆ Nearly \$264 million for new and renovated school construction
- ◆ \$2.1 million acquisition of a portion of Mt. Ararat Farms overlooking Susquehanna River in Cecil County

The Constitutional Convention of 1864 created the Board of Public Works based on predecessor boards dating back to 1825. In the mid-19th century, the Board mainly oversaw public work activities such as railroads, canals and bridge companies in which the State had an interest as a stockholder or creditor. Over the years, the Board's duties have expanded as the legislature has increased this unique organization's responsibilities and autonomy.

Maryland's Governor has extraordinarily strong fiscal powers. The Board of Public Works provides a valuable check on executive fiscal actions.

SCHEDULE OF SELECTED FINANCIAL DATA

Collateral Balances as of June 30, 2010

Bank	\$518,911,838
Insurance	\$115,195,741

Total Investment Portfolio Composition as of June 30, 2010

Repurchase Agreements	\$2,042,846,936
U.S. Treasuries	\$895,000
U.S. Government Agencies	\$2,788,898,000
Other Investments	\$278,665,439
Total Portfolio	\$5,111,305,375

Securities Lending Program Activity for the 2010 Fiscal Year

Gross Income	\$201,687
Net Income	\$151,266

General Obligation Debt Activity for the 2010 Fiscal Year

Tax Exempt General Obligation Bond Issuances	\$1,938,963,000
Interest Payments	\$292,878,000
Principal Payments	\$484,645,000

Local Government Investment Pool Fund

Balance as of June 30, 2010	\$2,795,956,554
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State Insurance Trust Fund Balance as of June 30, 2010

Beginning Balance	\$31,284,729
Transfers In	\$14,380,537
Transfers Out	\$(14,064,651)
Less Operating Transfer to General Fund	\$(5,221,332)
Ending Balance	\$26,379,283



The Executive Division provides direct support to the Treasurer in the execution of her wide-ranging Constitutional responsibilities.

EXECUTIVE DIVISION

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- ◆ **HOWARD FREEDLANDER**
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- ◆ **MELISSA MOYE**
Deputy Treasurer for Financial Policy
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The Executive Division provides direct support to the Treasurer in the execution of her wide-ranging Constitutional responsibilities. The State Treasurer is responsible for receiving, depositing, investing and distributing State funds, anticipating the monetary needs of the State and, on behalf of the Board of Public Works, conducting bond sales twice a year to ensure the State's financial ability to meet its fiscal obligations. The State Treasurer also provides lease-purchase financing of capital equipment for State agencies and handles insurance needs for State government.

The Executive Division coordinates legislation within the Maryland State Treasurer's Office, reviewing bills, preparing fiscal notes and written testimony and following the course of bills through the legislative process. The Division is responsible for coordinating any draft legislation to be introduced to the General Assembly with the Legal and Division Directors of the State Treasurer's Office. Each proposed bill requires extensive preparation including a determination of the fiscal and economic impact to the Office, the State and private industry.

Chief Deputy Treasurer

The Chief Deputy Treasurer coordinates and leads the operations of the State Treasurer's Office, including the Banking Services, Debt Management, Insurance, Investment, Information Technology and Administration Divisions. The Chief Deputy Treasurer advises the Treasurer on matters regarding legislative policy, planning, new technologies and long-term operational challenges, opportunities and strategies. Coordination of the State Treasurer's

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Executive Division continued from page 8

operational functions with other agencies, such as the Comptroller and the Department of Budget and Management, is another responsibility of the Chief Deputy Treasurer.

The Chief Deputy Treasurer works closely with members of the General Assembly and its Standing Committees such as Senate Budget & Taxation and House Appropriations regarding the Office's budget. The Chief Deputy Treasurer also prepares reports and updates of the Office's progress throughout the year for the Statutory Committees of the House and Senate. These Committees include Spending Affordability, Joint Committee on the Management of Public Funds, Legislative Policy Committee and the Joint Audit Committee; as well as serving as the Treasurer's designee on task forces, commissions and other committees of the General Assembly as required.

Deputy Treasurer for External Affairs

The Deputy Treasurer for External Affairs serves as the Treasurer's primary liaison/adviser to the Board of Public Works (BPW), conducting extensive research (including site visits), preparing detailed analyses for the Treasurer for the bi-weekly meetings, and working closely with the Treasurer's counsel, representatives of the Governor's, Comptroller's and the Board of Public Works offices and State agency secretaries. As part of the BPW preparation process, the Deputy serves as the primary Legislative Liaison operating a constituent outreach program, and sending numerous email notifications to State legislators about upcoming Board actions in their districts, as well as the final decisions.

The Deputy represents the Treasurer as a voting designee on the Procurement Advisory Council, the State Retirement and Pension System's administrative committee, the Maryland Agricultural Land Preservation Foundation's Board of Trustees and the Hall of Records Commission.

Also, the external affairs Deputy represents the Treasurer on the Maryland Higher Education Committee when it prepares its State Plan for Higher Education every four years. This position also entails participation on legislative task forces related to procurement, such as the Task Force to Study the Procurement of Health and Social Services.

Additional duties include serving as the Office's public information officer, preparing news releases, responding to media inquiries, responding to queries sent to the Office's website and writing speeches.

Deputy Treasurer for Financial Policy

The Deputy Treasurer for Financial Policy provides analysis and advice to the Treasurer in the areas of economics and finance, including the development of best practices in retirement and other benefit financing, business development and analysis of regional and macroeconomic trends in financial markets. Analyses of investment portfolio holdings are completed regularly. The Deputy Treasurer for Financial Policy also analyzes and advises on emerging financial issues, such as clean energy investing, regional economics and macroeconomics, short- and long-term development in the financial markets and financial literacy and access.

The Deputy Treasurer for Financial Policy supports the Treasurer in her service on State boards and commissions, such as the State Retirement and Pension System Board, and Supplemental Retirement Plans Board and their investment-related committees, the General Assembly's Blue Ribbon Commission to Study Health Care Funding (OPEB) and related issues, the Maryland College Savings Plan Board and the Small Business Development Financing Authority. The Deputy Treasurer for Financial Policy also represents the Treasurer at finance-related public events, as required, and on the Financial Literacy Task Force.

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Executive Division continued from page 9

Internal Audit

The Internal Auditor plans, controls, directs and implements a comprehensive annual audit designed to evaluate internal controls, add value, improve operations and minimize risk at the State Treasurer's Office. The Auditor reviews programs, operations, and conducts special projects in accordance with generally accepted auditing standards and all legal statutory requirements. The Auditor helps safeguard assets by ensuring that the mission, objectives, and key goals of the Office are carried out. The Auditor directs systematic, periodic examinations of the accounts and records of the State Treasurer's Office to provide assurance that appropriate policies and procedures are in place and functioning as intended.

The Internal Auditor also serves as the focal point for all financial, productivity, and compliance audit activities and is the liaison between the State Treasurer's Office and the external auditors, legislative auditors, and federal auditors. The Internal Auditor is responsible for coordinating the response to all audit findings. The Auditor evaluates and monitors the corrective action plans taken to ensure that they are sufficient to resolve the findings. The Internal Auditor also reviews potential problem areas to prevent future audit deficiencies.



ADMINISTRATION DIVISION

◆ **JESSICA PAPALEONTI**
*Director of Budget Management
& Accounting*
jpapaleonti@treasurer.state.md.us

The primary function of the Administration Division is to supply efficient daily operational and support services to the State Treasurer's Office. The Division comprises four Units: Budget Management and Accounting, Human Resources, Procurement and Office Administration.

Budget Management and Accounting

The Budget Management and Accounting Unit performs all of the budgeting and accounting functions essential to the daily operation and management of the State Treasurer's Office. This Unit is responsible for the development, justification and execution of the Office's annual budget, which totaled \$35.9 million in Fiscal Year 2010. As part of the annual budget process, the Unit also calculates and provides State Insurance Trust Fund annual premiums for all State agencies to the Department of Budget and Management to be included in their statewide annual budget instructions. In addition to managing the general accounting and budgeting functions for the agency, this Unit is also responsible for several essential functions on behalf of the State.

In Fiscal Year 2010, this Unit processed State debt principal and interest payments totaling \$786 million out of the Annuity Bond Fund and \$36 million in quarterly payments and agency recoveries related to the Master Lease programs. In addition, this Unit processed the annual premium totaling \$67 million for the Injured Workers' Insurance Fund (IWIF) and related transfers of these assessments from over 150

State agencies and departments. Accounting collects insurance premiums and agency deductibles from all State agencies to fund the State Insurance Trust Fund (SITF) and to cover the purchase of agency-specific insurance policies. The Unit also handles all disbursements out of the SITF in the form of agency reimbursements and settlement payments to claimants as requested by the Insurance Division or the Board of Public Works. Finally, working collaboratively with the Banking Services Division, this Unit processed approximately 1,500 agency requests for check reissues, stop payments and recoveries from the State's Unpresented and Undeliverable check funds.

The general accounting functions of the Unit include processing vendor invoice disbursements, cash receipt deposits, bi-weekly payroll processing, maintenance of all financial records, fund balance reconciliations, preparation of year-end closing records and the development and implementation of all accounting controls and procedures. In addition, this Unit is responsible for managing the general office supply inventories on behalf of the agency, including providing centralized ordering and tracking of supplies, ensuring cost efficient purchasing, and providing oversight over supply requests as they relate to necessity and budget availability.

This Unit is also responsible for the development, justification and execution of the Office's annual budget which includes funding for agency operations as well as funding for costs of issuance and general advisory fees related to bond sales, and insurance costs related to statewide commercial premiums and the State Insurance Trust Fund. Activity in these funds is monitored monthly to analyze trends and ensure proper coding in accordance with their appropriations. The Unit works closely with the Insurance and Debt Management Divisions to review current activity and

The primary function of the Administration Division is to supply efficient daily operational and support services to the State Treasurer's Office.

Continued on page 12

Administration Division continued from page 11

future projections to ensure that expenditures remain in line with appropriations and to monitor related cash balances.

Human Resources

The State Personnel Management System (SPMS) is a highly complex structure that deals with over 60,000 State employees. However, in the world of State personnel, it is easy to get sidetracked in a structure that deals with definitions, concepts and positions, and lose sight of that which brings it all to life. The Human Resources (HR) Unit pulls together the management of the 61 positions within the Office, including the people who fill those positions, in a way that brings synergistic results for the agency.

Personnel management begins with a successful recruitment that requires many key elements in order to ensure equal opportunity and selection of the best candidate: this doesn't happen just by chance. Workforce planning results in having the right number of people, with the right skills, competencies and experience, in the right jobs at the right time. Several years ago, the HR Unit took part in a steering committee to set up statewide guidelines for workforce planning, and this year the Maryland State Treasurer's Office has been one of the first agencies to forge ahead, with the assistance of the Department of Budget and Management, to publish a detailed, agency-specific workforce plan. By being proactive in this way, the HR Unit hopes to avoid staffing shortages in the future. Another key element in excellent personnel management is hiring the best candidate for the job. Skilled service recruitments follow a very specific set of laws and guidelines to ensure equal opportunity for all candidates. The HR Unit carries out these laws by using a standardized matrix that allows candidates to be measured and ranked objectively on their knowledge, skills and abilities, thus allowing each recruitment a standardized tool that ensures equal opportunity.

From benefits administration, to personnel database management, to leave accounting, to travel management, the Unit ensures that each employee's needs are carefully met.

The HR Unit has started sending performance standards "back to school to get 'SMART.'" With technology ever-changing, HR is taking a fresh look at the standards used in position descriptions to measure employee performance and helping supervisors revise those standards to keep them Specific, Measurable, Attainable, Realistic, and Timebound so that the standards have practical meaning to the employees.

From the first day new employees begin employment with the Office, they are directed to HR for orientation. HR has focused its Orientation Program this year to cover statewide and Office policies, and ADA and EEO laws, identify agency officers in the HR Unit, and disseminate all required paperwork for new employees to sign. As employees continue their tenure at the Office, training and performance management provide pathways for them to pursue career development, and the HR Unit assists with tools and resources to provide further opportunities for all those seeking career development. The HR Unit has also implemented agency-wide training programs such as the Driver Improvement Program and an enhanced Supervisor Training module. The HR Unit also guides employees and supervisors through employee assistance and employee relations pathways when appropriate. From benefits administration, to personnel database management, to leave accounting, to travel management, the HR Unit ensures that each employee's needs are carefully met. The Unit is also responsible for coordinating and overseeing all issues and requests concerning salary and classification.

An integral and necessary part of HR's job is ensuring compliance with regulations. We work in a dynamic environment where, as the State continues to change, personnel must evolve. The HR Unit intends to interpret both statewide and Office policies, procedures and guidelines with clarity and compassion so that employees can understand and make use of them without

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Administration Division continued from page 12

having to escalate issues to a higher level. HR also serves as a resource for personnel records, employment verifications, and ethics/financial disclosure compliance.

The HR Unit endeavors to provide safe work environments in many ways. Even in an office setting, safety is key in keeping workplace accidents from happening and encouraging ergonomic work areas to help reduce stress-related injuries. This year the Unit has pursued the State's Wellness program by researching and providing resources and links for various services offered through the State's health benefits vendors.

Through service to others, Human Resources best fulfills its goal, thus allowing the agency to accomplish its mission. For the Fiscal Year 2010, the State Treasurer's Office maintained the following positions:

- ◆ Executive Division – 7
- ◆ Administration Division – 7
- ◆ Banking Services Division – 14
- ◆ Debt Management Division – 3
- ◆ Information Technology Division – 7

- ◆ Insurance Division – 13
- ◆ Investment Division – 2
- ◆ Legal Division – 8
- ◆ TOTAL POSITIONS – 61

Procurement

Section 12-107(b)(1) of the State Finance and Procurement Article of the Annotated Code of Maryland designates the Treasurer as the primary procurement authority for all banking and financial services, insurance and insurance services. A wide range of financial services are procured for the Office and other State agencies, including banking services, financial advisors, electronic bidding, underwriters, arbitrage rebate compliance consultants, lease financing firms, and broker services for insurance coverages.

In July 2009, on behalf of the Department of Human Resources, Child Support Enforcement Administration, the Office awarded a contract for general banking services to process and disburse monies collected on behalf of individuals who receive child support services.

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Administration Division continued from page 13



In August 2009, the Office solicited and received responses from financial institutions to participate in the Linked Deposit program, which was established with the intended purpose to stimulate opportunities for certified minority business enterprises by providing these businesses with discounted interest rate loans from participating financial institutions through the Maryland Department of Housing and Community Development.

Underwriting firms were awarded contracts in September 2009, to provide assistance to the Office and its financing team in negotiating the sale and issuance of tax credit bonds, consisting of Qualified School Construction Bonds, Qualified Zone Academy Bonds and Qualified Energy Conservation Bonds. In October 2009, the Office procured escrow agent services, including paying agent services, for refunded State of Maryland General Obligation bonds.

On behalf of the United States Army Corps of Engineers and the Maryland Department of Natural Resources, the Office awarded a contract in March 2010 to a minority bank to serve as escrow agent for the Atlantic Coast of Maryland Shoreline Protection Project.

Due to financial market volatility, the Office determined to solicit new equipment lease financing bids every two months based on actual equipment lease financing needs of agencies of the State, rather than utilize a long-term Master Lease. Following approval of the Board of Public Works, the Office awarded contracts to several financial institutions for tax-exempt equipment lease financing beginning in October and continuing thereafter every two months. In March 2010 an award for a taxable equipment lease-purchase financing was also done. In addition to the equipment financings, in January 2010 a contract was awarded for energy lease financing of certain energy systems or equipment under energy performance contracts.

BANKING SERVICES DIVISION

◆ **GREGORY P. SABA**

Director

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The Treasurer's authority as the Constitutional Officer responsible for the deposit and disbursement of State funds is found under Article VI, Section 3 of the State Constitution and Titles 6 and 7 of the State Finance and Procurement Article of the Annotated Code of Maryland.

Missions of the Banking Services Division

The primary mission of Banking Services is to manage and control banking relationships for all banking needs for the State of Maryland and to anticipate agency needs and respond timely to agency requests.

The Banking Services Division (BSD) is directly responsible for procuring and managing the banking needs for all agencies of the State of Maryland. This includes:

- ◆ Agency-specific depository accounts - Individual depository accounts are maintained for all State agencies, and balances are consolidated at the end of each day into the State's main depository account. This allows for accurate agency-level transaction reporting with automatic concentration of funds for cash management effectiveness.
- ◆ Disbursement accounts for vendor payments, payroll, and income tax refunds
- ◆ Lockbox services
- ◆ Merchant account services (credit and debit card receipts)
- ◆ Agency working fund, trust, and escrow accounts

- ◆ All other agency banking needs

In FY 2010 the Division assisted the Maryland Transit Administration in obtaining banking services for the CharmCard® initiative that it recently launched. The BSD worked with the University of Maryland Dental School and the Maryland Institute for Emergency Medical Services Systems to set up lockbox accounts to create efficiencies in their check collection processes. We also completed setup of an account structure for the Department of Health and Mental Hygiene's Pharmacy Rebate Program. The new account structure will enhance DHMH's tracking and reporting of an estimated \$145 million in annual pharmacy rebates from drug manufacturers.

Two primary responsibilities of the Banking Services Division of the Maryland State Treasurer's Office are the accurate and timely recordation of State funds, and the reconciliation of the State's bank accounts to the State's R*STARS accounting system. The Division must account for the receipt of all warranted deposits and the disbursement of all warranted payments. The Division's comprehensive daily cash reconciliation allows the Treasurer's Office to be proactive in identifying and solving agency banking issues. As volume and transaction numbers increase, the processes and controls developed by the Banking Division continue to result in a timely, accurate, and completely documented reconciliation of the State's cash accounts. Maintaining pace with changes in the banking environment also necessitates continual refinement of the reconciliation processes and ensures maximum efficiency in the balancing of bank information and the R*STARS accounting system.

For FY 2010, total cash receipts and disbursements each exceeded \$120 billion. The State's bank accounts are reconciled daily to the State's



The Banking Services Division is directly responsible for procuring and managing the banking needs for all agencies of the State of Maryland.

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Banking Services Division continued from page 15

The Banking Services Division performs daily operations functions on behalf of State agencies critical to the movement of funds into and out of the State's bank accounts.

TOTAL RECEIPTS AND DISBURSEMENTS FISCAL YEAR 2010

Beginning Cash Balance of Fiscal Year 2010		(1,205,763,524.23)	
Receipts:		Disbursements:	
July-09.....	9,290,475,901.34	July-09.....	(10,302,464,430.11)
August-09.....	10,045,998,373.42	August-09.....	(8,895,871,031.53)
September-09.....	8,931,020,179.61	September-09.....	(10,069,490,848.56)
October-09.....	10,047,265,874.93	October-09.....	(8,983,794,201.41)
November-09.....	10,045,740,400.48	November-09.....	(10,823,180,576.40)
December-09.....	11,985,193,524.32	December-09.....	(11,307,426,920.56)
January-10.....	10,289,330,825.22	January-10.....	(11,107,631,854.16)
February-10.....	11,285,016,078.66	February-10.....	(11,411,982,057.99)
March-10.....	11,919,445,087.32	March-10.....	(11,596,471,684.02)
April-10.....	11,192,125,488.33	April-10.....	(10,618,552,760.15)
May-10.....	8,593,245,589.94	May-10.....	(10,002,685,104.78)
June-10.....	14,854,691,691.14	June-10.....	(13,681,607,903.13)
Total Receipts Fiscal Year 2010.....	128,479,549,014.71	Total Disbursements Fiscal Year 2010.....	(128,801,159,372.80)
Ending Cash Balance of Fiscal Year 2010		(1,527,373,882.32)	

general ledger. In FY 2010 there were no un-reconciled differences.

On behalf of State agencies, the Banking Services Division performs daily operations functions that are critical to the movement of funds into and out of the State's bank accounts. These include:

- ◆ Processing the drawdown of funds from federal programs and grants
- ◆ Initiating FedWire payments
- ◆ Initiating and managing foreign currency transactions
- ◆ Processing check stop payments, cancellations, and reissues as well as requests for photocopies of paid checks
- ◆ Providing transaction research assistance to State agencies
- ◆ Managing the Unpresented Check Fund and the Undeliverable Check Fund
- ◆ Processing all bank adjustments

In FY 2010, the BSD worked with the Maryland Department of Disabilities to enable it to draw funds from a federal Medicaid Infrastructure Grant. The BSD has also continued its efforts to convert recurring vendor check payments to electronic payments, increasing efficiencies in the disbursement process. In addition, the BSD's Deposit Products team continues to work individually with agencies to ensure that the general ledger posting of the electronic receipt of funds is automated to the extent possible.

The Division ensures protection of State funds on deposit through monitoring of account and collateral balances.

Section §6-209 of the State Finance and Procurement Article (SFP) of the Annotated Code of Maryland requires that State money on deposit with financial institutions must have collateral pledged to the State that equals or exceeds the amount on deposit not covered by the

Continued on page 17

Banking Services Division continued from page 16

Federal Deposit Insurance Corporation. The collateral must be held by a third party custodian and be of the types enumerated in §6-202 of SFP.

The Banking Services Division monitors collateral for over 1200 depository, disbursement, and registered agency working funds accounts, many of which are used for trust and escrow account services. Account balance and collateral data is submitted monthly by financial institutions and custodians and is entered into an automated collateral monitoring system. The data is analyzed to ensure that the pledged collateral is sufficient to cover the applicable bank balances. If the collateral is insufficient, the financial institution is required to increase the collateral. The collateral reported by the custodian must match the collateral reported by the financial institution.

In FY 2010, the collateralization process for the bank holding the State's main disbursement, payroll, and tax refund accounts as well as numerous agency working fund accounts was moved to a third party provider. This allows Banking Services the capability to independently monitor daily collateral and aggregate account balances held by that bank.

The collateral balance for all State bank accounts at June 30, 2010, was \$518,911,838.

Banking Services serves as the State's authority for the development, control, and maintenance of statewide policies and procedures for banking products and services.

The Division makes every effort to remain at the forefront of the constant changes in banking products and services offered. The Division

will continue to explore new financial products and improved data delivery methods that will increase its capabilities to provide efficient cost-saving banking services to the Maryland State agencies in response to operating agency and taxpayer needs. In the current tenuous financial environment, the Division's priority must be to enhance the ability to recover in the event of a disaster and to change banks if required by market conditions or the procurement process. In addition, the Division must anticipate the future banking needs of the State to maintain its capacity to contain costs while accommodating the growth, diversity, and complexity of banking transactions.

Some of the BSD's efforts during FY 2010 included working with the accounting office of the Department of Labor, Licensing and Regulation to begin the use of BSD's depository bank's remote deposit product, which resulted in significant cost savings through the elimination of their armored courier service. The BSD worked closely with the University of Maryland at Baltimore in its conversion of almost 80% of tuition refunds from checks to electronic payments. The BSD assisted Towson University in its implementation of a costs saving tuition collection process and has also been working with several other universities to create efficiencies in their tuition and refund processing. The BSD actively works with agencies to develop and strengthen their internal processes and promote efficient banking services.

It is the overall mission of the Banking Services Division to provide efficient, accurate, and timely banking services to all State agencies and external customers.



DEBT MANAGEMENT DIVISION

◆ PATTI KONRAD

Director

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As a member of the Board of Public Works, the Treasurer has the lead role in the Board's activity relating to the issuance and oversight of State debt. Under Article VI, Section 3, of the State Constitution, the Treasurer is responsible for arranging for the payment of principal and interest on State debt.

General Obligation Bonds

General Obligation debt, which is backed by the pledge of the full faith and credit of the State, finances State-owned capital improvements, such as prisons and colleges, and various State capital grants to local governments and private non-profit organizations. Projects funded include local public schools, local jails, water treatment facilities, museums, rehabilitation of historic structures, and private treatment centers for the developmentally and physically disabled.

The State's General Obligation bonds have been assigned the highest credit rating by Moody's Investors Service, Inc. (Aaa), Standard and Poor's (AAA) and Fitch Ratings, Inc. (AAA). One of only eight states in the nation to hold a Triple-A credit rating from all three major credit rating agencies, Maryland's low interest rates are attributable to these superior ratings.

The Treasurer recommends the size, timing, and terms of sale of General Obligation bonds. This entails periodic analysis and surveys to determine the monthly cash balances of bond proceeds and project anticipated cash needs of State agencies and grantees for authorized capital projects. In recent years, the State has held sales semi-annually although if there are opportune market conditions, the State may issue

more frequently as it did in late 2009. The Debt Management Division, in conjunction with the State's financial advisor, the Treasurer's counsel, and the State's bond counsel, coordinates the sale and all activities prior to the actual sale, including liaison with the bond rating agencies, the preparation and publication of statutorily required notices and advertisements, and the preparation and distribution of Official Statements. The preparation of Official Statements is primarily performed in-house, resulting in substantial savings to the State.

The State Treasurer's Office monitors market conditions and arranges the details of the actual sale, including the selection of the method of sale. In competitive sales, which are held at a Board of Public Works meeting, bids are transmitted electronically by underwriting syndicates and verified by the Office. The winning bid is then ratified at the meeting. In negotiated sales, underwriters, which are selected in a competitive procurement process, negotiate bond prices with the Office. Final pricing is incorporated in the Bond Purchase Agreement which must also be approved at a Board of Public Works meeting.

Finally, the State Treasurer's Office supervises all activities of post-sale settlement, the investment of the bond proceeds, compliance with Internal Revenue Service requirements for tax-exempt bonds, continuing disclosure and payment of debt service.

General Obligation Bond Issues in Fiscal Year 2010

There were six General Obligation bond sales in Fiscal Year 2010 totaling \$1,939 million. The table on the following page summarizes the issues.

Of particular note in Fiscal Year 2010 was the issuance of bonds authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). Build America Bonds (BABs) are taxable bonds on which the State receives a 35% interest subsidy from

Continued on page 19

Debt Management Division continued from page 18

SUMMARY OF FISCAL YEAR 2010 ISSUES

Series	Dates of Sales	Tax-Exempt Competitive	Tax-Exempt Negotiated	Tax Credit	Taxable Direct Subsidy	Overall Tax-Exempt TIC
New Money Issuances						
2009 Second Series A	07/31/2009 & 08/03/2009		\$235.0 million			3.20%
2009 Second Series B	08/05/2009	\$200.0 million				2.92%
2009 Second Series C BAB	08/05/2009				\$50.0 million	3.02%
2009 Third Series A	10/21/2009	\$141.8 million				2.85%
2009 Third Series B BAB	10/21/2009				\$58.2 million	3.06%
2009 QZAB	12/7/2009			\$ 5.6 million		(a)
2009 QSCB	12/8/2009			\$50.3 million		.04% (b)
2010 First Series A BAB	2/24/2010				\$400.0 million	2.85%
Refunding Issuances						
2009 Third Series C	12/7/2009, 12/8/2009 & 12/9/2009		\$602.8 million			2.61%
2010 First Series B	2/24/2010	\$195.3 million				2.97%

(a) The 2009 Qualified Zone Academy Bonds (QZABs) are special, federally-authorized tax-credit bonds that allow QZABs purchasers to receive federal income tax credits. In addition, the State will pay the purchaser a 1.6% supplemental coupon.

(b) The 2009 Qualified School Construction Bonds (QSCBs) are special, federally-authorized tax-credit bonds which allow QSCBs purchasers to receive federal income tax credits.

the US Treasury. Qualified School Construction Bonds (QSCBs) were also authorized by ARRA and were sold in the amount of \$50.3 million on December 8, 2009. QSCBs are bonds with federal tax credits for the bond investor. Consequently, the State will pay no interest on these bonds.

Market conditions were very favorable for high quality and highly rated bonds like Maryland General Obligation bonds throughout Fiscal Year 2010. The True Interest Costs (TICs) in Fiscal 2010 were the lowest on new money issues in at least 20 years.

By refunding prior series of bonds and using the ARRA authorizations, the State realized a total of \$62.2 million in present value debt service savings in 2010. The refundings saved \$33.5 million. Compared to traditional tax-exempt bonds, the BABs and QSCBs saved \$18.1 million and \$10.6 million respectively.

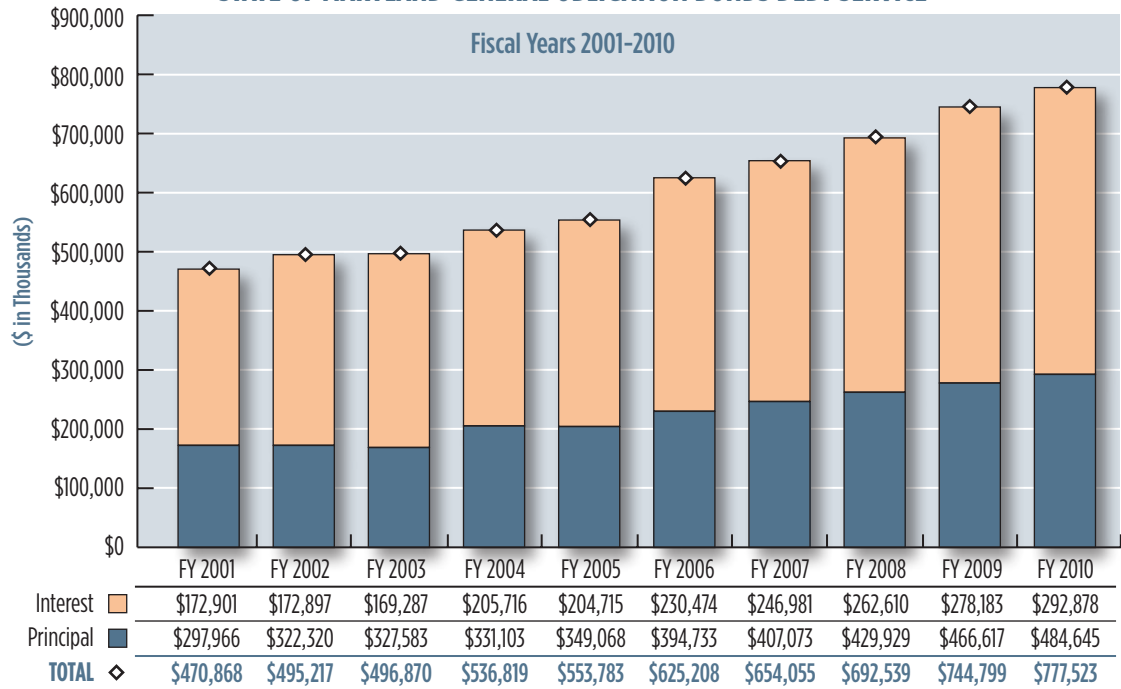
The history of General Obligation bond issuance and debt service for the last ten years is depicted in the charts on the following page.

Continued on page 20

By refunding prior series of bonds and using the ARRA authorizations, the State realized a total of \$62.2 million in present value debt service savings in 2010.

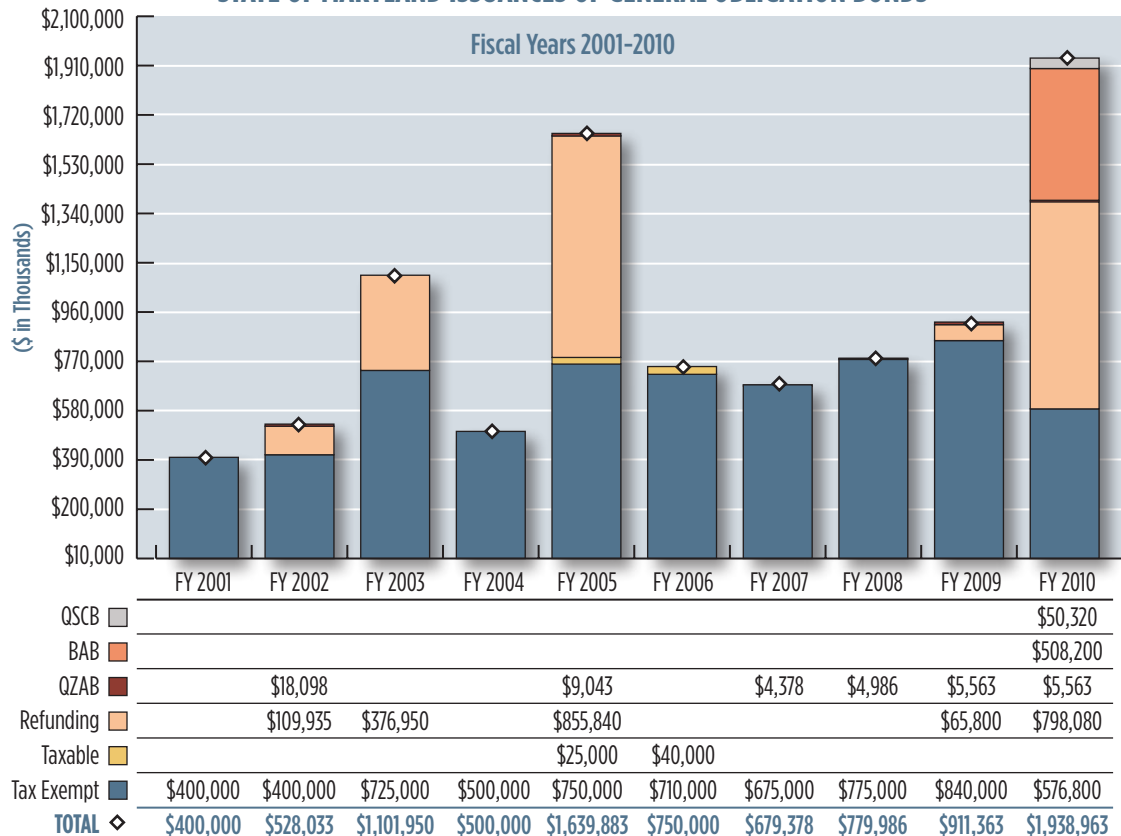
Debt Management Division continued from page 19

STATE OF MARYLAND GENERAL OBLIGATION BONDS DEBT SERVICE



Note: Principal includes sinking fund payments on QZABs. Totals may not add due to rounding.

STATE OF MARYLAND ISSUANCES OF GENERAL OBLIGATION BONDS



Continued on page 21



Debt Management Division continued from page 20

Capital Lease Financing

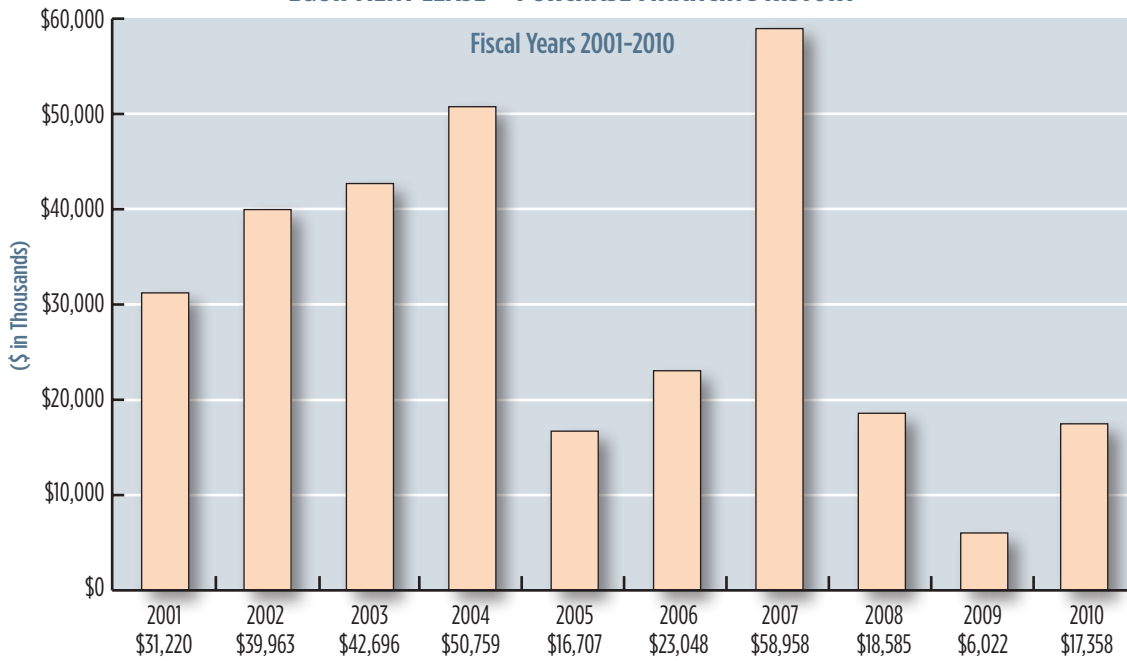
Equipment Leases

The State Treasurer's Office provides financing for equipment, generally for terms of three or five years, for State agencies and Higher Education Institutions using the Capital Lease-Purchase Program. Periodically the State Treasurer's Office procures a lessor, which finances equipment

every other month that meets the Lease Purchase Financing Guidelines established by the Office. The lessor is paid semi-annually (January 1 and July 1) from funds transferred at the beginning of each fiscal year from the using agencies.

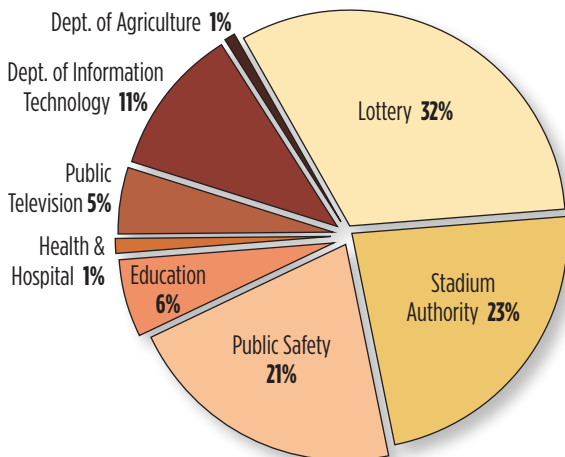
During Fiscal Year 2010, State agencies financed \$17.4 million of equipment under various Lease-Purchase Agreements (See the following charts).

EQUIPMENT LEASE – PURCHASE FINANCING HISTORY

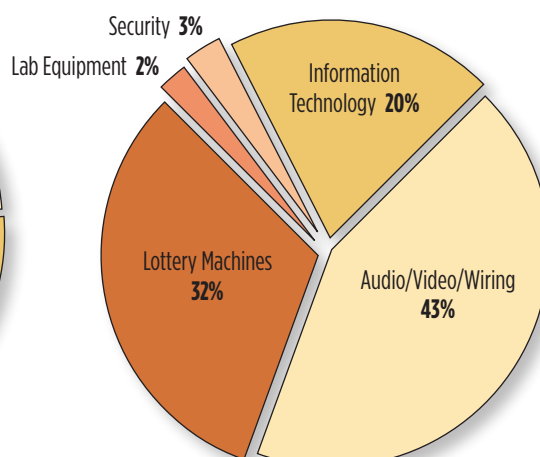


During Fiscal Year 2010, State agencies financed \$17.4 million of equipment under various Lease-Purchase Agreements.

GOVERNMENT USE – FISCAL YEAR 2010 Equipment Lease-Purchase Financing



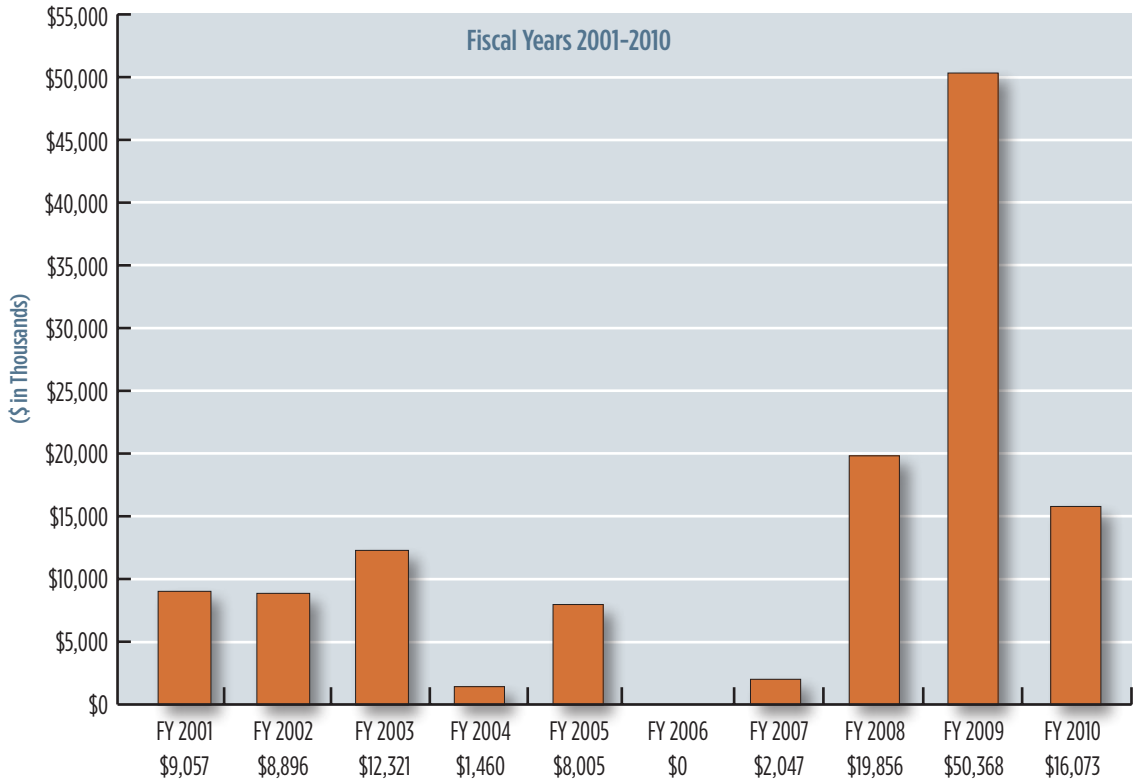
EQUIPMENT CLASSIFICATION – FISCAL YEAR 2010 Equipment Lease-Purchase Financing



Continued on page 22

Debt Management Division continued from page 21

ENERGY PERFORMANCE LEASE – PURCHASE FINANCING HISTORY

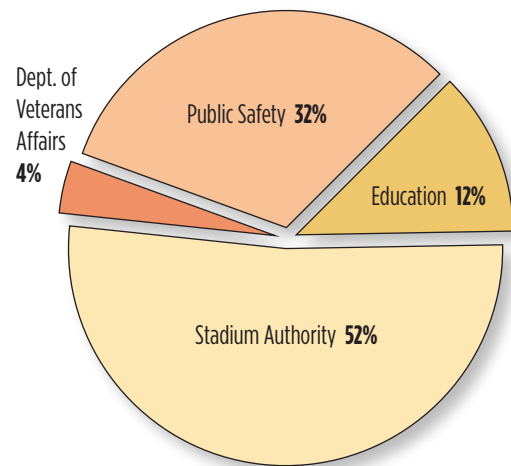


Energy Leases

The State Treasurer's Office provides financing for energy efficiencies, generally for terms of 13, 14 or 15 years, for State agencies and Higher Education Institutions. Using the Energy Performance Lease-Purchase Program, the Office procures a lessor, who is paid semi-annually (January 1 and July 1) from funds transferred at the beginning of each fiscal year from the using agencies. The savings from the Energy Performance Contracts are used to make the lease payments.

During Fiscal Year 2010, State agencies financed \$16.1 million of energy efficiencies under the 2007 Energy Performance Master Lease-Purchase Agreement and the January 2010 Energy Performance Lease Purchase Agreement. The history of the Energy Lease-Purchase Program for the last ten years is depicted in the above chart.

GOVERNMENT USE – ENERGY LEASES



During Fiscal Year 2010, State agencies financed \$16.1 million of energy efficiencies under the 2007 Energy Performance Master Lease-Purchase Agreement and the January 2010 Energy Performance Lease Purchase Agreement.

INFORMATION TECHNOLOGY DIVISION

◆ **SCOTT WRZESIEN**

Director

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The Information Technology (IT) Division plans, builds, programs, manages and supports all of the technology platforms that are used by the Maryland State Treasurer's Office. These systems run programs developed in-house in tandem with commercially developed software, providing the agency with highly customized applications that address its specific needs.

The Division supports the Maryland State Treasurer's Office disbursement, receipts and reconciliation of moneys of the State, as defined in Article VI, Section 3, of the State Constitution. Total disbursements exceed \$100 billion, and receipts of over 1 million transactions total over \$100 billion.

Electronic funds transfer, check printing, positive pay and account reconciliation process services for the Comptroller's Office's General Accounting Division (GAD), Revenue Administrative Division (RAD) and Central Payroll Bureau (CPB), the State Retirement System, as well as the Department of Human Resources' (DHR) Child Support & CARES are provided to these agencies by the Division.

The Office works closely with all State agencies to streamline their disbursement, receipt and reconciliation process. Over the past year, the IT Division expanded its automated fax reporting of deposits to each State agency, enhanced ACH vendor setup, created GAD Advice reports that significantly reduced the printing of over 150,000 advices, automated the EDI vendor setup, extended the Check Status System to RAD and CPB, created a new 'Lien' deduction for

Retirement, processed numerous test files and check printing for new systems coming online from Retirement, RAD and DHR, participated in multiple discussions regarding IAT ACH standards and practice and designed a new interface that allows the Office to retrieve files from the new Retirement Information Technology System.

The IT Division provides all these systems on an IBM i5 midrange platform that is utilized by the Administration, Accounting, Banking and Insurance Divisions. The IT Division also supports network-based database applications in the Office.

Industry standard hardware and software is provided to the agency staff. The platforms and services provided to all Divisions in the Office include, but are not limited to: local area networking, internet access, email, application development, website management, software evaluation, data communications, training, technical assistance and other technology services.

Check Payment Processing

The IT Division services include the electronic retrieval of warranted check disbursement files that feed a high speed customized check printing process for the Comptroller's GAD, RAD, and Retirement as well as for DHR's Child Support & CARES. The IT Division provides for a unique agency check design, signature, MICR encoding and the delivery of an electronic positive pay file to the State disbursement bank.

The State Treasurer's Office's main processing system is an IBM i5 eServer midrange computer, which uses advanced function printing to create each printed document. Therefore, the Office has developed a payment processing system that is flexible enough to allow the Office

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Information Technology Division continued from page 23



to make payments for any agency in the State using MICR encoding, signatures and agency or bank logos on secure paper check stock. The use of secure paper stock precludes the need to maintain preprinted checks for each account. The system also is protected with several security features to detect and eliminate forgery or fraud. The checks are printed in presorted zip code order to comply with the State's presort vendor requirements that lower postage expense. Control transfer reporting is in place with the GAD's mailroom service group, who cut and insert the checks into envelopes prior to pickup by the State's presort vendor.

The IT Division has completed testing of smaller MICR printers that will print expedited checks faster and at a lower cost. The smaller MICR printers will also be integrated into the Office's contingency plan as an alternative check printing device.

Electronic Funds Transfer (EFT)

The State Treasurer's Office, like many agencies in the State, has recognized the need to support, where possible, movement away from paper checks over to electronic funds transfer (EFT). The State Treasurer, however, is ultimately responsible for all disbursements made by the State and must transmit these EFT's in a standard format. Electronic payments and direct deposits are run through a conversion program that transforms the agency's payment information into a CCD+, CTX or Electronic Data Interchange format (EDI). Payments are sent in these formats to the State's disbursement bank, which then forwards them to the Federal Reserve's Automated Clearing House. The payments can then be deposited to any payee's bank account in the country. The IT Division, along with the Banking Services Division, encourages the use of the more detailed Electronic Data Interchange, or EDI, payment method and has supported the growth of this method of payment.

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Information Technology Division continued from page 24

Receipt Processing

The Office's receipt processing system complements the payment processing system by allowing any State agency to receive electronic payments from taxpayers, credit card processors and federal programs. Currently, many of the taxes collected by the State, all credit card receipts, lockbox (used for high-volume, mail-in collections) and all federal funds come in through the "Depository Plus" process.

The IT Division continues to work with the Banking Services Division to enhance the automated posting of ACH deposits. The process makes use of variable logic to match the incoming deposit to the appropriate financial or batch agency as specified by an agency. The resulting matched deposits are summarized on a report for each agency and automatically faxed. All of the deposits are transmitted from the Office to FMIS each night for processing and posting to the agency's account. The automated fax report from the Office gives the agency a one day advance notice of the incoming deposit.

Bank Reconciliation

The Information Technology Division continues to enhance the banking reconciliation system. Programming has focused upon streamlining the ACH processing, wires, charge backs and data quality controls on vendor, tax and the State's general ledger source files. The IT Division has worked with the Banking Services Division to enhance the reporting and processing of Unpresented Checks, Data Validation and Issued/Reissued payroll checks.

The IT Division continued its partnership with both the Banking Services Division and the State's depository bank to accommodate improved transaction processing at a more sophisticated level and accurate settlement date reporting of ACH Deposits. The efforts made by the Office's Banking Services Division in coordination

with the IT Division provide the State of Maryland with an even more timely and accurate balance of State funds held at the bank.

New Banking projects include: allowing for Split Day Processing to accommodate Service Reduction Days and contingency events, manage creation of wire transactions of the same amount using the incoming BAI file, new Checks Paid report, converted Direct Debit file pickup and transmission to BOA over to Connect: Direct and creation of a Daily Banking EFT Maintenance Report for GAD.

Automation Initiatives and Technology Support

Contingency Planning

The IT Division has a nightly synchronization and lockdown of data and programs from our Production System to our Development System. This effort provides the State Treasurer's Office with a significantly shorter recovery time should the production system experience a hardware failure. The IT Division has also acquired new hardware to serve as a contingent platform for the State Treasurer's Office at an off-site location.

The IT Division conducted an off-site Disaster Recovery (DR) test on March 17th of this year. The test included a secured data transmission, processing of ACH files into the ACH format for the State's disbursement bank, printing of checks and a secured transmission of a mock ACH file to the State disbursement bank. The DR Test was a complete success and helped the Office to identify additional data to include in our DR Plan.

Secure File Transmissions

Our file transmission software enables the IT Division to transmit and receive production data files from the State's mainframe as well as the State's disbursement and depository banks.

The IT Division's contingency plan for financial services transmission is in place and allows for

The efforts made by the Office's Banking Services Division in coordination with the IT Division provide the State of Maryland with an even more timely and accurate balance of State funds held at the bank.

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Information Technology Division continued from page 25

an automated rerouting to the banks' contingency bank systems if their primary bank systems were to fail.

Server Management

The IT Division has continued to enhance and maintain its server hardware, network switches, firewall and remote network access. The IT Division continued its upgrade of desktop PC's and notebooks as part of the normal replacement cycle.

The IT Division continues to upgrade and support the current releases of server operating systems, applications, virus and spam protection and server management utilities. This has allowed for better control over network resources, greater uptime for users and has enhanced the fault tolerance and dependability of the entire network.

Security

The IT Division implemented better formal log review process for Virtual Private Network.

The IT Division implemented new technologies, including host-based Intrusion Detection and Prevention software, and new procedures related

to application patching, to protect against new spyware/virus infection attacks.

Workstations

The Office upgraded to Internet Explorer 8 which has better security and features for browsing the web.

PC's have been built with a standard image to ensure a consistent installation for all Office employees. This standard streamlines the rollout of new equipment and streamlines support from IT for a standard PC workstation.

This standardization to current releases of Microsoft software and operating systems has provided the Office with greater flexibility to acquire and implement desktop and network management solutions such as State-governed password policies, automated Virus Scan database updates and software administration.



The IT Division has continued to enhance and maintain its server hardware, network switches, firewall and remote network access.

INSURANCE DIVISION

◆ LAURA MCWEENEY

Director

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The Insurance Division is responsible for administering the State's Insurance Program, which comprises both commercial insurance and self-insurance. Commercial insurance policies are procured to cover catastrophic property and liability losses, and other obligations derived from State contracts, statutes and regulations. Among the several exposures covered by commercial policies are State-maintained toll bridges and tunnels, rail operations, assorted professional liability exposures and student athlete accidents. The State also self-insures a significant portion of its exposures and maintains the State Insurance Trust Fund to pay claims and the costs associated with handling those claims. Self-insurance coverage includes State-owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act.

The Insurance Division is comprised of four Units: Underwriting, Loss Prevention, Claims, and Tort Litigation. The Division's goal is to provide statewide risk management through loss protection (Underwriting), loss control (Loss Prevention), and loss restoration (Claims and Litigation Management).

Underwriting

The mission of the Underwriting Unit is to manage the insurance needs of the State with self-insurance or through the procurement of commercial insurance. Commercial insurance protects the State Insurance Trust Fund (SITF) from catastrophic losses and fulfills certain statutory requirements and agency contractual agreements. The Unit analyzes commercial coverage offerings, prices, limits and deductibles and then

recommends to the Treasurer the combination that best protects the State of Maryland's assets.

The Underwriting Unit secured the State's blanket excess property coverage for FY2010 with a 9.5% rate reduction even though the State property values increased by 9%. The coverage was slightly improved for this renewal and the premium was reduced by \$46,052.

The Unit requested benchmarking information in advance of the FY2010 Maryland Transit Administration (MTA) renewal for rail cars. After reviewing the current values of rail cars stored overnight at the largest location, and the value involved if two of the largest rail cars were to collide, the Underwriting Unit in conjunction with MTA authorized an increase in the expiring limit of \$26,000,000 to adequately protect these assets. Since MTA values will be increasing as they take delivery of approximately \$47,000,000 in new equipment (locomotives), the Underwriting Unit renewed this coverage with almost double the prior limit (\$50,000,000). Still, the State achieved a rate reduction of 17% and a savings of \$59,456.

The FY2010 renewal of the Maryland Aviation Administration (MAA) airport liability coverage for Baltimore Washington International Thurgood Marshall (BWI) and Martin Airports was very positive for FY2010 resulting in a 23% reduction of premium and saving MAA \$187,000 this year for the same coverage. The insurance carrier also offered a plan that may return some premium to MAA if the losses remain low.

In an excellent presentation to the State Treasurer's Office and the Division's insurance carrier representatives, Maryland State Police Aviation Command (MSPAC) reviewed operational and safety measure changes made since the tragic helicopter accident in 2008 and explained plans for future improvements. Even with large

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Insurance Division continued from page 27



losses in 2008 and 2009, the premium was up only \$70,126 for FY2010, while increasing the limit from \$50,000,000 to \$75,000,000.

The Underwriting Unit continues to serve as a resource for all State agencies for their insurance questions or concerns.

As part of its mission of managing the State's insurance needs, the Underwriting Unit conducts an annual insurance survey to gather data on State exposures. The insurance survey data is used to purchase commercial insurance policies and as a component for setting self-insurance premiums.

Loss Prevention

The aim of loss prevention is to help State agencies develop specific action plans and safety practices to mitigate or eliminate State agencies' most frequent or severe sources of preventable losses.

Annually, the Loss Prevention Unit conducts a comprehensive review of numerous State agencies' loss histories to identify problem areas and to help agencies with high severity claims and/or frequency take corrective measures. These efforts are expected to significantly reduce loss frequency and the severity of damage sustained to State-owned buildings and contents.

This year the Loss Prevention Manager and Director met with the Maryland State Police (MSP) following a series of settlements of significant automobile property and liability claims emanating from the Eastern Shore. The Manager shared trend and loss data and received information about the action plans implemented by MSP to curtail the frequency and severity of these losses.

Due to a notable increase in well contamination claims, the Loss Prevention Manager prepared and presented loss analysis of well claims by zip code, fiscal year, and incurred losses to the State Highway Administration (SHA) to assist them in their efforts to identify, map and address the concentrated areas of losses.

The Loss Prevention Manager is working to provide Maryland State Police Aviation Command (MSPAC) with risk control services to provide an internet based "fatigue management training program" to flight crewmembers such as pilots and medics. This service demonstrates MSPAC's continued efforts and desire to embrace recommendations put forth by the National Transportation Safety Board.

The Department of General Services received loss control services for an historical valuation (appraisal) of the Maryland State House in Annapolis. Given the design and construction of an historic building, it invariably is more vulnerable to damage, especially by fire, and more expensive to repair after damage has occurred. The valuation service conducted has assisted the State in determining the historic replacement cost of the building. An endorsement to increase the property coverage from \$60,000,000 to \$100,000,000 for the State House was issued pending the outcome of the valuation, which revealed an historical replacement cost of \$107,897,000. Currently, the Underwriting Unit in conjunction with our insurance brokers is working to ensure that an appropriate level of coverage and protection is provided for this significant historic asset. The historic valutors also made recommendations for future preservation efforts such as taking detailed photographs and molds of brass finishings in the State House.

The Loss Prevention Manager is currently working on the coordination of aerial infrared testing for the roofing systems of the Annapolis Capital Complex and campus of University of Maryland College Park. Aerial inspections of roofing systems are performed to pinpoint where moisture is penetrating the structure before there are visible signs, structural damage or business interruption. By using the service and the results of the analysis, facilities management can extend the life of the roof structures while reducing maintenance expenditures and potential property-related claims.

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Insurance Division continued from page 28

Claims

The Claims Unit has focused its efforts on two areas: 1) providing more efficient and effective claims service to State agencies and to the general public who file claims with the State Treasurer's Office, and 2) developing partnerships with other State agencies who can provide cost-effective support for the Claims Unit.

Following the historic snowfall in February, 2010, road hazard claims increased by over 130%. Most claims were related to snow removal operations. The Claims Unit consulted with State Highway Administration (SHA) and the Office of the Attorney General (OAG) to address the specific standards for handling claims for damaged mailboxes and other hazards specifically arising from the snow removal operations. The Claims Unit adjusted its procedures accordingly.

In 2007, Congress enacted legislation that required all insurers, including self-insurers like the State of Maryland, to report to the Centers of Medicare and Medicaid Services (CMS) all bodily injury settlements and judgments paid to Medicare beneficiaries. The Division has fully engaged its vendor-partner, Insurance Offices Services (ISO), to report all required data to CMS. The Division is ahead of schedule in completing its internal procedures to gather and report Medicare information. The Division has also implemented outreach to the OAG which assists in complying with the federal mandate for payments.

Insurance Fraud is an unfortunate but foreseeable occurrence in the area of liability claims handling. The Division has partnered with the Maryland Insurance Administration (MIA) and the Maryland Automobile Insurance Fund (MAIF) to combat fraudulent activity. MIA provides the Division with support for investigating claims where fraudulent activity is suspected. Since forming the partnership with MIA in FY10, three claims have been referred

to the agency. One of the three has resulted in a felony charge against the claimant. The Claims Unit plans to take advantage of training MAIF offers in areas such as forensics, recognition of dubious medical provider practices, and fraud ring detection.

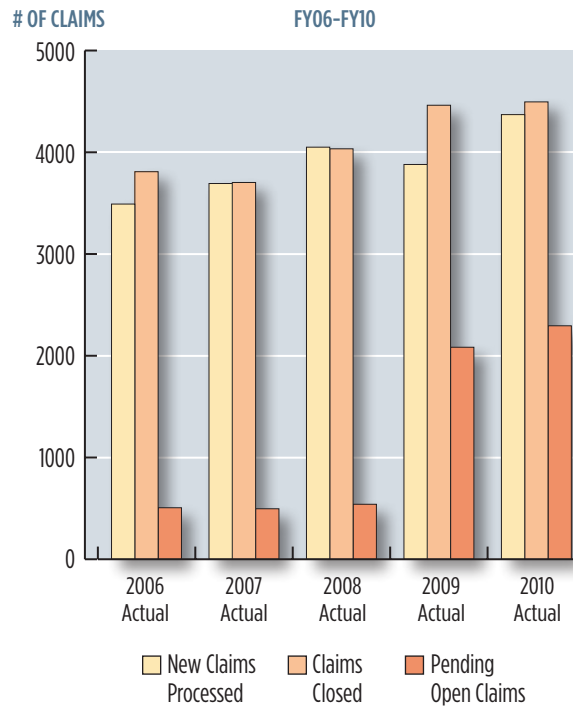
In FY10, the Claims Unit received 4,370 claims. It resolved 4,495 claims. The Unit exceeded its productivity goal of a 1:1 closing ratio by 2.8%.

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
New Claims Processed	3491	3693	4050	3880	4370
Claims Closed	3809	3703	4034	4462	4495
Pending Open Claims	507	497	541	2084*	2295

* Adjustment for files in subrogation status

Following the historic snowfall in February, 2010, road hazard claims increased by over 130%.

INSURANCE DIVISION PERFORMANCE MEASURES



Continued on page 30

Insurance Division continued from page 29

Tort Litigation

The Litigation Manager is responsible for developing and implementing a comprehensive litigation plan for all tort claims in litigation, as well as, in consultation with the Supervising Attorney of the Tort Claims Unit, reviewing settlement requests from the assistant attorneys general. The Litigation Manager works closely with the Supervising Attorney to proactively resolve these matters by investigating and evaluating cases, by providing settlement authority, and when necessary, by briefing the Insurance Review Committee on high dollar value settlements.

Additionally, the Litigation Manager attends settlement conferences, mediations, and other court-mandated activities with the assistant attorney generals and provides input to bring the case to an equitable settlement. The Litigation Manager also works closely with the Claims Unit adjusters to provide feedback on investigations. The Litigation Manager generally briefs the underlying adjuster on the status of its claims in litigation and will brief the Unit generally, on significant litigation of interest.

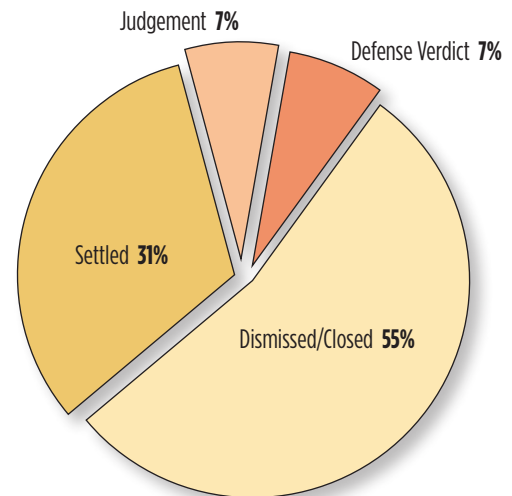


Since FY06, the State Treasurer has been served with proper notice of suit 539 times. Of the cases closed, approximately 31% were settled; 55% were dismissed; judgments and defense verdicts accounted for 7% each.

CASE DISPOSITION – FY06 TO FY 2010

Settled	Dismissed/ Closed	Judgment	Defense Verdict	Total Closed
128	232	29	30	419

FY10 CLOSED CASES SERVED SINCE FY06



In January 2009, the threshold amount for full Insurance Review Committee review of settlement requests was reduced from \$200,000, the tort claims cap, to \$100,000. This ensures an extensive consideration of all settlements in excess of the threshold amount.

INVESTMENT DIVISION

◆ **MARY CHRISTINE JACKMAN**

Director

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The Fiscal Year As We Knew It June 30, 2010

The federal “Cash for Clunkers” program began July 1, 2009, and was slated to last until November 2009, but the appropriated \$3 billion was completely exhausted by August 24th. This prompted an additional federal appropriation of \$2 billion. The program was promoted as providing stimulus to the economy by boosting auto sales while putting safer, cleaner, and more fuel-efficient cars on the roadways. The American Recovery and Reinvestment Act of 2009 (ARRA), which made supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization, for the fiscal year ending September 30, 2009, and for other purposes began February 17, 2009. However, the ongoing effects of the “Great Recession” (so-called because it lasted 18 months, the longest of any recession since the “Great Depression”), did not mitigate, and Congress began to talk about further stimulus programs. The good news was that the “Great Recession,” which began December 2007, officially ended June 2009. The bad news was that no one realized it had ended during Fiscal Year 2010. Even the National Bureau of Economic Research dared not announce the end of the “Great Recession,” until September 20, 2010.

The world-wide effects of the Great Recession were evident when Dubai World, the investment and development arm of the Emirate of Dubai, requested a six-month delay for repayment of a \$60 billion dollar debt. Consequently, the global markets had a major attack of risk aversion. U.S. Treasury bills, notes and bonds were the

investment of choice driving yields ever lower. The World was used to discussing the “BRICs” (Brazil, Russia, India and China) and their impact on the global economy. However, Fiscal Year 2010 brought the impact of the “PIIGS” (Portugal, Ireland, Italy, Greece and Spain) to the forefront as Greece and Ireland wrestled with default on their outstanding debt. The eruption of the Icelandic Volcano Eyjafjallajokull on April 14th became emblematic of the year. The volcanic eruption spilled ash over most of Europe, closing airspace, bringing many businesses to a halt and forcing everyone to stay indoors. Those stranded in Europe had to find unconventional ways out of the ash fog and return to their homes by way of Africa or Asia. Likewise, the Great Recession created much financial fog, brought business as usual to a halt, and sent consumers scurrying to their homes. Unconventional ways were sought to escape the choking conditions.

The U.S. unemployment rate was 9.4% on July 1, 2009, peaked at 10.2% in November 2009 (the highest in 26 years) and ended the fiscal year at 9.7%. The U-6 unemployment rate (which includes the under-employed) climbed to 17.5%, a full year after the Great Recession had officially ended. It was difficult to believe the Great Recession had ended because so many were still looking for work and/or were facing foreclosure on their homes. One hundred and forty banks failed during calendar 2009, and 85 more had failed before June 30, 2010. At the end of June, banks were not lending to a significant degree, consumers were reluctant to spend, preferring to pay down debt and to save (the personal saving rate was 6.2% for June 2010), private corporations were reluctant to hire workers for fear of a double-dip recession, and 3.2 million long-term unemployed lost their unemployment benefits because Congress turned down another extension request by President Obama. New home sales tumbled almost 33% after the government

Continued on page 32



The U.S. unemployment rate was 9.4% on July 1, 2009, peaked at 10.2% in November 2009 (the highest in 26 years) and ended the fiscal year at 9.7%.

Investment Division continued from page 31

The Investment Division of the State Treasurer's Office primarily invests the cash balances that are temporarily idle between the time revenue is collected and the time budgeted amounts are disbursed.

new homeowner tax credit expired. Pending home sales remained up in June but only because Congress extended the time to close on short sales and other housing purchase commitments from June to September. The latest trend in foreclosures was that distressed owners simply stopped paying their mortgage obligations, knowing that it would take a long time between foreclosure and eviction, estimated at an average 438 days nationwide in June. Even with mortgage rates below 5%, mortgage applications for new homes were at a 13 year low. At some point there will be an end to government stimuli. In the meantime, interest rates are expected to remain low for "an extended period of time" as the Federal Open Market Committee has written. Caught between the proverbial rock and a hard place, Congress cannot begin austerity measures while the economy remains so very fragile.

Through it all the Investment Division of the State Treasurer's Office continued to invest in accordance with established laws, policies and procedures. Section §6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland governs the investment of the State's unexpended or surplus money. Furthermore, the State Treasurer's Investment Policy provides additional guidance for investments. The conservative stance of the Office may have limited interest earnings but it insured safety of principal invested.

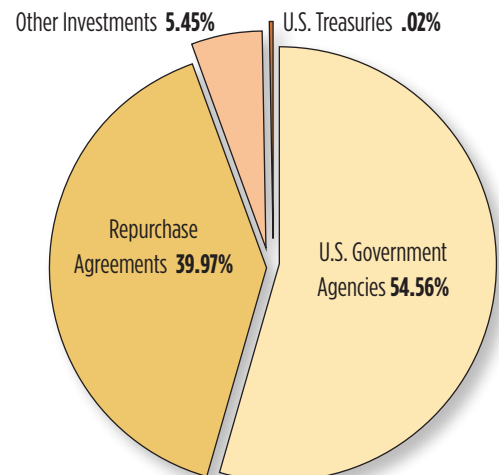
The Investment Division of the State Treasurer's Office primarily invests the cash balances that are temporarily idle between the time revenue is collected and the time budgeted amounts are disbursed. The Division is also responsible for a number of longer-term investment activities associated with the purchase of 20-year development easements on agricultural land and the payment of lottery prizes over 19-year periods. The Division manages the investment of General Obligation bond proceeds and also directs the short-term and long-term investments of a number of trustee accounts under State agency revenue bond indentures.

The Investment Division is not responsible for the investment and management of all funds. Other State agencies are responsible for the State's pension funds (MSRPS), the insurance reserves of the Maryland Automobile Insurance Fund (MAIF), the Injured Workers Insurance Fund (IWIF), the Maryland College Savings Program and certain endowment funds at public colleges and universities.

Interest earnings on investments under the stewardship of the State Treasurer accrue to the General Fund unless State law directs that the interest should accrue to a specific fund. During the 1990 session, the General Assembly enacted legislation, sponsored by the Treasurer's Office, to allow all operating funds invested by the Treasurer to be invested in a common pool. Interest earned from this pool is allocated to the various State agencies and to the General Fund on a pro-rata basis. This legislation was updated during the 2010 session in recognition of the fact that many of the individual funds were already receiving support from the General Fund.

PORTFOLIO COMPOSITION AT JUNE 30, 2010

Investment Type	Dollar Amount	Percentage
Repurchase Agreements	2,042,846,936	39.97%
U.S. Treasuries	895,000	.02%
U.S. Government Agencies	2,788,898,000	54.56%
Other Investments	278,665,439	5.45%
Total Portfolio	5,111,305,375	100.00%



Continued on page 33

Investment Division continued from page 32

Under State law, investments by the State Treasurer's Office are limited to secured bank accounts, full faith and credit obligations of the federal government, obligations of certain federal agencies or instrumentalities, repurchase agreements collateralized by those securities, certain money market mutual funds and limited amounts of commercial paper.

U.S. government agency investment securities are procured competitively through approved brokerage firms. To be approved, a firm must: (1) be a primary dealer reporting to the Federal Reserve or a registered member of the New York Stock Exchange, or (2) file financial statements exhibiting financial resources considered adequate by the Investment Division and approved by the Treasurer, and (3) provide competitive bids to the Investment Division on a regular basis.

The Treasurer's policy is to make sure that local, regional and minority firms have an opportunity to bid on a portion of the State's investable funds. This is a highly competitive process. The Office's fiduciary responsibility to Maryland residents requires scrupulously seeking the best prices for all investments. Inclusion on the list grants the privilege of submitting bids and offers but does not guarantee a transaction.

The investment portfolio is designed to meet the cash flow needs of the State (i.e., have funds available to cover disbursements). During Fiscal Year 2010, the Investment Division invested in repurchase agreements with maturities of 90 days or less. Repurchase agreements collateralized 102% by U.S. Treasuries and federal agency securities provide safety, have short maturities and have rates of return that are generally higher than Treasury and agency securities with comparable maturity dates. Treasury and federal agency securities with a maturity of up to five years were also purchased in order to provide portfolio diversification, liquidity and a higher rate of return. This maturity extension was well within the guidelines of prudent portfolio management. For

a complete list of the June 30, 2010 investment portfolio, please see Appendix A.

On June 30, 2010, the total of all portfolios under the active management of the State Treasurer's Office was \$5,111,305,375. The General Fund portfolio was \$4,770,485,256.

PORTFOLIO BALANCES

Fiscal Year	General Fund	Total Portfolio
2000	4,043,592,678	4,341,640,537
2001	4,734,087,661	4,983,070,473
2002	4,007,351,370	4,338,575,761
2003	3,393,570,110	3,582,550,645
2004	4,212,322,055	4,469,538,542
2005	5,403,757,921	5,685,280,744
2006	6,480,959,704	6,867,711,888
2007	6,719,444,969	7,116,500,896
2008	6,455,858,210	6,557,395,702
2009	4,909,433,669	5,088,853,273
2010	4,770,485,256	5,111,305,375

The average rate of return on the General Fund was 2.07%. The State Treasurer's investment program surpassed the three-month Constant Maturity Treasury Bill, which averaged 0.12% for the same time period.

AVERAGE ANNUAL INTEREST RATES

Fiscal Year	General Fund	3 Month Treasury Bill Rate
2000	5.61%	5.38%
2001	5.93%	5.27%
2002	2.92%	2.18%
2003	1.94%	1.32%
2004	1.28%	0.97%
2005	2.26%	2.26%
2006	4.06%	4.17%
2007	5.16%	4.74%
2008	4.89%	1.89%
2009	3.39%	0.56%
2010	2.07%	0.12%

Due to lower average balances and lower interest rates, the total interest earned from the portfolio decreased 113 million dollars for Fiscal Year 2010 compared to 2009.

Continued on page 34



Investment Division continued from page 33

The Treasurer has encouraged local governments and eligible authorities to participate in the Pool, an "AAAm" rated money market account.

TOTAL INTEREST EARNED

Fiscal Year	Net General Fund	Allocated to State Agencies	Total
2000	121,951,720	103,173,287	225,125,007
2001	136,981,074	144,249,899	281,230,973
2002	82,641,807	66,399,769	149,041,576
2003	37,205,637	42,240,523	79,446,160
2004	25,037,345	29,053,449	54,090,794
2005	52,886,074	54,538,463	107,424,537
2006	149,613,238	109,222,108	258,835,346
2007	150,798,001	205,589,917	356,387,918
2008	155,170,184	207,179,098	362,349,282
2009	102,768,740	142,619,087	245,387,827
2010	44,190,425	87,921,654	132,112,079

Securities Lending

As is typical with a portfolio containing a large number of securities, the State engages in a securities lending program. In this program, the State contracts with a third party securities lender that arranges to have specific securities in the portfolio loaned to brokers and dealers who need those securities for a short period of time. In return for borrowing the security, the broker or dealer posts cash collateral equal to 102% of the market value of the borrowed security. The securities lender invests the cash collateral for the period of the loan. At maturity, the State securities are returned and the interest earned is allocated between the State and the securities lender.

The drastic restructuring of balance sheets by the Prime Broker Dealers significantly reduced the demand for securities lending. Therefore, the securities lending program earned 60% less than the previous fiscal year.

SECURITIES LENDING EARNINGS

Fiscal Year	Earnings	% Change
2005	424,157.80	-
2006	463,384.05	9.20%
2007	568,769.87	22.79%
2008	1,926,722.19	238.75%
2009	380,301	-80.26%
2010	151,266	-60.22%

Local Government Investment Pool

Section 22G of Article 95 of the Annotated Code of Maryland establishes the Maryland Local Government Investment Pool (LGIP) and assigns to the State Treasurer's Office the responsibility for administering the Pool. The actual management of the Pool has been contracted out to The PNC Financial Services Group, Inc.

The Treasurer has encouraged local governments and eligible authorities to participate in the Pool, an "AAAm" rated money market account. At the end of Fiscal Year 2010, there were 300 participants, up from 298 in Fiscal Year 2009. The fund balance as of June 30, 2010, was \$2,795,956,544. The actual yield for Fiscal Year 2010 was .21%.

To ensure that the Pool is responsive to the needs of the participants, the Treasurer created an advisory panel consisting of representatives of the Pool's members. The panel meets semi-annually, reviews the fund's activities and makes recommendations to the Pool's administrator. The Pool's administrator produces a quarterly newsletter. This newsletter acts as an effective marketing tool for potential participants and a valuable update for members.

LOCAL GOVERNMENT INVESTMENT POOL FUND BALANCE

Fiscal Year	Fund Balance as of June 30	Number of Participants	Actual Yield Prev. 12 Months	\$ Inc (Dec) Prev. Year
2000	813,759,289	252	5.73%	2.07%
2001	1,141,544,255	270	5.69%	40.28%
2002	1,422,684,869	276	2.53%	24.62%
2003	1,674,169,653	282	1.45%	17.67%
2004	1,797,814,980	285	1.03%	7.38%
2005	1,951,361,257	287	2.15%	8.50%
2006	1,900,127,809	289	4.19%	(2.69%)
2007	2,100,327,613	292	5.30%	10.54%
2008	2,420,372,782	294	4.04%	15.24%
2009	2,759,769,583	298	1.41%	14.02%
2010	2,795,956,544	300	0.21%	1.31%

LEGAL DIVISION

◆ STEVEN VANDERBOSCH

Director

svanderbosch@treasurer.state.md.us

While the entire Office of the Attorney General (OAG) serves as a resource to the Treasurer, four assistant attorneys general have been assigned to the State Treasurer's Office to provide direct, full-time legal support on a full range of services including:

- ◆ Legal advice and opinions
 - ◆ Contract preparation and review
 - ◆ Preparing and editing rules, regulations, and policies
 - ◆ Drafting and review of legislation
 - ◆ Overseeing and coordinating the State's legal representation under the Maryland Tort Claims Act (MTCA)
- ◆ Representation in various types of litigation, administrative and regulatory proceedings
 - ◆ Responding to citizen inquiries, and
 - ◆ Providing legal training to the staff as appropriate

The Division Director and Principal Counsel

- ◆ Advise the Treasurer and Office staff on a variety of issues affecting the Office and its interaction with federal, State and local government agencies, contractors and the public;
- ◆ Serve as in-house counsel for the issuance of General Obligation bonds, frequent capital equipment lease financings, and periodic Build America Bonds, Qualified School Construction Bonds, and Qualified Zone Academy Bonds;
- ◆ Act as a legal resource for other State agencies regarding their proposed uses of tax-exempt bond money for capital projects;

Continued on page 36



Legal Division continued from page 35



- ◆ At the request of the Treasurer, provide advice, counsel and legal analysis of the Treasurer's constitutional and statutory powers and responsibilities;
- ◆ Provide advice, counsel and legal analysis on matters before various boards and commissions on which the Treasurer serves, principally the Board of Public Works;
- ◆ Provide advice and assistance on the procurement and administration of a wide variety of financial service contracts for the Office, as well as for other State agencies, including banking, finance, investment and related information technology services;
- ◆ Provide analysis and advice to the Insurance Division on procurement and administration of commercial insurance policies and on general insurance issues; and
- ◆ Provide advice and counsel to the Treasurer and Office management on personnel matters, including disciplinary matters, and represent the Office in personnel proceedings.

The Deputy Counsel – Supervisor, Tort Claims Litigation Unit

The Deputy Counsel is the Supervising Attorney of the Tort Claims Litigation Unit (TCLU). The Unit is being gradually staffed over time with attorney and legal assistant positions authorized by the General Assembly on the recommendation of the Treasurer and the Attorney General. The goal of the TCLU is to bring consistency to the defense and resolution of cases brought against the State and its agencies under the Maryland Tort Claims Act by employing effective defense strategies, controlling State risk and containing litigation costs.

Primary Functions of the OAG

General Legal Advice

The OAG serves as counsel to the Treasurer and Office staff on many varied issues affecting the State Treasurer's Office including legislative, administration, litigation and personnel matters.

Finance/Debt Management

In Fiscal Year 2010, the Office of the Attorney General participated in the issuance of over \$1.2 billion in tax-exempt Capital Improvement Bonds and the financing of \$23.7 million in Capital Equipment Leases.

The OAG's involvement with bond sales begins with review and comment to both the Department of Budget and Management and to the staff of the General Assembly on annual enabling legislation and individual bond bills. The OAG participates in the preparation and review of official statements and other offering documents, including authorizing resolutions of the Board of Public Works. For all loans authorized since 1989, the Director researches and writes bond counsel opinions for joint signature with the Attorney General.

Ongoing legal advice is provided, as needed, to various State agencies that receive General

Continued on page 37

Legal Division continued from page 36

Obligation Bond funding concerning federal tax code restrictions on use of bond proceeds. Of particular concern are changes in use and private business use of facilities that have been financed with the proceeds of tax-exempt bonds.

Two law firms are under contract with the Attorney General to provide bond counsel services for the State Treasurer's Office: Ballard Spahr LLP and Kutak Rock, LLP.

Board of Public Works

At the request of the Treasurer, the OAG attorneys review all agenda items that come before the Board of Public Works, including proposed legal settlements and insurance matters, provide suggested questions and comments to a Deputy Treasurer concerning legal, procurement and funding issues, and attend Board of Public Works meetings to be available to the Treasurer for legal advice.

Procurement

As a Primary Procurement Unit, the State Treasurer's Office is generally responsible for the procurement of all State banking, finance and insurance contracts. The Office is responsible for contract administration of its own contracts and agreements for banking, finance, investments, insurance and information technology, as well as for banking and finance contracts for other agencies. The OAG is engaged in contract and procurement issues, including Requests for Proposals, Invitations for Bids, contract formations and modifications, claims, protests and appeals.

Tort Claims

Under the supervision of the Deputy Counsel, the TCLU:

- ◆ Drafts and reviews MTCA-related legislation and regulations,
- ◆ Advises the Treasurer's Office Insurance Division on many of the approximately 4,000 tort and auto claims filed each year under the Maryland Tort Claims Act (MTCA).
- ◆ Provides legal representation to the State, its agencies and employees in Federal and State Courts in the defense of cases brought under the MTCA.
- ◆ Provides litigation support to the Assistant Attorneys General throughout State agencies who also defend cases brought under the MTCA, including:
 - Training attorneys and serving as a resource for developing trial strategies,
 - Recommending and approving the use of expert witnesses,
 - Writing and reviewing briefs, memoranda, and motions, and
 - Reviewing and advising on the litigation and settlement of these cases
- ◆ Participates in all appellate litigation in cases involving the MTCA.

The Office is responsible for contract administration of its own contracts and agreements for banking, finance, investments, insurance and information technology, as well as for banking and finance contracts for other agencies.

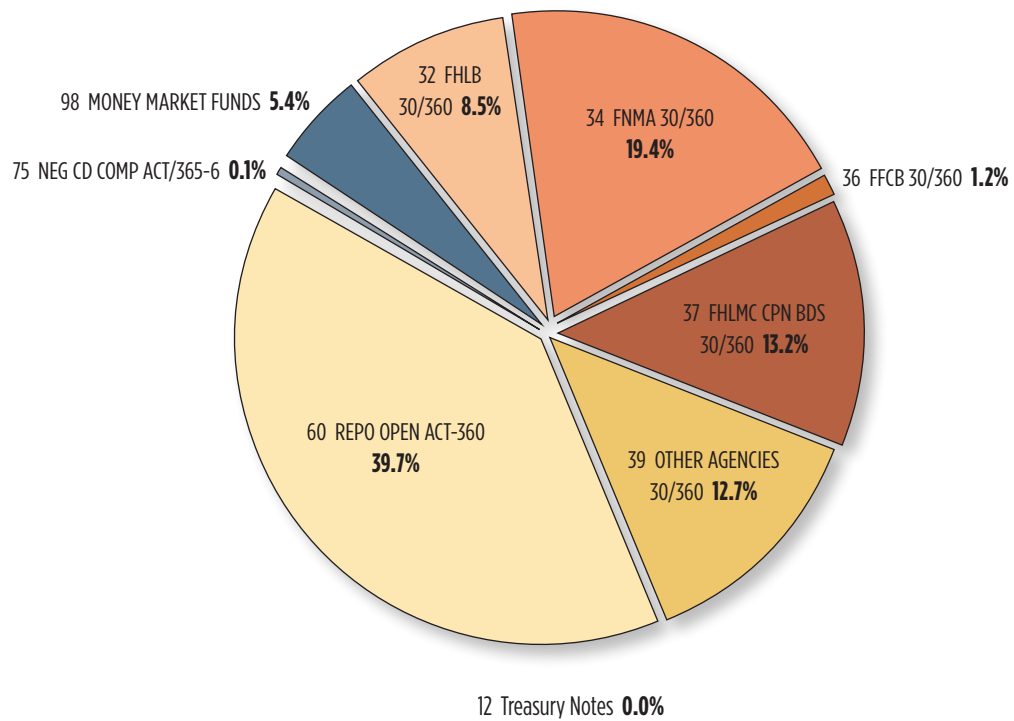


APPENDIX A

Investment Inventory

June 30, 2010

MARKET VALUE SUMMARY REPORT



12	TREASURY NOTES	1,287K	0.0%
32	FHLB 30/360	439,332K	8.5%
34	FNMA 30/360	999,200K	19.4%
36	FFCB 30/360	59,431K	1.2%
37	FHLMC CPN BDS 30/360	678,286K	13.2%
39	OTHER AGENCIES 30/360	651,934K	12.7%
60	REPO OPEN ACT-360	2,042,847K	39.7%
75	NEG CD COMP ACT/365-6	2,876K	0.1%
98	MONEY MARKET FUNDS	275,789K	5.4%
Total:		5,150,982K	100.0%

Run Date: 7/14/2010 • 6:03:57PM • Investment Outstanding as of 06/30/2010

INVESTMENT INVENTORY WITH MARKET VALUE

Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
152	Treasury Note 8.5	912810EE4	03/20/1994	1	100	634	8.5000	540,000.00	792,112.52	17,244.20	254,475.02
153	Treasury Note 7.25	912810EM6	02/16/2024	17	AVAILABL	12	8.5395	537,637.50	146,687,504	SUNGARD	0.00
			08/26/1996	1	100	634	7.2500	355,000.00	494,670.29	9,669.34	146,659.30
			08/16/2026	1	AVAILABL	12	7.4142	348,010.99	139,343,744	SUNGARD	0.00
Inv Type	12 TREASURY NOTES	Count 2					8.0042	895,000.00	1,286,782.81	26,913.54	401,134.32
							8.0973	885,648.49	143,774,616		0.00
12880	FHLB QC 072610	3133XWJRI	01/27/2014	31	200	2	6.0000	100,000,000.00	100,406,250.00	2,583,333.33	443,750.00
			01/27/2019	76	AVAILABL	32	6.0088	99,962,500.00	100,406,250	SUNGARD	0.00
12890	FHLB QC 072710	3133XWJB4	01/28/2014	31	200	2	5.5000	50,000,000.00	50,187,500.00	1,176,388.89	195,000.00
			01/28/2019	71	AVAILABL	32	5.5035	49,992,500.00	100,375,000	SUNGARD	0.00
12891	FHLB CN 102710	3133XWNR6	01/28/2014	31	200	2	3.0000	11,415,000.00	11,511,314.06	146,492.50	102,021.56
			01/28/2019	53	AVAILABL	32	3.0108	11,409,292.50	100,843,750	SUNGARD	0.00
12900	FHLB QC 072910	3133XWJY6	01/30/2014	31	200	2	6.2500	50,000,000.00	50,234,375.00	1,319,444.44	241,875.00
			01/30/2019	71	AVAILABL	32	6.2555	49,992,500.00	100,468,750	SUNGARD	0.00
12901	FHLB QC 072910	3133XWJX8	01/30/2014	31	200	2	6.1000	50,000,000.00	50,218,750.00	1,287,777.78	248,750.00
			01/30/2019	76	AVAILABL	32	6.1141	49,970,000.00	100,437,500	SUNGARD	0.00
12925	FHLB QC 080510	3133XWMM0	02/06/2014	31	200	2	6.5000	50,000,000.00	50,281,250.00	1,318,055.56	291,250.00
			02/06/2019	71	AVAILABL	32	6.5048	49,990,000.00	100,562,500	SUNGARD	0.00
13180	FHLB QC 102710	3133XXXU6	04/28/2014	31	200	2	7.0000	50,000,000.00	50,765,625.00	622,222.22	765,625.00
			04/28/2019	76	AVAILABL	32	7.0000	50,000,000.00	101,531,250	SUNGARD	0.00
13186	FHLB QC 102910	3133XXXV8	04/30/2014	31	200	2	7.0000	25,000,000.00	25,414,062.50	301,388.89	419,062.50
			04/30/2019	71	AVAILABL	32	7.0048	24,995,000.00	101,656,250	SUNGARD	0.00
13218	FHLB QC 080410	3133XXYK7	05/05/2014	31	200	2	7.2500	50,000,000.00	50,312,500.00	573,938.33	315,000.00
			05/05/2019	53	AVAILABL	32	7.2512	49,997,500.00	100,625,000	SUNGARD	0.00
Inv Type	32 FHLB 30/360	Count 9					6.2767	436,415,000.00	439,331,626.56	9,329,061.94	3,022,334.06
							6.2824	436,309,292.50	100,668,315		0.00
12509	FNMA 1X 093010	3136FDLZ	10/01/2013	31	200	2	3.0500	5,000,000.00	5,032,812.50	38,548.61	34,062.50
			10/01/2018	37	AVAILABL	34	3.0554	4,998,750.00	100,656,250	SUNGARD	0.00
12563	FNMA QC 041610	3136FIGP0	10/17/2013	31	200	2	3.1250	6,185,000.00	6,192,731.25	40,266.93	8,349.75
			10/17/2018	37	AVAILABL	34	3.1272	6,184,381.50	100,125,000	SUNGARD	0.00
12821	FNMA CN 070710	3136FB83	01/08/2014	31	200	2	3.1000	50,000,000.00	50,015,625.00	749,166.67	281,250.00
			01/08/2019	53	AVAILABL	34	3.1054	49,987,500.00	100,031,250	SUNGARD	0.00

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INVESTMENT INVENTORY WITH MARKET VALUE (CONT.)

Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
12836	FNMA CN 07130	3136FID40	01/14/2014	31	200	2	3.2000	50,000,000.00	50,046,875.00	746,666.67	64,375.00
12837	FNMA CN 07130	3136FIC41	01/14/2019	10	AVAILABL	34	3.2076	49,982,500.00	100,093750	SUNGARD	0.00
12838	FNMA SA 07130	3136FIF71	01/14/2014	31	200	2	3.1500	50,000,000.00	50,046,875.00	735,000.00	61,875.00
12843	FNMA CN 07140	3136FID65	01/14/2019	10	AVAILABL	34	3.1565	49,985,000.00	100,093750	SUNGARD	0.00
12844	FNMA CN 07150	3136FIK83	01/14/2014	31	200	2	3.1500	50,000,000.00	50,046,875.00	735,000.00	76,875.00
12845	FNMA CN 07150	3136FIK83	01/14/2019	54	AVAILABL	34	3.1631	49,970,000.00	100,093750	SUNGARD	0.00
12860	FNMA CN 07200	3136FIH61	01/15/2014	31	200	2	3.2500	50,000,000.00	50,046,875.00	753,819.44	46,875.00
12861	FNMA CN 07200	3136FIH61	01/15/2019	76	AVAILABL	34	3.2500	50,000,000.00	100,093750	SUNGARD	0.00
12865	FNMA CN 07210	3136FIK83	01/16/2014	31	200	2	3.3000	17,910,000.00	17,926,790.63	272,530.50	26,641.13
12860	FNMA CN 07210	3136FIH61	01/16/2019	78	AVAILABL	34	3.3120	17,900,149.50	100,093750	SUNGARD	0.00
12861	FNMA CN 07210	3136FIH61	01/16/2014	31	200	2	3.3000	27,500,000.00	27,525,781.25	418,458.33	40,906.25
12865	FNMA CN 07210	3136FIK26	01/16/2019	78	AVAILABL	34	3.3120	27,484,875.00	100,093750	SUNGARD	0.00
12882	FNMA 1XC 07260	3136FIM99	01/21/2014	31	200	2	3.3000	50,000,000.00	50,078,125.00	737,916.67	85,625.00
12887	FNMA CN 07270	3136FIM99	01/21/2019	10	AVAILABL	34	3.3033	49,992,500.00	100,156250	SUNGARD	0.00
12888	FNMA CN 07270	3136FIM99	01/21/2014	31	200	2	3.3000	50,000,000.00	50,078,125.00	737,916.67	83,125.00
12889	FNMA CN 07270	3136FIM99	01/21/2019	53	AVAILABL	34	3.3022	49,995,000.00	100,156250	SUNGARD	0.00
12895	FNMA CN 07280	3136FIN80	01/22/2014	31	200	2	3.4000	50,000,000.00	50,078,125.00	755,555.56	78,125.00
12896	FNMA CN 07280	3136FIN23	01/22/2019	30	AVAILABL	34	3.4000	50,000,000.00	100,156250	SUNGARD	0.00
12921	FNMA CN 08040	3136FIQ61	01/27/2014	31	200	2	3.2500	25,000,000.00	25,046,875.00	349,826.39	65,625.00
12887	FNMA CN 07270	3136FIM74	01/27/2019	79	AVAILABL	34	3.2664	24,981,250.00	100,187500	SUNGARD	0.00
12888	FNMA CN 07270	3136FIM32	01/28/2014	31	200	2	3.5000	50,000,000.00	50,109,375.00	748,611.11	109,375.00
12889	FNMA CN 07270	3136FIM90	01/28/2019	76	AVAILABL	34	3.5000	50,000,000.00	100,218750	SUNGARD	0.00
12895	FNMA CN 07280	3136FIN80	01/28/2014	31	200	2	3.5000	50,000,000.00	50,109,375.00	748,611.11	119,375.00
12896	FNMA CN 07280	3136FIN23	01/28/2019	10	AVAILABL	34	3.5044	49,990,000.00	100,218750	SUNGARD	0.00
12921	FNMA CN 08040	3136FIQ61	01/28/2014	31	200	2	3.5000	50,000,000.00	50,109,375.00	748,611.11	111,875.00
12887	FNMA CN 07270	3136FIM74	01/28/2019	53	AVAILABL	34	3.5011	49,997,500.00	100,218750	SUNGARD	0.00
12888	FNMA CN 07270	3136FIM32	01/29/2014	31	200	2	3.5500	50,000,000.00	50,109,375.00	754,375.00	111,875.00
12889	FNMA CN 07270	3136FIM90	01/29/2019	53	AVAILABL	34	3.5511	49,997,500.00	100,218750	SUNGARD	0.00
12895	FNMA CN 07280	3136FIN80	01/29/2014	31	200	2	3.5500	50,000,000.00	50,109,375.00	754,375.00	109,375.00
12896	FNMA CN 07280	3136FIN23	01/29/2019	76	AVAILABL	34	3.5500	50,000,000.00	100,218750	SUNGARD	0.00
12921	FNMA CN 08040	3136FIQ61	02/05/2014	31	200	2	3.4000	50,000,000.00	50,125,000.00	694,166.67	135,000.00
12921	FNMA CN 08040	3136FIQ61	02/05/2019	71	AVAILABL	34	3.4044	49,990,000.00	100,250000	SUNGARD	0.00

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Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
12926	FNMA CN 080510	3136F1VZ4	02/06/2014	31	200	2	3.3500	50,000,000.00	50,125,000.00	679,305.56	127,500.00
12943	FNMA QC 080910	3136F1Y70	02/06/2019	53	AVAILABL	34	3.3511	49,997,500.00	100,250,000	SUNGARD	0.00
12973	FNMA QC 081910	3136F1ZV2	02/10/2014	31	200	2	3.1000	15,650,000.00	15,694,015.63	191,364.72	59,665.63
12993	FNMA CN 082510	3136F1S58	02/10/2019	53	AVAILABL	34	3.1218	15,634,350.00	100,281,250	SUNGARD	0.00
13375	FNMA QC 092410	3136F1XZ2	02/20/2014	31	200	2	3.1500	50,000,000.00	50,171,875.00	577,500.00	191,875.00
			02/20/2019	76	AVAILABL	34	3.1587	49,980,000.00	100,343,750	SUNGARD	0.00
			02/26/2014	31	200	2	3.1500	50,000,000.00	50,171,875.00	551,250.00	176,875.00
			02/26/2019	71	AVAILABL	34	3.1522	49,995,000.00	100,343,750	SUNGARD	0.00
			06/25/2014	31	200	2	4.1000	50,000,000.00	50,203,125.00	39,861.11	215,625.00
			06/25/2019	53	AVAILABL	34	4.1056	49,987,500.00	100,406,250	SUNGARD	0.00
Inv Type	36 FFCB 30/360		Count								
							3.4831	58,600,000.00	59,451,406.25	599,717.78	909,406.25
							3.5126	58,522,000.00	101,418,782		0.00
12096	FHLMC QC 101509	3128X8TK8	04/16/2013	31	200	2	3.0000	20,115,000.00	20,140,143.75	127,395.00	35,201.25
12097	FHLMC QC 101509	3128X8TK8	04/16/2018	52	AVAILABL	37	3.0108	20,104,942.50	100,125,000	SUNGARD	0.00
12227	FHLMC 1XC 061812	3128X8QZ1	04/16/2013	31	200	2	3.0000	7,356,000.00	7,365,195.00	46,588.00	11,034.00
			04/16/2018	53	AVAILABL	37	3.0054	7,354,161.00	100,125,000	SUNGARD	0.00
			06/19/2013	31	200	2	3.0500	25,000,000.00	25,820,312.50	27,534.72	845,312.50
			06/19/2018	60	AVAILABL	37	3.0717	24,975,000.00	103,281,250	SUNGARD	0.00
12917	FHLMC QC 080310	3128X9WU0	02/04/2014	31	200	2	3.1000	36,145,000.00	36,235,362.50	460,647.94	104,820.50
13069	FHLMC QC 092310	3128X9H52	02/04/2019	78	AVAILABL	37	3.1087	36,130,542.00	100,250,000	SUNGARD	0.00
13127	FHLMC QC 070910	3128X9W50	03/24/2014	31	200	2	6.5000	50,000,000.00	54,051,824.50	884,722.22	4,066,824.50
13128	FHLMC QC 070910	3128X9W50	03/24/2019	71	AVAILABL	37	6.5071	49,985,000.00	108,103,649	SUNGARD	0.00
13167	FHLMC MC 072210	3128X9ZM1	04/10/2014	31	200	2	3.0500	25,000,000.00	25,015,625.00	173,680.56	34,375.00
13168	FHLMC MC 072210	3128X9ZM1	04/10/2019	53	AVAILABL	37	3.0663	24,981,250.00	100,062,500	SUNGARD	0.00
13169	FHLMC MC 072210	3128X9ZM1	04/10/2014	31	200	2	3.0500	25,000,000.00	25,015,625.00	173,680.56	34,375.00
			04/10/2019	53	AVAILABL	37	3.0663	24,981,250.00	100,062,500	SUNGARD	0.00
			04/23/2014	31	200	2	3.1250	17,200,000.00	17,226,875.00	103,020.83	32,895.00
			04/23/2019	53	AVAILABL	37	3.1326	17,193,980.00	100,156,250	SUNGARD	0.00
			04/23/2014	31	200	2	3.1250	50,000,000.00	50,078,125.00	299,479.17	108,125.00
			04/23/2019	9	AVAILABL	37	3.1381	49,970,000.00	100,156,250	SUNGARD	0.00
			04/23/2014	31	200	2	3.1250	50,000,000.00	50,078,125.00	299,479.17	93,125.00
			04/23/2019	53	AVAILABL	37	3.1315	49,985,000.00	100,156,250	SUNGARD	0.00

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Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Icode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
13185	FHLMC MC 072810	3128X94P2	04/29/2014	31	200	2	3.3000	50,000,000.00	50,109,375.00	288,750.00	109,375.00
13187	FHLMC OC 072910	3128X94K3	04/29/2019	59	AVAILABL	37	3.3000	50,000,000.00	100,218750	SUNGARD	0.00
13219	FHLMC OC 080410	3128X94M9	04/30/2014	31	200	2	3.2000	29,035,000.00	29,098,514.06	160,015.11	78,031.56
13226	FHLMC OC 070510	3128X94U1	04/30/2019	53	AVAILABL	37	3.2109	29,020,482.50	100,218750	SUNGARD	0.00
13229	FHLMC OC 080610	3128X96P0	05/05/2014	31	200	2	3.3000	50,000,000.00	50,125,000.00	261,250.00	130,000.00
13230	FHLMC OC 080610	3128X96P0	05/05/2019	71	AVAILABL	37	3.3022	49,995,000.00	100,250000	SUNGARD	0.00
13231	FHLMC OC 080610	3128X94R8	05/06/2014	31	200	2	3.4000	50,000,000.00	50,125,000.00	264,444.44	130,000.00
13240	FHLMC OC 081110	3128X95J5	05/06/2019	53	AVAILABL	37	3.4022	49,995,000.00	100,250000	SUNGARD	0.00
13250	FHLMC OC 080610	3128X96P0	05/07/2014	31	200	2	3.2500	11,787,000.00	11,816,467.50	58,525.73	31,824.90
13251	FHLMC OC 080610	3128X96P0	05/07/2019	53	AVAILABL	37	3.2544	11,784,642.60	100,250000	SUNGARD	0.00
13259	FHLMC OC 063010	3134G1HB3	05/07/2014	31	200	2	3.2500	25,000,000.00	25,062,500.00	124,131.94	67,500.00
13260	FHLMC OC 063010	3134G1HB3	05/07/2019	53	AVAILABL	37	3.2544	24,995,000.00	100,250000	SUNGARD	0.00
13261	FHLMC OC 063010	3134G1HB3	05/07/2014	31	200	2	3.3500	50,000,000.00	50,125,000.00	255,902.78	125,000.00
13262	FHLMC OC 063010	3134G1HB3	05/07/2019	10	AVAILABL	37	3.3500	50,000,000.00	100,250000	SUNGARD	0.00
13263	FHLMC OC 063010	3134G1HB3	05/12/2014	31	200	2	3.3500	50,000,000.00	50,156,250.00	232,638.89	156,250.00
13264	FHLMC OC 063010	3134G1HB3	05/12/2019	10	AVAILABL	37	3.3500	50,000,000.00	100,312500	SUNGARD	0.00
13265	FHLMC OC 063010	3134G1HB3	07/01/2014	31	200	2	4.0000	50,000,000.00	50,640,625.00	5,555.56	650,625.00
13266	FHLMC OC 063010	3134G1HB3	07/01/2019	53	AVAILABL	37	4.0045	49,990,000.00	101,281250	SUNGARD	0.00
Inv Type	37 FHLMC CPN BDS 30/360		Count 19				3.5167	671,638,000.00	678,285,944.81	4,247,442.62	6,844,694.21
							3.5231	671,441,250.60	100.989811		0.00
11756	FAMCA	31315PCX5	01/23/2013	3	200	2	3.0000	100,000,000.00	103,531,250.00	1,325,000.00	3,531,250.00
11797	FAMCA	31315PDD8	01/23/2018	69	AVAILABL	39	3.0000	100,000,000.00	103,531250	SUNGARD	0.00
12083	FAMCA	31315PFR5	02/05/2013	31	200	2	3.1250	105,000,000.00	106,935,937.50	1,339,843.75	1,935,937.50
12196	FAMCA	31315PHX0	02/05/2018	69	AVAILABL	39	3.1250	105,000,000.00	101,843750	SUNGARD	0.00
12254	FAMCA FIXED	31315PIR1	04/30/2013	31	200	2	3.1250	105,000,000.00	111,070,312.50	565,104.17	6,096,562.50
12308	FAMCA SA 071510	31315PK00	04/30/2018	53	AVAILABL	39	3.1304	104,973,750.00	105,781250	SUNGARD	0.00
			06/06/2013	31	200	2	3.1500	100,000,000.00	105,875,000.00	227,500.00	5,900,000.00
			06/06/2018	53	AVAILABL	39	3.1554	99,975,000.00	105,875000	SUNGARD	0.00
			06/26/2013	31	200	2	3.2500	115,000,000.00	122,223,437.50	62,291.67	7,252,187.50
			06/26/2018	53	AVAILABL	39	3.2555	114,971,250.00	106,281250	SUNGARD	0.00
			07/16/2013	31	200	2	3.7500	20,000,000.00	20,025,000.00	345,833.33	35,000.00
			07/16/2018	53	AVAILABL	39	3.7611	19,990,000.00	100,125000	SUNGARD	0.00

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12352	FAMCA	31315PKR9	08/05/2013	31	200	2	3.0500	12,000,000.00	12,656,250.00	149,450.00	659,250.00
			08/05/2018	53	AVAILABL	39	3.0554	11,997,000.00	105,468750	SUNGARD	0.00
12693	FAMCA SA 112410	31315PCL1	11/25/2013	31	200	2	3.2500	5,000,000.00	5,048,437.50	16,701.39	48,437.50
			11/25/2018	69	AVAILABL	39	3.2500	5,000,000.00	100,968750	SUNGARD	0.00
12859	FAMCA SA 012011	31315PFL8	01/21/2014	31	200	2	3.3750	15,000,000.00	15,220,312.50	226,406.25	224,062.50
			01/21/2019	53	AVAILABL	39	3.3805	14,996,250.00	101,468750	SUNGARD	0.00
12881	FAMCA	31315PFS3	01/27/2014	31	200	2	3.0100	15,000,000.00	15,735,937.50	194,395.83	739,687.50
			01/27/2019	53	AVAILABL	39	3.0154	14,996,250.00	104,906250	SUNGARD	0.00
12949	FAMCA	31315PHEZ	02/12/2014	31	200	2	3.1250	6,000,000.00	6,097,500.00	72,916.67	98,100.00
			02/12/2019	69	AVAILABL	39	3.1272	5,999,400.00	101,625000	SUNGARD	0.00
13176	FAMCA SA 042611	31315PML0	04/27/2014	31	200	2	3.2500	27,000,000.00	27,514,687.50	158,437.50	521,437.50
			04/27/2019	53	AVAILABL	39	3.2555	26,993,250.00	101,906250	SUNGARD	0.00
Inv Type	39 OTHER AGENCIES 30/360		Count 12				3.1602	625,000,000.00	651,934,062.50	4,683,880.56	27,041,912.50
							3.1640	624,892,150.00	104,309450		0.00
13305	RESTRICTED REPO		06/04/2014	31	200	2051	0.2400	3,832,891.00	3,832,891.00	715.47	0.00
			07/08/2014	62	AVAILABL	60	0.2400	3,832,891.00	100,000000	BOOK	0.00
13306	RESTRICTED REPO		06/04/2014	31	200	2054	0.2400	111,937.00	111,937.00	20.89	0.00
			07/08/2014	62	AVAILABL	60	0.2400	111,937.00	100,000000	BOOK	0.00
13307	BAB REPO		06/04/2014	31	200	2079	0.2400	9,017,677.00	9,017,677.00	1,683.30	0.00
			07/08/2014	62	AVAILABL	60	0.2400	9,017,677.00	100,000000	BOOK	0.00
13308	BAB REPO		06/04/2014	31	200	2083	0.2400	121,896,616.00	121,896,616.00	22,754.03	0.00
			07/08/2014	62	AVAILABL	60	0.2400	121,896,616.00	100,000000	BOOK	0.00
13309	BAB REPO		06/04/2014	31	200	2083	0.2400	100,000,000.00	100,000,000.00	18,666.67	0.00
			07/08/2014	62	AVAILABL	60	0.2400	100,000,000.00	100,000000	BOOK	0.00
13334	QZAB REPO		06/04/2014	31	200	2039	0.2400	99,001.00	99,001.00	18.48	0.00
			07/08/2014	62	AVAILABL	60	0.2400	99,001.00	100,000000	BOOK	0.00
13335	QZAB REPO		06/04/2014	31	200	2049	0.2400	3,104,612.00	3,104,612.00	579.53	0.00
			07/08/2014	62	AVAILABL	60	0.2400	3,104,612.00	100,000000	BOOK	0.00
13336	QZAB REPO		06/04/2014	31	200	2059	0.2400	3,637,806.00	3,637,806.00	679.06	0.00
			07/08/2014	62	AVAILABL	60	0.2400	3,637,806.00	100,000000	BOOK	0.00
13337	QZAB REPO		06/04/2014	31	200	2064	0.2400	3,525,260.00	3,525,260.00	658.05	0.00
			07/08/2014	62	AVAILABL	60	0.2400	3,525,260.00	100,000000	BOOK	0.00

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Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
13338	QZAB REPO		06/04/2014	31	200	2069	0.2400	3,500,062.00	3,500,062.00	653.34	0.00
13339	QZAB REPO		07/08/2014	62	AVAILABL	60	0.2400	3,500,062.00	100,000,000.00	BOOK	0.00
13340	QSCB REPO		06/04/2014	31	200	2082	0.2400	3,901,842.00	3,901,842.00	728.34	0.00
13367	REPO AGREEMENT - OPEN ACT-360		07/08/2014	62	AVAILABL	60	0.2400	3,901,842.00	100,000,000.00	BOOK	0.00
13369	REPO AGREEMENT - OPEN ACT-360		06/04/2014	31	200	2081	0.2400	17,850,142.00	17,850,142.00	3,332.03	0.00
13371	REPO AGREEMENT - OPEN ACT-360		07/08/2014	62	AVAILABL	60	0.2400	17,850,142.00	100,000,000.00	BOOK	0.00
13372	REPO AGREEMENT - OPEN ACT-360		06/24/2014	31	200	2	0.2000	100,000,000.00	100,000,000.00	4,444.44	0.00
13373	REPO AGREEMENT - OPEN ACT-360		07/08/2014	62	AVAILABL	60	0.2000	100,000,000.00	100,000,000.00	BOOK	0.00
13374	REPO AGREEMENT - OPEN ACT-360		06/24/2014	31	200	2	0.2100	100,000,000.00	100,000,000.00	4,666.67	0.00
13377	REPO AGREEMENT - OPEN ACT-360		07/10/2014	53	AVAILABL	60	0.2100	100,000,000.00	100,000,000.00	BOOK	0.00
13378	REPO AGREEMENT - OPEN ACT-360		06/25/2014	31	200	2	0.1900	30,000,000.00	30,000,000.00	1,108.33	0.00
13379	REPO AGREEMENT - OPEN ACT-360		07/10/2014	53	AVAILABL	60	0.1900	30,000,000.00	100,000,000.00	BOOK	0.00
13380	REPO AGREEMENT - OPEN ACT-360		06/25/2014	31	200	2	0.2000	100,000,000.00	100,000,000.00	3,888.89	0.00
13381	REPO AGREEMENT - OPEN ACT-360		07/17/2014	62	AVAILABL	60	0.2000	100,000,000.00	100,000,000.00	BOOK	0.00
13382	REPO AGREEMENT - OPEN ACT-360		06/25/2014	31	200	2	0.2000	20,000,000.00	20,000,000.00	777.78	0.00
13383	DOT REPO AGREEMENT - OPEN ACT-360		07/29/2014	62	AVAILABL	60	0.2000	20,000,000.00	100,000,000.00	BOOK	0.00
13384	REPO AGREEMENT - OPEN ACT-360		06/25/2014	31	200	8	0.2000	1,126,090.00	1,126,090.00	43.79	0.00
13385	REPO AGREEMENT - OPEN ACT-360		07/29/2014	62	AVAILABL	60	0.2000	1,126,090.00	100,000,000.00	BOOK	0.00
13386	REPO AGREEMENT - OPEN ACT-360		06/29/2014	31	200	2	0.2000	100,000,000.00	100,000,000.00	1,666.67	0.00
13387	REPO AGREEMENT - OPEN ACT-360		07/02/2014	53	AVAILABL	60	0.2100	100,000,000.00	100,000,000.00	1,750.00	0.00
13388	REPO AGREEMENT - OPEN ACT-360		06/29/2014	62	AVAILABL	60	0.2100	100,000,000.00	100,000,000.00	BOOK	0.00
13389	REPO AGREEMENT - OPEN ACT-360		06/29/2014	31	200	2	0.1300	100,000,000.00	100,000,000.00	1,666.67	0.00
13390	REPO AGREEMENT - OPEN ACT-360		07/24/2014	62	AVAILABL	60	0.2000	100,000,000.00	100,000,000.00	BOOK	0.00
13391	REPO AGREEMENT - OPEN ACT-360		06/29/2014	31	200	2	0.2000	100,000,000.00	100,000,000.00	1,666.67	0.00
13392	REPO AGREEMENT - OPEN ACT-360		07/31/2014	62	AVAILABL	60	0.2000	100,000,000.00	100,000,000.00	BOOK	0.00
13393	REPO AGREEMENT - OPEN ACT-360		06/29/2014	31	200	2	0.2100	100,000,000.00	100,000,000.00	1,750.00	0.00
13394	REPO AGREEMENT - OPEN ACT-360		07/22/2014	53	AVAILABL	60	0.2100	100,000,000.00	100,000,000.00	BOOK	0.00
13395	REPO AGREEMENT - OPEN ACT-360		06/29/2014	31	200	2	0.1300	100,000,000.00	100,000,000.00	1,083.33	0.00
13396	REPO AGREEMENT - OPEN ACT-360		07/05/2014	65	AVAILABL	60	0.1300	100,000,000.00	100,000,000.00	BOOK	0.00
13397	REPO AGREEMENT - OPEN ACT-360		06/30/2014	31	200	2	0.2000	100,000,000.00	100,000,000.00	1,111.11	0.00
13398	REPO AGREEMENT - OPEN ACT-360		07/02/2014	62	AVAILABL	60	0.2000	100,000,000.00	100,000,000.00	BOOK	0.00
13399	REPO AGREEMENT - OPEN ACT-360		06/30/2014	31	200	2	0.2000	70,000,000.00	70,000,000.00	777.7	0.00
13400	REPO AGREEMENT - OPEN ACT-360		07/10/2014	62	AVAILABL	60	0.2000	70,000,000.00	100,000,000.00	BOOK	0.00

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INVESTMENT INVENTORY WITH MARKET VALUE (CONT.)

Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
13388	REPO AGREEMENT - OPEN ACT-360		06/30/2014	31	200	2	0.2100	100,000,000.00	100,000,000.00	1,166.67	0.00
			07/31/2014	62	AVAILABL	60	0.2100	100,000,000.00	100,000,000.00	800K	0.00
13389	REPO AGREEMENT - OPEN ACT-360		06/30/2014	31	200	2	0.2000	70,000,000.00	70,000,000.00	777.78	0.00
			07/17/2014	53	AVAILABL	60	0.2000	70,000,000.00	100,000,000.00	800K	0.00
13391	Overnight Repo		07/01/2014	31	200	2	0.2000	106,243,000.00	106,243,000.00	590.24	0.00
			07/02/2014	2	AVAILABL	60	0.2000	106,243,000.00	100,000,000.00	800K	0.00
13392	REPO AGREEMENT - OPEN ACT-360		07/01/2014	31	200	2	0.1700	100,000,000.00	100,000,000.00	472.22	0.00
			07/13/2014	65	AVAILABL	60	0.1700	100,000,000.00	100,000,000.00	800K	0.00
13393	REPO AGREEMENT - OPEN ACT-360		07/01/2014	31	200	2	0.1800	75,000,000.00	75,000,000.00	375.00	0.00
			07/16/2014	53	AVAILABL	60	0.1800	75,000,000.00	100,000,000.00	800K	0.00
13394	REPO AGREEMENT - OPEN ACT-360		07/01/2014	31	200	2	0.1500	100,000,000.00	100,000,000.00	416.67	0.00
			07/31/2014	42	AVAILABL	60	0.1500	100,000,000.00	100,000,000.00	800K	0.00
13395	REPO AGREEMENT - OPEN ACT-360		07/01/2014	31	200	2	0.2200	100,000,000.00	100,000,000.00	611.11	0.00
			07/31/2014	62	AVAILABL	60	0.2200	100,000,000.00	100,000,000.00	800K	0.00
13396	REPO AGREEMENT - OPEN ACT-360		07/01/2014	31	200	2	0.1800	100,000,000.00	100,000,000.00	500.00	0.00
			07/31/2014	65	AVAILABL	60	0.1800	100,000,000.00	100,000,000.00	800K	0.00
Inv Type	60 REPO OPEN ACT-360		Count 33				0.1985	2,042,846,936.00	2,042,846,936.00	80,051.01	0.00
							0.1985	2,042,846,936.00	100,000,000.00		0.00
12258	LD-00401		06/11/2013	31	200	69	0.2500	535,943.60	535,943.60	3.67	0.00
			06/11/2023	77	AVAILABL	75	0.2500	535,943.60	100,000,000.00	800K	0.00
12259	LD-00402		06/11/2013	31	200	69	0.2500	307,799.55	307,799.55	2.11	0.00
			06/11/2023	77	AVAILABL	75	0.2500	307,799.55	100,000,000.00	800K	0.00
12260	LD-00403		06/11/2013	31	200	69	0.2500	121,055.20	121,055.20	0.00	0.00
			06/11/2023	77	AVAILABL	75	0.2500	121,055.20	100,000,000.00	800K	0.00
12262	LD-00502		06/11/2013	31	200	69	0.4300	51,183.08	51,183.08	0.00	0.00
			08/11/2015	77	AVAILABL	75	0.4300	51,183.08	100,000,000.00	800K	0.00
12265	LD-00503		06/11/2013	31	200	69	0.4300	13,608.01	13,608.01	0.00	0.00
			11/11/2014	77	AVAILABL	75	0.4300	13,631.00	99,831,333	SUNGARD	-22.99
12866	LD-00791		01/06/2014	31	200	69	0.6500	43,873.79	43,873.79	0.00	0.00
			01/06/2019	77	AVAILABL	75	0.6500	43,873.79	100,000,000.00	800K	0.00
12867	LD-00521		12/08/2013	31	200	69	0.3100	585,296.89	585,296.89	4.97	0.00
			12/08/2023	77	AVAILABL	75	0.3100	585,296.89	100,000,000.00	800K	0.00

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INVESTMENT INVENTORY WITH MARKET VALUE (CONT.)

Inv No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
13122	LD-00821		02/20/2014	31	200	69	0.4800	989,090.31	989,090.31	13.01	0.00
13123	LD-00792		02/20/2024	77	AVAILABL	75	0.4800	989,090.31	100,000,000	800K	0.00
			02/27/2014	31	200	69	0.3000	228,450.20	228,450.20	1.88	0.00
			02/27/2024	77	AVAILABL	75	0.3000	228,450.20	100,000,000	800K	0.00
Inv Type	75 NEG CD COMP ACT/365-6		Count 9				0.3554	2,876,323.62	2,876,300.63	25.64	0.00
							0.3554	2,876,323.62	99,999,201		-22.99
11456	LGIP		07/01/2012	3	100	2	0.2078	220,844,255.73	220,844,255.73	1,846.94	0.00
			07/02/2014	25	AVAILABL	98	0.2078	220,844,255.73	100,000,000	800K	0.00
11457	Balt C BP 2004 Debt		07/01/2012	31	100	11	0.0394	650.88	650.88	134.73	0.00
			07/02/2014	23	AVAILABL	98	0.0394	650.88	100,000,000	800K	0.00
11458	Balt C BP 2004 Reserve		07/01/2012	31	100	11	0.0518	2,692,733.99	2,692,733.99	700.96	0.00
			07/02/2014	23	AVAILABL	98	0.0518	2,692,733.99	100,000,000	800K	0.00
11460	FEDERATED 4572856		07/01/2012	31	100	12	0.0498	32,482.72	32,482.72	5,657.77	0.00
			07/02/2014	23	AVAILABL	98	0.0498	32,482.72	100,000,000	800K	0.00
11461	CTRB 2007 Reserve		07/01/2012	31	100	11	0.0289	958.93	958.93	0.00	0.00
			07/02/2014	23	AVAILABL	98	0.0289	958.93	100,000,000	800K	0.00
11462	CTRB 2007 Debt Service		07/01/2012	31	100	11	0.0518	2,776,343.35	2,776,343.35	-3,116.97	0.00
			06/22/2016	23	AVAILABL	98	0.0518	2,776,343.35	100,000,000	800K	0.00
11936	CTRB 2004 Rebate		03/06/2013	31	200	11	0.0517	314,456.61	314,456.61	-3.70	0.00
			03/06/2017	23	AVAILABL	98	0.0517	314,456.61	100,000,000	800K	0.00
12197	CTRB 2009 Proceeds		06/06/2013	31	200	11	0.0518	45,037,005.66	45,037,005.66	-112.74	0.00
			06/06/2017	23	AVAILABL	98	0.0518	45,037,005.66	100,000,000	800K	0.00
12228	CTRB 2009 Debt Serv		06/20/2013	31	200	8	0.0567	1,105.46	1,105.46	0.00	0.00
			06/20/2017	23	AVAILABL	98	0.0567	1,105.46	100,000,000	800K	0.00
12229	CTRB 2009 Reserve		06/20/2013	31	200	8	0.0518	4,089,122.58	4,089,122.58	-2.51	0.00
			06/20/2017	23	AVAILABL	98	0.0518	4,089,122.58	100,000,000	800K	0.00
Inv Type	98 MONEY MARKET FUNDS		Count 10				0.1767	275,789,115.91	275,789,115.91	5,104.48	0.00
							0.1767	275,789,115.91	100,000,000		0.00
Grand Total			Count 125					5,111,305,375.53	5,150,982,431.73	32,530,901.40	40,388,481.60
								5,110,593,973.12	100,776,261		-22.99

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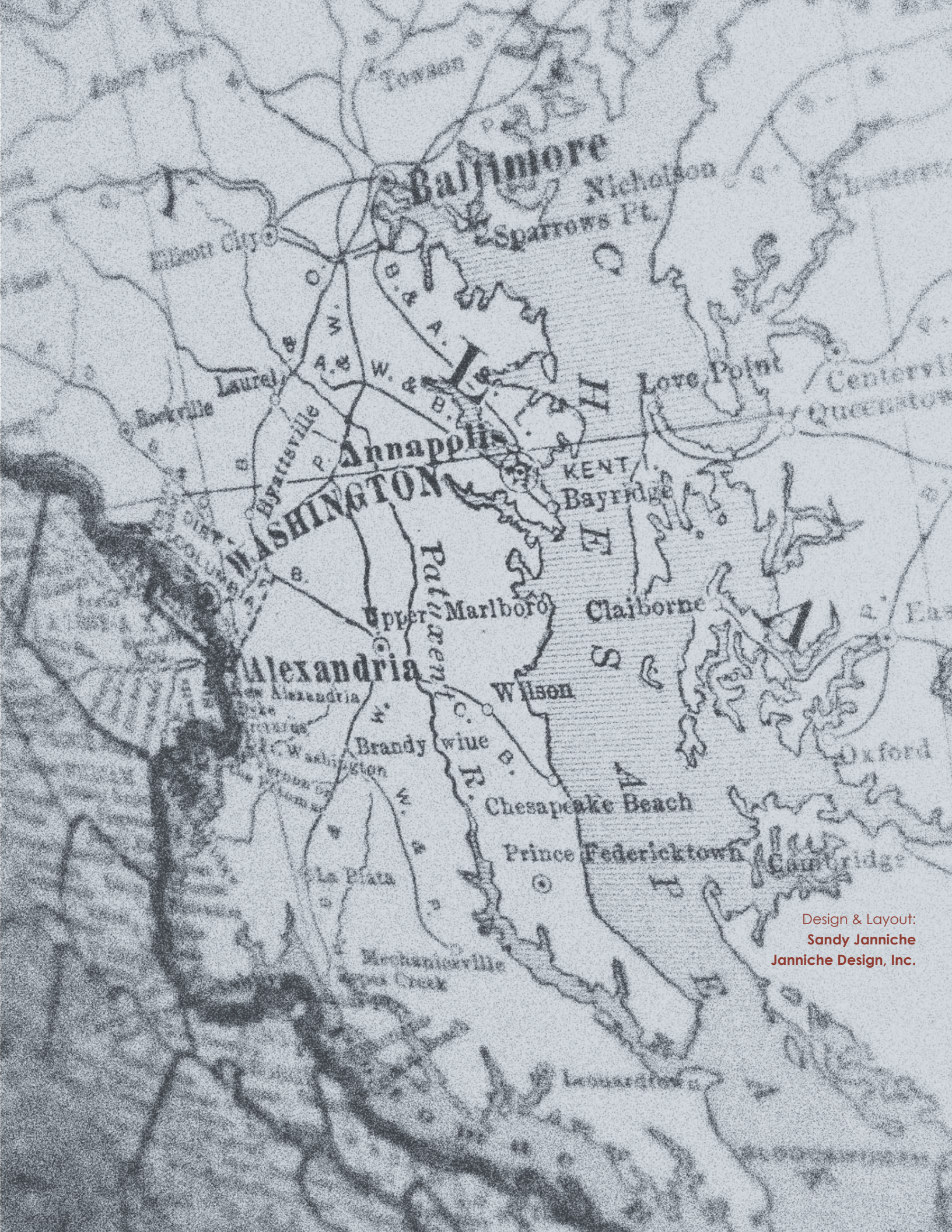
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