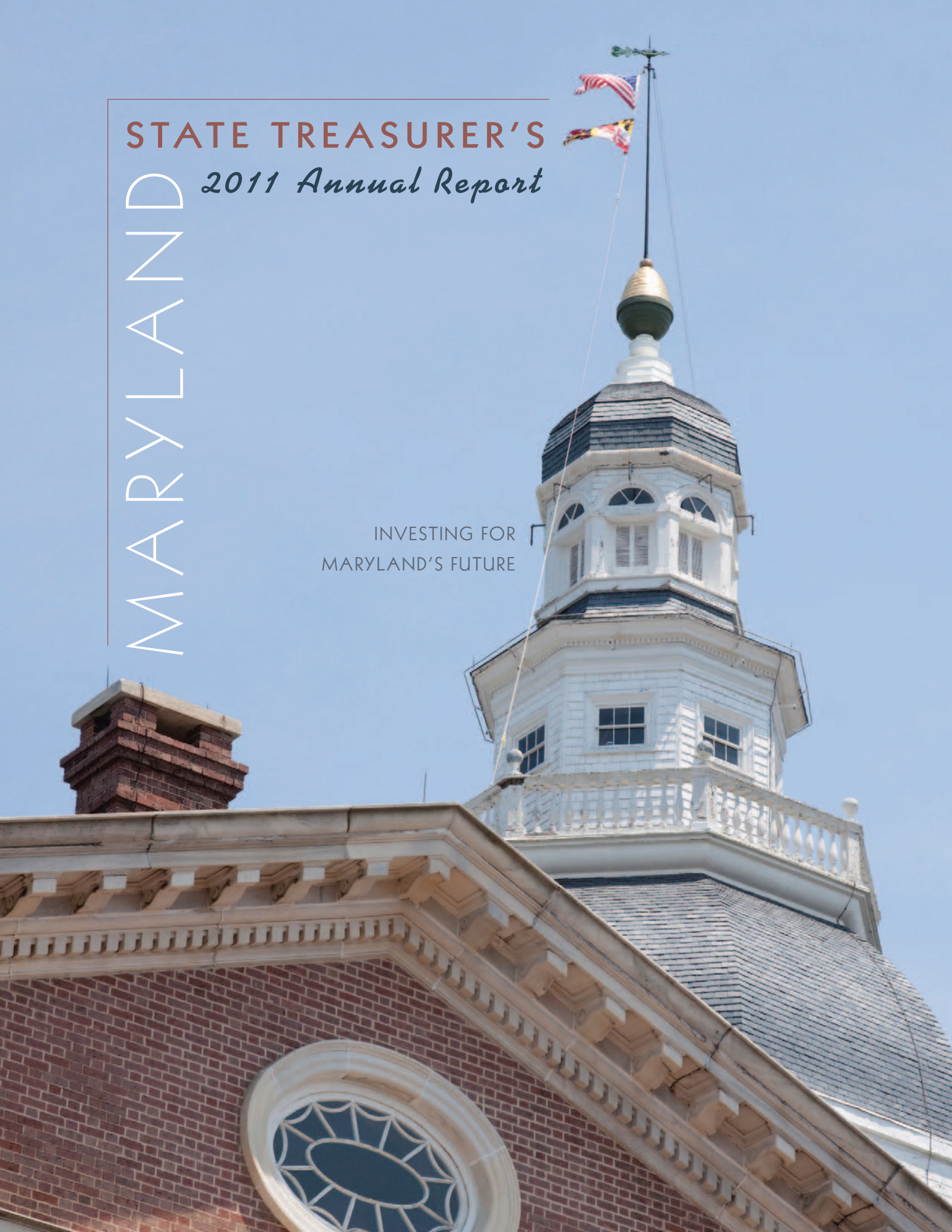


STATE TREASURER'S
2011 Annual Report

MARYLAND

INVESTING FOR
MARYLAND'S FUTURE





THE OLD
LINE STATE

THE
LINE

MARYLAND
1788

MARYLAND
1788

THE OLD
LINE STATE

THE OLD
LINE STATE

MARYLAND
1788

THE OLD
LINE STATE

2000
E PLURIBUS UNUM

2000
E PLURIBUS UNUM

MARYLAND
1788

MARYLAND
1788

THE OLD
LINE STATE

THE OLD
LINE STATE

2000
E PLURIBUS UNUM

2000
E PLURIBUS UNUM

THE OLD
LINE STATE

LI



Table of Contents

Biography of the Honorable Nancy K. Kopp, Treasurer of Maryland 2

Maryland State Treasurer’s Office, Historical Review 3

Maryland State Treasurers of the Past 4

Maryland’s Board of Public Works 5

Schedule of Selected Financial Data 7

Executive Division 8

Administration Division 10

Banking Services Division 13

Debt Management Division 16

Information Technology Division 21

Insurance Division 25

Investment Division 28

Legal Division 32

Appendix A – Investment Inventory 34

Acknowledgements 43

Biography of the Honorable Nancy K. Kopp

Elected in February 2002, and re-elected to full four-year terms in 2003, 2007 and 2011, 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, as a Constitutional Officer and a representative of 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 is a member of Maryland's 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



Nancy K. Kopp, State Treasurer

Development. She also served on the Capital Budget Subcommittee, Subcommittee on Pensions, 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. Currently, she is a member of the National Association of State Treasurers and chairs its Legislative Committee. She just completed a one year term as 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. She is an honorary Alumna of the University of Maryland, College Park. Treasurer Kopp and her husband, Robert Kopp, live in Bethesda and have two adult children and two grandchildren. ■

Treasurer's photograph by Chase Studios, Bethesda, Maryland State Treasurer's Office



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

THE PRIMARY DUTY OF THE STATE
TREASURERS AT THAT TIME WAS TO
MANAGE AND DISBURSE STATE FUNDS.

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.



Colonial Maryland Four Dollar Bill dated April 10, 1774

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. ■



Treasurers of the Past

Treasurers of the Eastern Shore

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

Treasurers of the Western Shore

1694-1695.....	Capt. Thomas Tasker	1775-1804.....	Thomas Harwood, Jr.
1695-1698.....	Robert Mason	1804-1826.....	Benjamin Harwood
1699-1700.....	Robert Mason	1826-1843.....	George MacKubin
1700-1736.....	Col. Samuel Young	1843-1844.....	James Owens
1736-1772.....	Col. Charles Hammond	1844-1852.....	Dennis Claude
1772-1775.....	Col. William Fitzhugh		

Maryland State Treasurers

(Beginning of Single-Treasurer System)

1852-1854.....	James Owens	1900-1916.....	Murray Vandiver
1854-1860.....	Dennis Claude	1916-1918.....	John M. Dennis
1860-1862.....	Sprigg Harwood	1918-1920.....	William P. Jackson
1862-1870.....	Robert Fowler	1920-1935.....	John M. Dennis
1870-1872.....	John Merryman	1935-1963.....	Hooper S. Miles
1872-1874.....	John W. Davis	1963-1973.....	John A. Luetkemeyer
1874-1885.....	Barnes Compton	1973-1975.....	J. Millard Tawes
1885-1886.....	John Gittings	1975-1987.....	William S. James
1886-1890.....	Stevenson Archer	1987-1996.....	Lucille D. Maurer
1890-1892.....	Edwin Brown	1996-2002.....	Richard N. Dixon
1892-1896.....	Spencer C. Jones	2002-Present.....	Nancy K. Kopp ■
1896-1900.....	Thomas J. Shryock		



Maryland's Board of Public Works

As the State's ultimate policy-making and oversight board for State procurements, expenditures of capital appropriations, and the acquisition, use and transfer of State assets, the Maryland Board of Public Works is an entity with wide-ranging jurisdiction over many facets of State government. It is comprised of the Governor, the State Treasurer and the Comptroller.

Created by the Constitutional Convention of 1864, based on predecessor boards dating back to 1825, the Board of Public Works is the only constitutionally mandated government body of its type in the nation. Over the years, the General Assembly has increased this body's responsibilities and autonomy. Therefore, in a State with a strong Governor who proposes the budget and therefore sets policy priorities, and a legislature that can only cut, not increase the budget, the Board of Public Works provides a valuable check on executive actions. The Board has a unique insight into the operations of State government and ensures that final decisions on procurements provide accountability and are transparent and open to public discussion.

Recognizing that the Treasurer is elected by joint ballot of both houses of the General Assembly, the Treasurer's participation on the Board provides the legislature with a voice throughout the year in the post-appropriations management of public funds. As an adjunct to this role, the Treasurer's Office provides outreach to legislators, informing them of upcoming Board items that pertain to their districts and providing a mechanism for feedback from legislators on particular projects.



Great Blue Heron

The breadth of items to come before the Board of Public Works is vast. The powers and duties of the Board are set forth in the State Constitution and State statute and include:

- Certification of the State property tax rate necessary to meet the debt service requirements during the next taxable year on all State bonds anticipated to be outstanding during the year;
- Approval of the expenditure of any general obligation bond proceeds;
- Approval of the allocation of funds to each county for school construction;
- Issuance of licenses to dredge and fill wetlands;
- Approval of the acquisition of land and easements in support of Program Open Space, the Conservation Reserve Enhancement Program, the Rural Legacy Program and the Agricultural Land Preservation Program; and
- Approval of most State agency procurement contracts for goods and services in excess of \$200,000.

During fiscal year 2011 (July 1, 2010 through June 30, 2011), the following items are worthy of note among those that came before the Board of Public Works:

- Revitalization of State Center in Baltimore City through approval of the first phase of construction related to the Public-Private Partnership (930 space parking garage) and approval of long-term State leases for office buildings and the parking garage;
- Modification of the State Employees and Retirees Pharmacy Benefits contract on two separate occasions:
 - Adding approximately \$267 million to the cost of the current contract through the contract termination date of June 30, 2011 to account for increased enrollment and increased use of the benefits program; and
 - Extension of the current contract for one year (until June 30, 2012 at a cost of \$422 million)

Continued on page 6

*Board of Public Works continued from page 5*

- to allow a protest of a recommended award of a 5-year contract, totaling approximately \$2.4 billion, to be heard and decided;
- Certificates of Participation for Video Lottery Terminal (slots) financing in the amount of \$41.5 million for Perryville Casino in Cecil County and Ocean Downs Racetrack in Worcester County;
 - Energy Performance Contracts and the related lease-financing agreements to fund energy efficiency and renewable energy measures at the University of Maryland, College Park and BWI Thurgood Marshall Airport;
 - Approval of \$263.7 million in public school construction funding, consistent with the recommendations of the Interagency Committee on School Construction Program for FY 2011, in order to fund local priorities plus projects addressing mandates of the Bridge to Excellence in Education Act, such as full-day kindergarten and pre-K services for disadvantaged 4-year olds;
 - Approval of a contract implementing Maryland's 511 Travelers' Information System, to provide easy telephone access to traffic condition updates;
 - Approval of the \$72 million procurement of six multi-mission medevac helicopters to replace the same number of helicopters in the State's aging fleet, with a two-year option to purchase an additional six helicopters;
 - Approval of the first phase (\$14.2 million) of a \$345 million integrated statewide public safety wireless communications system for broadcast interoperability among the State's first responders. Future phases will come before the Board of Public Works for review and approval when funds become available;
 - Approval of the use of \$10 million in bond proceeds for the construction and equipping of the University of Maryland Medical Center – Trauma Critical Care and Emergency Medical Services Expansion Project, which will add 10 new operating rooms and 64 new intensive care beds to this facility;
 - Approval of the use of \$9.9 million in bond proceeds for the renovation of the Thomas Hunter Lowe House of Delegates Office Building in the Annapolis State Government Complex;
 - Approval of a Memorandum of Understanding between the MD Department of Transportation and British Airways that supports air service between BWI Thurgood Marshall and London/Heathrow;
 - Approval of a contract modification for MARC service on the Amtrak Penn Line to increase the number of peak period trips between Baltimore and Washington, DC, to accommodate increased demand attributable to BRAC-related activity at Fort Meade and Aberdeen Proving Grounds;
 - Declaration of the DHCD headquarters in Crownsville, Anne Arundel County (57.56 acres improved with an office building and parking lot), as surplus property, which allows the State to sell the property and move forward with plans to relocate DHCD to Prince George's County;
 - Consideration of a five-year contract to operate the taxi franchise at BWI Thurgood Marshall Airport, with final action being to reject the new contract, extend the current contract for another year and require the MD Department of Transportation, Maryland Aviation Administration to rebid the contract taking into account job security for drivers, the treatment of drivers, and the state in which bidding companies are located;
 - Approval of a long-term lease with Holy Cross Hospital to allow a 93-bed health care facility to be built on land owned by Montgomery College, in the Montgomery County Science and Technology Park, which will enable the College to expand educational opportunities for its nursing program by including enhanced clinical rotations;
 - Support for the creation of the Matapeake Industrial Park on Kent Island. This 55-acre parcel of land once housed the Chesapeake Bay Model and was transferred to Queen Anne's County for economic development purposes in 1996, with a reversion of the property to the State, effective December 31, 2011. The Board cancelled the reverter which will allow Queen Anne's County to proceed with the phased development of commercial and industrial space on the site; and
 - Maintaining the State tax rate on real property at:
 - \$0.280 per \$100 of the full assessed value for real property of public utilities; and
 - \$0.112 per \$100 of the full assessed value for all other real property subject to the tax. ■



Schedule of Selected Financial Data

Collateral Balances as of June 30, 2011

Bank	\$359,437,641
Insurance	\$107,149,432

Total Investment Portfolio Composition as of June 30, 2011

Repurchase Agreements	\$1,160,110,538
U.S. Treasuries	\$895,000
U.S. Government Agencies	\$3,894,649,000
Other Investments	\$267,288,742
Total Portfolio	\$5,322,943,280

Securities Lending Program Activity for the 2011 Fiscal Year

Gross Income	\$401,069
Net Income	\$300,802

General Obligation Debt Activity for the 2011 Fiscal Year

Tax Exempt General Obligation Bond Issuances	\$974,718,000
Interest Payments	\$314,848,000
Principal Payments	\$519,985,000

Local Government Investment Pool Fund

Balance as of June 30, 2011	\$2,739,057,335
-----------------------------------	-----------------

State Insurance Trust Fund Balance as of June 30, 2011

Beginning Balance	\$26,379,283
Transfers In	\$18,898,154
Transfers Out	\$(15,601,996)
Less Operating Transfer to General Fund	\$0
Ending Balance	\$29,675,441



Black-eyed Susan, Maryland's State Flower

Executive Division

Bernadette T. Benik

Chief Deputy Treasurer

Howard Freedlander

Deputy Treasurer for External Affairs

Melissa Moye

Deputy Treasurer for Financial Policy

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 several times 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 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 the Senate Budget & Taxation and House Appropriations Committees 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

Continued on page 9



Fort McHenry, Baltimore, Maryland



Executive Division continued from page 8

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 Deputy Treasurer for External Affairs 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.

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

Budget Management and Accounting

The Budget Management and Accounting Unit is responsible for all of the budgeting and accounting functions concerning the fiscal and administrative operations of the State Treasurer's Office. This Unit is responsible

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 1,800 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

THE BUDGET MANAGEMENT AND ACCOUNTING UNIT IS RESPONSIBLE FOR ALL OF THE BUDGETING AND ACCOUNTING FUNCTIONS CONCERNING THE FISCAL AND ADMINISTRATIVE OPERATIONS OF THE STATE TREASURER'S OFFICE.

for the development, justification and implementation of the Office's annual budget, which totaled \$35.1 million in fiscal year 2011. 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 Office, this Unit is also responsible for several essential functions on behalf of the State as well.

In fiscal year 2011, this Unit processed State debt principal, interest, and sinking fund payments totaling \$835 million out of the Annuity Bond Fund and \$33 million in semi-annual payments and agency recoveries related to the Master Lease Program. In addition, this Unit processed the annual premium totaling \$57 million for the Injured Workers' Insurance Fund (IWIF) and related transfers of these assessments from over 150 State agencies and departments. The Unit also 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.

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 State Treasurer's Office, including providing centralized ordering and tracking of supplies, ensuring cost efficient purchasing, and providing oversight for supply requests as they relate to necessity and budget availability.

This Unit is also responsible for the development, justification and implementation 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 annual 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 future projections to ensure that expenditures remain in line with appropriations and to monitor related cash balances.

Continued on page 11



Administration Division continued from page 10



Antietam Bridge, Sharpsburg, Maryland

Human Resources and Personnel Management

The Office of Human Resources (HR) and Personnel Management provides service and support to the employees in the Office with a dedication to the Treasurer's mission and goals. The Unit, which is an integral part of the Administration Division, manages all personnel related functions including: recruitment; leave accounting; employee benefits; State pension and supplemental retirement benefits; performance evaluation; and employee relations. These tasks often present a challenge because of changes in benefits or other unforeseen circumstances, but are nonetheless carried out in accordance with federal, State and Office personnel policies and procedures.

A new Statewide Personnel System (SPS) has been introduced to all State agencies that fall within the guiding principles of the Office of Personnel Services and Benefits (OPSB). The System, which is slated to replace those OPSB agency individual personnel databases, will be introduced in phases in order to capture most personnel

components. Preparation for the new system began in fiscal year 2011, and has an estimated completion and implementation date scheduled for early fiscal year 2015. Since agency involvement is a critical factor in the success of the new system, our agency has played a vital part in the progression by volunteering an HR staff member to act as a liaison to the project. The liaison serves as the primary channel of communication with agencies and will play a pivotal role in preparing the State's organizations for the changes SPS represents.

Undoubtedly, an agency's most important asset is the workforce devoted to carrying out the mission of the agency, while recognizing the importance of serving the public. The HR Unit makes every effort to encourage employees to take advantage of all training and career development opportunities in order to develop the highest quality workforce possible. It is through orientation and professional development that we manage to foster the values of loyalty, camaraderie and life-long learning.

Continued on page 12

Administration Division continued from page 11

THE HR UNIT MAKES EVERY EFFORT TO ENCOURAGE EMPLOYEES TO TAKE ADVANTAGE OF ALL TRAINING AND CAREER DEVELOPMENT OPPORTUNITIES IN ORDER TO DEVELOP THE HIGHEST QUALITY WORKFORCE POSSIBLE.

In all areas of work, the Office of Human Resources and Personnel Management upholds the tenets of confidentiality, accountability and trust.

As of June 30, 2011, the State Treasurer's Office was assigned 59 positions as follows:

- 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 – 6

Procurement

Section 12-107(b)(1) of the State Finance and Procurement Article, 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, as well as for State agencies, including financial advisors, electronic bidding, underwriters, arbitrage rebate compliance consultants, lease financing firms, and broker services for insurance coverages.

In July 2010, the Office, on behalf of the College Savings Plans of Maryland, awarded a contract for custodial services relating to the assets overseen by the Agency Board of Directors for the Prepaid College Trust and other trust funds that may be assigned to be administered by the Board.

In March 2011, the Office, on behalf of the Department of Health and Mental Hygiene, awarded a contract to provide financial services for the Women, Infants, and Children Program. The primary purpose of the program is to make nutrition services, including supplemental foods, available to eligible individuals. This contract provides financial services to include payment through draft checks, image capturing and the compilation of certain accounting reports and data tracking methods.

A financial advisory firm was awarded a contract in May 2011, to serve as an investment advisor and bidding agent for sinking fund investments for existing Qualified School Construction Bonds, Qualified Zone Academy Bonds (QZABs) and future sales of QZABs, and refunding escrow account investments in connection with General Obligation Refunding Bonds.

Due to the continued market volatility, the Office solicits new equipment lease financing bids every quarter, based on actual equipment lease financing needs by agencies of the State, rather than utilize a long-term Master Lease. Contracts for equipment lease financing were awarded in August 2010, December 2010, March 2011 and June 2011. In addition to the equipment financings, contracts were awarded for energy lease financing of certain energy systems or equipment under energy performance contracts in July 2010, November 2010 and January 2011. ■



Baltimore Oriole, Maryland's State Bird



Banking Services Division

Gregory P. Saba

Director

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.



Two primary responsibilities of the Banking Services Division 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. To meet these responsibilities, the Division performs a comprehensive daily cash reconciliation which allows the Treasurer's Office to be proactive in identifying and solving agency banking issues. Even as the volume of transactions has

Missions of the Banking Services Division

It is the overall mission of the Banking Services Division (BSD) to provide efficient, accurate, and timely banking services to all State agencies and external customers. This is achieved by managing and controlling relationships with vendors providing the primary banking services for the State of Maryland and anticipating agency banking requirements and providing timely responses to agency requests.

The Division is directly responsible for procuring and managing the banking services needed 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; and
- All other agency banking needs.

increased, the processes and controls developed by Banking Services 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 to the R*STARS accounting system.

For fiscal year 2011, total cash receipts and disbursements each exceeded \$180 billion. The State's bank accounts are reconciled daily to the State's general ledger. Once again, 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 and to the recordation of these transactions in R*STARS. These include:

- Processing the drawdown of funds from federal programs and grants;
- Initiating Fed Wire payments;
- Managing foreign currency transactions;
- Processing check stop payments, cancellations and reissues, as well as requests for photocopies of paid checks;

Continued on page 14

Banking Services Division continued from page 13

TOTAL RECEIPTS AND DISBURSEMENTS FISCAL YEAR 2011

Beginning Cash Balance of Fiscal Year 2011		\$ (1,527,373,882.32)
Receipts:		
July-10.....	\$12,426,426,711.73	
August-10.....	\$15,363,379,626.15	
September-10.....	\$17,927,096,571.72	
October-10.....	\$17,494,119,665.79	
November-10.....	\$17,783,382,217.42	
December-10.....	\$20,503,456,052.19	
January-11.....	\$18,189,606,149.62	
February-11.....	\$13,128,011,981.26	
March-11.....	\$11,512,866,764.22	
April-11.....	\$12,182,533,304.90	
May-11.....	\$11,846,593,822.73	
June-11.....	\$17,279,264,874.09	
Total Receipts Fiscal Year 2011.....	\$185,636,737,741.82	
Disbursements:		
July-10.....	\$(13,792,878,295.48)	
August-10.....	\$(13,963,457,233.38)	
September-10.....	\$(19,483,071,078.12)	
October-10.....	\$(16,305,554,194.17)	
November-10.....	\$(19,136,440,364.19)	
December-10.....	\$(19,503,834,475.53)	
January-11.....	\$(17,722,572,779.69)	
February-11.....	\$(13,494,248,994.42)	
March-11.....	\$(11,449,941,770.64)	
April-11.....	\$(11,590,820,565.83)	
May-11.....	\$(15,113,776,300.76)	
June-11.....	\$(14,507,136,796.31)	
Total Disbursements Fiscal Year 2011.....	\$(186,063,732,848.52)	
Ending Cash Balance of Fiscal Year 2011		\$ (1,954,368,989.02)

- Initiating replacement checks for failed ACH payments;
- Providing transaction research assistance to State agencies;
- Managing the Unpresented Check Fund and the Undeliverable Check Fund;
- Reconciliation of all agency cash deposits between the bank and R*STARS;
- Recordation in R*STARS of all bank adjustments; and
- Maintenance of tables to allow for accurate posting of all electronic receipts.

During fiscal year 2011, Banking Services, working closely with the Office's Information Technology Division, implemented an automated process for the posting of incoming Fed Wire receipts. This change has resulted in a far more efficient and accurate posting of the receipts in R*STARS. The Division also worked closely with the Comptroller's Central Payroll Bureau (CPB) to coordinate new stop payment procedures necessitated by a change in CPB's distribution method for employee payroll checks.

Another responsibility of the Division is to ensure protection of all State funds on deposit with financial institutions through monitoring of bank account and collateral balances.

Section 6-209 of the State Finance and Procurement Article 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 Federal Deposit Insurance Corporation. The collateral must be held by a third party custodian and be of the types enumerated in §6-202 of the State Finance and Procurement Article.

The Division monitors collateral for over 2,000 depository, disbursement, and registered agency working fund 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 compared to account information maintained in the Treasurer's Bank Account Information System (TBAIS). The data is analyzed to ensure that the pledged collateral is sufficient to cover the applicable

Continued on page 15



Banking Services Division continued from page 14

bank balances. If the collateral is insufficient, the financial institution is required to increase the collateral. The collateral reported by the financial institution is also compared to the collateral reported by the independent third party custodian to ensure accuracy. The collateral balance for all State bank accounts at June 30, 2011, was \$359,437,641.

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 continually strives to stay at the forefront of changes in banking products and services offered in the financial industry. The Division continues to explore new financial products and improved data delivery methods that will increase its ability to provide efficient cost-saving banking services to the Maryland State agencies. Banking Services strives to enhance its ability to respond in the event a change in banks is 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 for growth, diversity, and complexity of banking transactions.

Banking Services actively works with agencies to develop and strengthen their internal processes and promote



Potomac River from Maryland Heights at Harper's Ferry, Maryland

BANKING SERVICES SERVES AS THE STATE'S AUTHORITY
FOR THE DEVELOPMENT, CONTROL, AND MAINTENANCE
OF STATEWIDE POLICIES AND PROCEDURES FOR
BANKING PRODUCTS AND SERVICES.

efficient banking services. During fiscal year 2011, a number of presentations were conducted geared towards agency fiscal personnel and internal auditors to better acquaint them with the Banking Services Division and the many functions it performs and services it offers to the agencies. ■

Debt Management Division

Patti Konrad

Director

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 and 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 has 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 for the 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 principal 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 done at a Board of Public Works meeting, bids are transmitted electronically by underwriting syndicates, verified by the State Treasurer's Office and the winning bid is then ratified at the meeting. In negotiated sales, underwriters, who are selected in a competitive procurement process, negotiate

Continued on page 17



Osprey feeding young, Blackwater Wildlife Refuge, Cambridge, Maryland



Debt Management Division continued from page 16

bond prices with the Treasurer's 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 post-sale activities including 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 2011

There were three General Obligation Bond Sales in fiscal year 2011 totaling \$974.7 million. The table below summarizes the issues.

Of particular note in fiscal year 2011, was the issuance of bonds authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). By using the ARRA authorizations for Qualified Zone Academy Bonds (QZABs) and Qualified School Construction Bonds (QSCBs), the State realized \$25.6 million in present value debt service savings compared to traditional tax-exempt bonds.

Market conditions were very favorable for high quality and highly rated bonds like Maryland General Obligation Bonds throughout fiscal year 2011. The True Interest Costs

(TICs) in fiscal year 2011, were among the lowest on new money issues in the past 20 years.

The history of General Obligation Bond issuance and debt service for the last 10 years is depicted in the charts on the following page.

Certificates of Participation (COPs)

\$40,900,000 Taxable Certificates of Participation Series 2011 A

To achieve the lowest possible interest expense, the State Treasurer's Office (with the approval of the Board of Public Works and the statutorily-required prior notification to the Legislative Policy Committee) structured the financing of Video Lottery Terminals (VLTs) at Perryville and Ocean Downs as Certificates of Participation (COPs) instead of financing them in the State's lease program. COPs are a method of structuring capital leases to attract multiple investors in a rated, public offering.

By using COPs, the Treasurer's Office calculates that the State achieved almost \$1.6 million in present value debt service savings compared to using a conventional lease-purchase financing for the VLTs. These desirable rates were achieved in part due to the solid AA+, AA+ and Aa

SUMMARY OF FISCAL YEAR 2011 GENERAL OBLIGATION BOND ISSUES

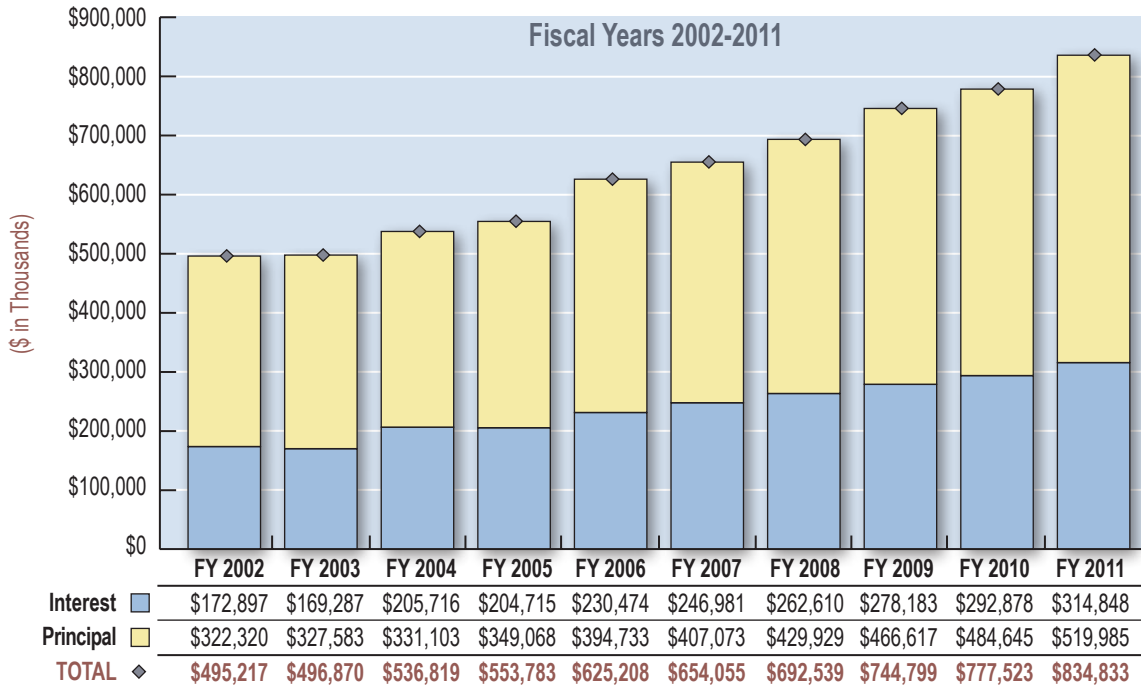
Series	Dates of Sales	Tax-Exempt Competitive	Tax-Exempt Negotiated	Taxable Direct Federal Subsidy	Overall Tax-Exempt TIC
2010 Second Series A	7/23/2010 & 7/26/2010		\$143.3 million		1.64%
2010 Second Series B	7/28/2010	\$221.7 million			1.91%
2010 Second Series C BAB	7/28/2010			\$75.0 million	2.74%
2010 Second Series D QSCB	7/28/2010			\$45.2 million	.04% (a)
2010 QZAB	12/8/2010			\$4.5 million	0.00% (a)
2011 First Series A	3/4/2011 & 3/7/2011		\$130.8 million		2.69%
2011 First Series B	3/9/2011	\$354.2 million			3.49%

(a) The 2010 Qualified Zone Academy Bonds (QZABs) and the 2010 Qualified School Construction Bonds (QSCBs) are special, federally-authorized taxable bonds with a direct federal subsidy that is equal to 100% of the interest paid by the State.

Continued on page 18

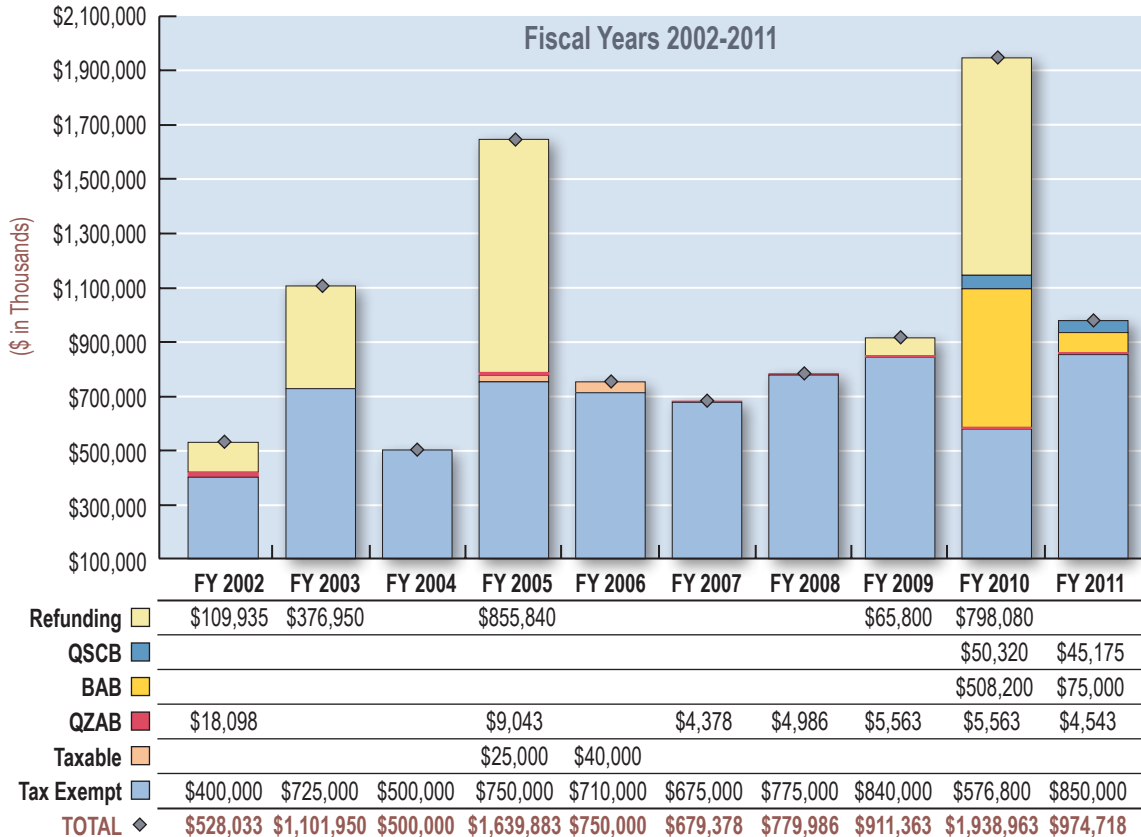
Debt Management Division continued from page 17

STATE OF MARYLAND GENERAL OBLIGATION BONDS DEBT SERVICE



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

STATE OF MARYLAND ISSUANCES OF GENERAL OBLIGATION BONDS



Continued on page 19



Debt Management Division continued from page 18

ratings from Fitch, Standard & Poor's and Moody's respectively. These ratings are one notch below the AAA rating for General Obligation Bonds which reflect the full faith and credit of the State. The ratings on the COPs are the highest possible ratings for appropriation backed debt.

Capital Lease Financing

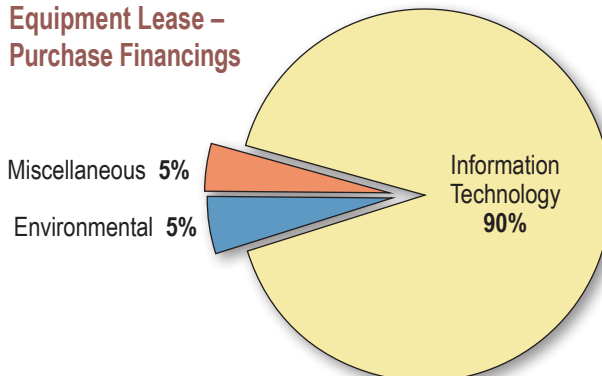
Equipment Leases

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, who finances equipment 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 2011, State agencies financed \$5.5 million of equipment under various Lease-Purchase Agreements (See the following charts).

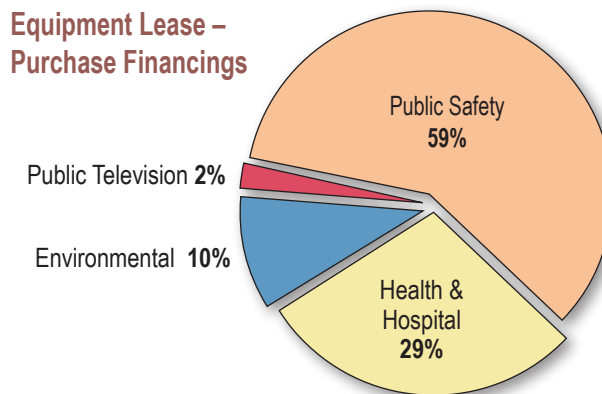
EQUIPMENT CLASSIFICATION – FISCAL YEAR 2011

Equipment Lease – Purchase Financings

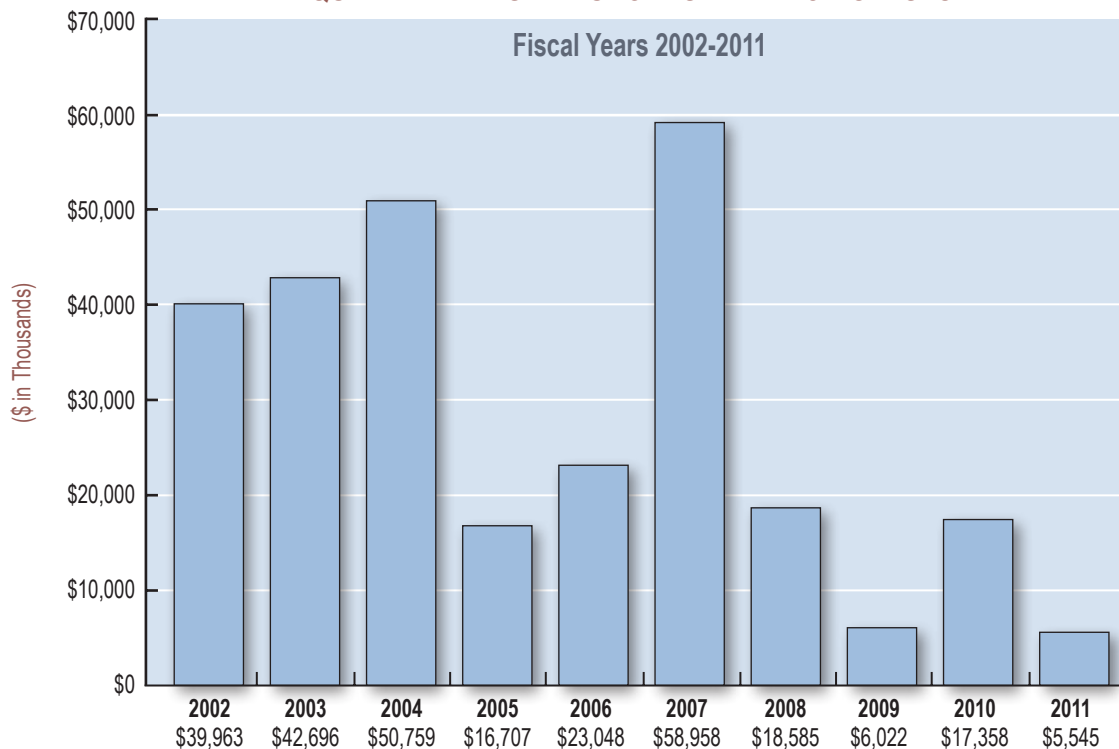


GOVERNMENT USE – FISCAL YEAR 2011

Equipment Lease – Purchase Financings



EQUIPMENT LEASE – PURCHASE FINANCING HISTORY



Continued on page 20



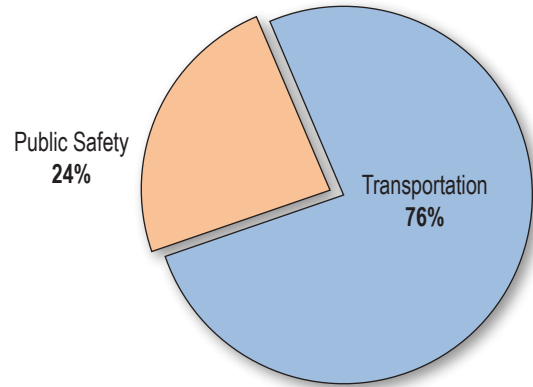
Debt Management Division continued from page 19

Energy Leases

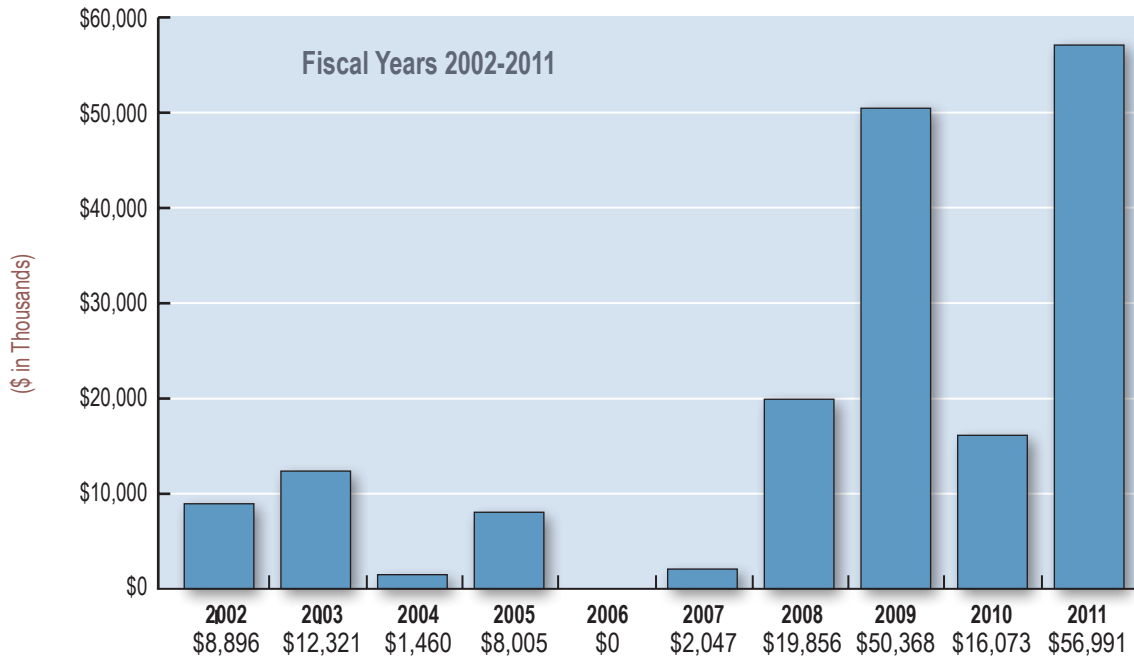
The State Treasurer's Office provides financing for energy efficiency measures, generally for terms of 13, 14 or 15 years, for State agencies and Higher Education Institutions. Using the Energy Performance Lease-Purchase Program, the Treasurer's Office procures a Lessor, who is paid semi-annually (January 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 2011, State agencies financed \$57.0 million of energy improvements. The history of the Energy Lease-Purchase Program for the last 10 years is depicted in the chart below. ■

GOVERNMENT USE – FISCAL YEAR 2011 Energy Lease – Purchase Financings



ENERGY PERFORMANCE LEASE – PURCHASE FINANCING HISTORY





Information Technology Division

Scott Wrzesien

Director

The Information Technology (IT) Division plans, builds, programs, manages and supports all of the technology platforms that are used by the 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.

disaster recovery site, added customized deposit reporting files to RAD, installed a new lien deduction for Retirement, maintained GAD Advice Summary Reports that offset the need to print over 150,000 advices, continued RAD and CPB access to the Check Status System and processed numerous test files and check printing for new systems coming online from Retirement and DHR.

The IT Division teamed with the Banking Services Division and the GAD to design and implement the new Treasury Bank Account Information System (TBAIS). The new system provides Banking Services

THE INFORMATION TECHNOLOGY (IT) DIVISION PLANS, BUILDS, PROGRAMS,
MANAGES AND SUPPORTS ALL OF THE TECHNOLOGY PLATFORMS
THAT ARE USED BY THE STATE TREASURER'S OFFICE.

The Division supports the State Treasurer's Office disbursement, receipts and reconciliation of moneys of the State, as defined in Article VI, Section 3, of the State Constitution. The Office processes over seven million disbursements per year.

Services provided to State agencies include: electronic funds transfer; check printing; and positive pay and account reconciliation process services for the Comptroller'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 and CARES.

The Office works closely with all State agencies to streamline their disbursement, receipt and reconciliation processes. Over the past year, the IT Division expanded its automated fax reporting of deposits to each State agency, teamed up with DHR to suppress social security numbers on Child Support Enforcement Agency remittance advices, tested secure file retrievals from Retirement's

and GAD with an automated validation and routing process that streamlines the tracking and authorization of new agency bank accounts. The new process includes an online TBAIS X-1 form on our website for agencies to use to request authorization to open or close bank accounts. The web X-1 form utilizes pull down lists, mandatory fields and data validations that ensure that all of the required information is entered correctly prior to submission to the review process. The new TBAIS system provides the Banking Division with the database to generate up-to-date reporting and management of agency bank accounts. Additional features and functions will continue to be added over the next year.

The IT Division completed the conversion of the Investment Division's Interest Allocation System from a manual process over to an automated system hosted on our IBM i5 system. The new process includes an automated daily feed of agency balances from GAD to the Office's i5 system. The in-house developed system calculates average daily balances by agency and allocates the appropriate interest amount to participating agencies. All transactions

Continued on page 22

Information Technology Division continued from page 21

are posted to the State's Financial Management Information System via an automated monthly batch process.

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

Industry standard hardware and software are 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 and RAD, as well as for the State Retirement System,

DHR's Child Support and 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 i5 System 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 to print checks using MICR encoding, signatures and agency or bank logos on secure paper check stock. The checks are 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.

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 is ultimately responsible for all disbursements made by the State and

Continued on page 23



Baker Park, Frederick, Maryland



Information Technology Division continued from page 22

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 (EDI) format. 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 encourages the use of the more detailed EDI payment method and has

THE IT 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.

supported the growth of this method of payment. The Office recently added a message to GAD remittance advices identifying where to call to sign up for payments via EFT.

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 past year included ensuring that overrides are checked before using default settings, and where appropriate, pre-populating agency data to save keystrokes.

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 or transmitted as a custom file. All of the deposits are transmitted from the Office to the State accounting system each night for processing and posting

to the agency's account. The automated fax report or custom file 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 continue to provide the State of Maryland with an even more timely and accurate balance of State funds held at the bank.

Recently completed banking projects include allowing for Split-Day Processing to accommodate service reduction days, contingency events, updated status for pending checks, streamlined entry for electronic vendor setup in preparation of increased volumes and a converted Direct Debit file pickup and transmission to Connect: Direct. New banking projects include managing the creation of wire transactions of the same amount using the incoming Bank Administration Institute file, new Checks Paid report, and creating a Daily Banking EFT Maintenance Report for GAD.

Automation Initiatives and Technology Support

Treasury Bank Account Information System (TBAIS)

The IT Division will continue to expand the TBAIS System by adding a Collateral Tracking module. All modules are to include new reporting, data exports and automated inputs.

New State Treasurer's Office Website

The IT Division designed and implemented an all new State Treasurer's Office website. The new site is easier to navigate due to the more efficient organization and labeling of information. Data is organized vertically by

Continued on page 24

Information Technology Division continued from page 23

treasury functions – Divisions, Forms, Reports, Links and Contact Us – and horizontally, via tabs labeled by visiting client category. The new design has been well received and will continue to provide all visitors with an easy way to find sought after data.

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 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 February 16, 2011. The test included a secured data transmission, processing of ACH files into the ACH format for the State's disbursement bank, and printing of checks. The DR test was a complete success and helped the IT Division 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 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 Division continued its scheduled replacement strategy and installed new email server hardware. The server upgrade included the migration of Microsoft Exchange 2003 to 2007. The upgrade was executed as planned and without incident.

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



Farm in Dorchester County, Maryland

resources, greater uptime for users and has enhanced the fault tolerance and dependability of the entire network.

Security

The IT Division implemented a better formal log review process for the Virtual Private Network and also 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 Division launched a project to refresh our existing PC hardware and upgraded to Microsoft Office 2007. The project is seventy-five percent complete and is scheduled to be completed by end of calendar year 2011. All of the PC's have been built with a standard image to ensure a consistent installation for all Treasurer's 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 Division with greater flexibility to acquire and implement desktop and network management solutions for more efficient operations and support. ■



Insurance Division

Laura McWeeney

Director

The Insurance Division is responsible for administering the State's Insurance Program which is comprised of both commercial 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 Litigation Management. 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 December 1, 2010 Maryland Transportation Authority (MdTA) renewal for the toll bridges and tunnels

property insurance generated a 20% rate reduction while maintaining the expiring coverages, limit, and deductible. The renewal premium including the broker fee was \$3,750,170, saving MdTA an extraordinary \$952,934 from the prior year.

The November 25, 2010 Maryland Port Administration (MPA) renewal for their cranes was based on values down by more than \$6,000,000 due to the sale of cranes in the Public Private Partnerships (P3's) deal at Seagirt Marine Terminal. After competitive marketing, coverage was renewed with the incumbent carrier who offered the broadest coverage, and reduced the rate by over 62%. These value and rate reductions saved MPA \$202,500.

The Maryland Aviation Administration's (MAA) airport liability renewal effective August 15, 2011, for Baltimore Washington International Thurgood Marshall (BWI) and Martin Airports was exceptional this year. BWI continues to grow yet, their losses remain very low. Our insurance carrier reduced the expiring premium of \$559,171 to \$372,171 with no reduction in coverage. This represents a savings to MAA of \$187,000. The insurance carrier also offered a plan that may return some premium to MAA after expiration, if the losses remain low.

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.

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

Claims

The year has marked significant accomplishments, has ushered in key milestone events, and has held extraordinary challenges for the Claims Unit.

Subrogation

Recovering the cost of damage to State-owned property caused by others is a critical function of the Claims Unit.

Continued on page 26

Insurance Division continued from page 25

This process, known as subrogation, helps to offset the State Insurance Trust Fund liabilities and helps to ensure the Fund's solvency.

The Unit dedicated an adjuster who has the primary responsibility of handling subrogation claims. This focused strategy proved to be a successful one. By the close of the fiscal year, the Claims Unit recovered over \$900,000 in property damage costs. The result is a 28% increase from fiscal year 2010 recoveries of approximately \$ 649,000 and is a 31% increase over fiscal year 2009 recoveries of approximately \$633,000.

New Accident Management and Maintenance Vendor

Since the inception of the State's Accident Management program, the Division has partnered with the Department of Budget and Management (DBM) to procure services for the Motor Vehicle Maintenance Management Services. The Treasurer's Office was instrumental in drafting the scope of services for the accident management component of the Request for Proposal and was invited to participate on the technical evaluation committee. After months of diligent and collaborative effort, the committee's work culminated with the selection of PHH, based in Sparks, Maryland.

Litigation Management

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 Deputy Counsel of the Tort Litigation Unit, reviewing settlement requests from the assistant attorneys general. The Litigation Manager works closely with the Deputy Counsel to proactively resolve these matters by investigating and evaluating cases, providing settlement authority or when necessary, by briefing the Insurance Review Committee on high dollar value settlements.

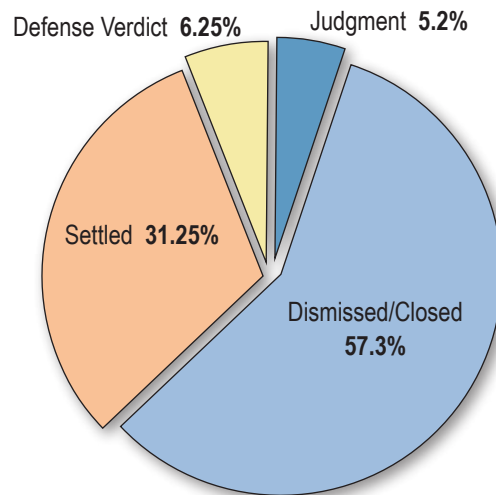
The Litigation Manager, who serves as the linchpin between the Treasurer's Office and the Office of the Attorney General, is responsible for developing a comprehensive plan for each tort claim in litigation. The Litigation Manager also provides feedback to the adjusters during the course of discovery and upon resolution of the case. The adjusters use this information to improve upon pre-litigation strategies in claims with similar facts.

Since its inception in 2006, the State Treasurer's Office Tort Litigation Unit has managed a steadily increasing number of lawsuits arising from tort claims filed with the Treasurer's Office. In fiscal year 2011, 90 new cases were received by the Tort Litigation Unit and 96 cases were resolved. Of the 96 cases, 30 cases were settled before judgment, 55 were dismissed, 5 resulted in judgment against the State, and 6 resulted in a defendant's (State) verdict.

FY11 TORT LITIGATION CLAIMS

Settled	Dismissed/ Closed	Judgment	Defense/ Verdict
30	55	5	6

Percent of Total Litigation Claims



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 to take corrective measures. These efforts are expected to significantly reduce loss frequency and the severity of damage sustained to State-owned buildings and contents.

Continued on page 27



Insurance Division continued from page 26

The Maryland Emergency Management Agency (MEMA) conducted a vulnerability analysis of natural hazards throughout Maryland. The study revealed the level of risk associated with hazards such as winter storms, thunder storms, tornadoes, wind, coastal and flood risks by county. As a proactive measure, the Loss Prevention Manager added each of the hazard rankings to every State-owned property in Maryland. This hazard ranking data will aid the Loss Prevention Manager in developing a more comprehensive program with enhancements to guide and prioritize loss control actions aimed at reducing the threats to State-owned property.

Since 2008, Loss Prevention has provided support to Maryland State Police Aviation Command (MSPAC) to help facilitate the certification, development and implementation of a new safety management system program. On May 15, 2011, 85 flight crewmembers of MSPAC completed an online training certification program on fatigue management. The program provides crewmembers with the knowledge, strategies and tools to achieve peak performance and safety through optimal sleep and alertness. Coordination of additional services is underway for recertification of the flight crewmembers of MSPAC. This is slated to begin in November 2011.

At present, property loss control surveys are underway for the Maryland Transit Administration to identify and evaluate potential risk and liabilities for loss of property and business interruption through fire, theft and other perils.

Selection of State agencies for participation in the aerial infrared testing of roofing systems is in progress. The inspections 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.

Electrical infrared testing was completed for all participating agencies. However, a specific request was made to conduct testing at the University of Maryland, Baltimore County following high severity property losses within the last year. ■



Concord Point Lighthouse, Havre de Grace, Maryland

Investment Division

Mary Christine Jackman

Director

The Fiscal Year 2011

There was a time when QE2 meant a luxury ocean liner, however during fiscal year 2011 the moniker referred to the Federal Reserve's second round of "quantitative easing." Quantitative easing is a process used by central banks to stimulate the economy when conventional monetary policy has become ineffective. A central bank buys financial assets to inject money into the economy. This differs from the usual process of buying or selling government bonds to keep market interest rates at a targeted level. QE1, which began in November 2008, was over \$1.3 trillion and QE2, which began in November 2010, was an additional \$600 billion. And still the economy suffered. On June 9, 2011, Ben Bernanke, Chairman of the Federal Reserve, lamented, "Overall, the economic recovery appears to be continuing at a moderate pace, albeit at a rate that is both uneven across sectors and frustratingly slow from the perspective of millions of unemployed and underemployed workers."

The Dow Jones Industrial Average began fiscal year 2011 at 9,732, hit the high for the year on April 29, 2011 of 12,810 and closed the fiscal year at 12,414. The unemployment rate started the fiscal year at 9.5% and ended at 9.2%. Unfortunately the decrease was attributed to long-term unemployed who fell out of the count and lost benefits.

The world was not only enmeshed in the worst economic downturn since 1929, but natural disasters compounded the situation. La Nina severely impacted food prices. The United Nations' Food and Agricultural Organization (FAO) reported a year-over-year 25% increase in world food prices. A few of the other natural disasters were: Earthquakes in Indonesia, New York City, Japan; Volcano Eruptions in Hawaii and Indonesia; Floods in Australia, Pakistan, and the United States; Landslides in China, Mexico, Columbia and Venezuela; Tornadoes in Brooklyn/Queens, Illinois, Wisconsin, and Oregon; Hurricanes/

Typhoons/Cyclones in Costa Rica and Haiti, Mexico, Philippines, and Myanmar; Heat wave in Russia; Cold wave in Peru; Worldwide infestation of insecticide resistant bedbugs; Series of bizarre events surrounding undiagnosed mass deaths of animals, predominately birds and fish referred to in the media as "aflockalypse."

In addition, beginning December 2010, there were revolutions in Tunisia and Egypt; a civil war in Libya resulting in the end of its regime; civil uprisings in Bahrain, Syria, and Yemen; major protests in Israel, Algeria, Iraq, Jordan, Morocco, Oman and minor protests in Kuwait, Lebanon, Mauritania, Saudi Arabia, Sudan and Western Sahara. The press dubbed these events the "Arab Spring." There were ethnic clashes in China and Russia. And the "PIIGS" (Portugal, Ireland, Italy, Greece and Spain) were all facing downgrades and financial problems. All this is to say, that the world in fiscal year 2011, was a very unsettled place. The more turmoil in the world the more investors sought out the U.S. for safety and liquidity. The ongoing turbulence confounded the best efforts of the Federal Reserve to get the U.S. economy jumpstarted and heaved the rest of the world economies into grave financial turmoil.

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 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

Continued on page 29



Investment Division continued from page 28

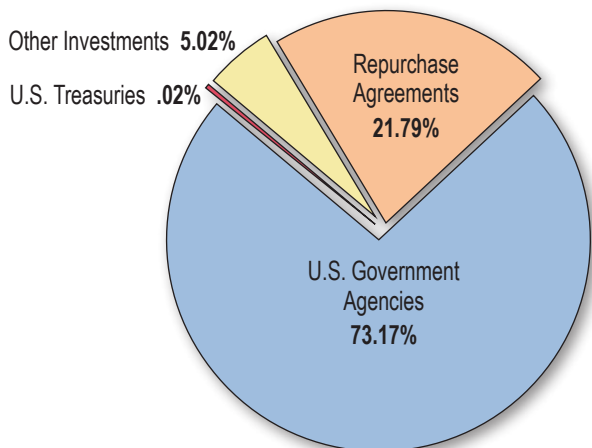
and long-term investments of a number of trustee accounts under State agency revenue bond indentures.

The Investment Division is not responsible for the investment and management of all funds. Other State agencies are responsible for specific funds. The Maryland State Retirement & Pension Systems, the Maryland Automobile Insurance Fund, the Injured Workers Insurance Fund, the Maryland College Savings Program and certain endowment funds at public colleges and universities are managed independently.

Interest earnings on investments under the stewardship of the State Treasurer accrue to the General Fund unless State law or regulation 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, 2011

Investment Type	Dollar Amount	Percentage
Repurchase Agreements	1,160,110,538	21.79%
U.S. Treasuries	895,000	.02%
U.S. Government Agencies	3,894,649,000	73.17%
Other Investments	267,288,742	5.02%
Total Portfolio	5,322,943,280	100.00%



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 highest rated commercial paper.

U.S. government agency investment securities are procured competitively through approved brokerage firms. To be approved, a firm shall: (1) be a primary dealer reporting to the Federal Reserve or a registered member of the New York Stock Exchange, or file financial statements exhibiting financial resources considered adequate by the Investment Division and approved by the Treasurer; and (2) 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. However a highly competitive process is still used. The fiduciary responsibility to Maryland residents requires scrupulously seeking the best prices for all investments. Inclusion on the list of approved broker dealers 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 by ensuring the availability of funds to cover disbursements. During fiscal year 2011, the Investment Division invested in repurchase agreements with maturities of 90 days or less. These repurchase agreements were collateralized 102% by U.S. Treasuries and federal agency securities. The collateral provided safety, and the repurchase agreements had short duration and rates of return that were generally higher than individual 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, 2011 investment portfolio, please see Appendix A.

Continued on page 30

Investment Division continued from page 29

On June 30, 2011, the total of all portfolios under the active management of the State Treasurer's Office was \$5,322,943,280. The General Fund portfolio was \$5,092,307,428.

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
2011	5,092,307,428	5,322,943,280

The average rate of return on the General Fund was 2.00%. The State Treasurer's investment program surpassed the benchmark three-month Constant Maturity Treasury Bill, which averaged 0.11% 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%
2011	2.00%	0.11%

In spite of the extremely volatile and historically unprecedented low interest rate environment, the return on the portfolio increased almost \$9 million for the fiscal year 2011.

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
2011	53,178,733	87,900,159	141,078,892

Securities Lending

Most portfolios containing a large number of quality securities engage in a securities lending program. The State is no exception. In this program, the State contracts with a third party securities lender which 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's securities are returned and the interest earned is allocated between the State and the securities lender.

The restructuring of balance sheets by the Prime Broker Dealers during these volatile economic times increased the need for securities lending during fiscal year 2011. Therefore, the securities lending program earned almost double the return of the previous fiscal year.

SECURITIES LENDING EARNINGS

Fiscal Year	Earnings	% Change
2005	424,158	-
2006	463,384	9.20%
2007	568,770	22.79%
2008	1,926,722	238.75%
2009	380,301	-80.26%
2010	151,266	-60.22%
2011	300,802	98.86%

Continued on page 31



Investment Division continued from page 30



Seneca Creek State Park, Gaithersburg, Maryland

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, a Standard and Poor's "AAA-m" rated money market account. At the end of fiscal year 2011, there were 300 participants in the pool. The fund balance as of June 30, 2011, was \$2,739,057,335. The actual yield for fiscal year 2011 was .09% as compared to the benchmark Standard and Poor's LGIP Index of .07%.

To ensure that the Pool is responsive to the needs of the participants, the Treasurer created an Advisory Board consisting of representatives of the Pool's members. The Board meets semi-annually, reviews the fund's activities and makes recommendations to the Pool's administrator.

The Pool administrator produces a quarterly newsletter to keep participants informed about the Maryland LGIP. 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%
2011	2,739,057,335	300	0.09%	(2.07%)

Legal Division

Steve Vanderbosch

Director

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
- Provide legal training to the staff as appropriate.

Division Director

- Advises 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;
- Serves as in-house counsel for the issuance of General Obligation Bonds, frequent capital equipment lease financings and Qualified Zone Academy Bonds;
- Acts as a legal resource for other State agencies regarding their proposed uses of tax-exempt bond money for capital projects;
- At the request of the Treasurer, provides advice, counsel and legal analysis of the Treasurer's constitutional and statutory powers and responsibilities; and
- Provides advice, counsel and legal analysis on matters before various boards and commissions on which the Treasurer serves, principally the Board of Public Works.

Principal Counsel

- Serves as counsel regarding administration, procurement, and personnel matters in the State Treasurer's Office;
- Provides 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;
- Provides analysis and advice to the Insurance Division on procurement and administration of commercial insurance policies and on general insurance issues; and
- Provides advice and counsel to the Treasurer and Office management on personnel matters, including disciplinary matters, and represents the Office in personnel proceedings.

Deputy Counsel – Supervisor Tort Claims Litigation Unit

The Deputy Counsel is the Supervisor 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 2011, the OAG participated in the issuance of over \$974.7 million in tax-exempt Capital Improvement

Continued on page 33



Legal Division continued from page 32

Bonds and the financing of \$62.5 million in Capital Equipment and Energy Performance 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 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 the Deputy Treasurer for External Affairs 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 Treasurer's 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



Female Blue Crab

other agencies. The OAG is engaged in all 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:

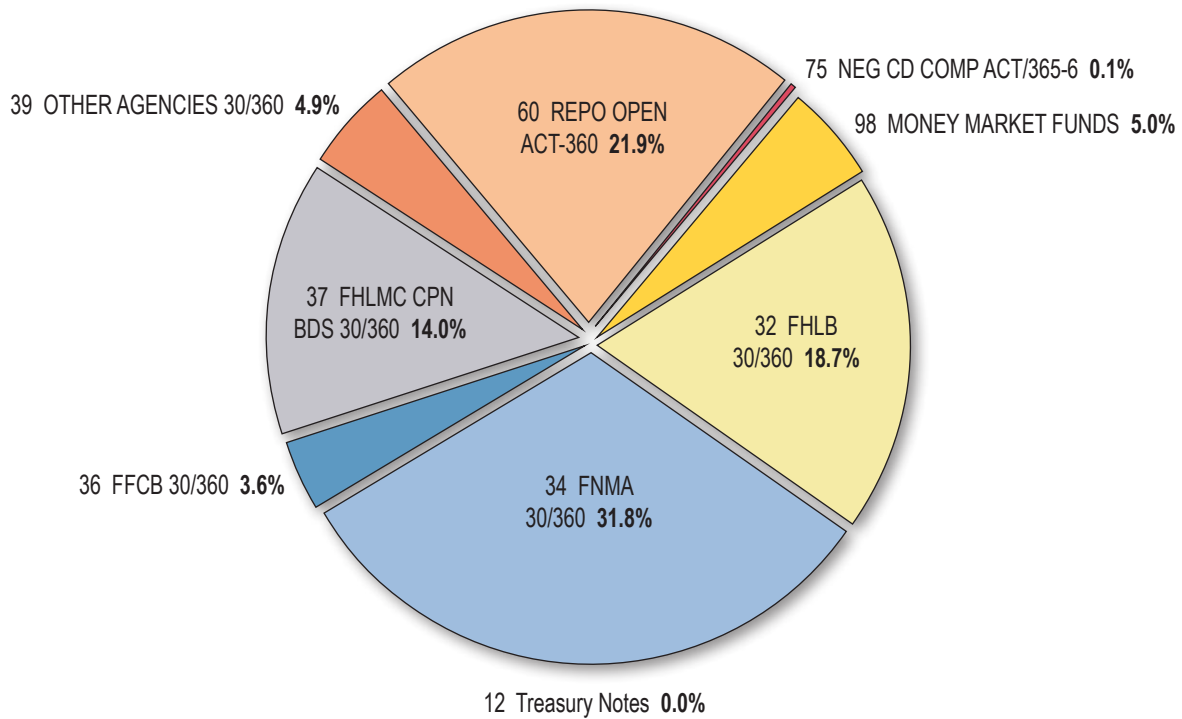
- Drafts and reviews MTCA-related legislation and regulations;
- Advises the Treasurer's Office Insurance Division on many of the approximately 4,000 tort claims filed each year under the Maryland Tort Claims Act (MTCA);
- Provides legal representation to the State, its agencies and employees in State Courts in the defense of cases brought under the MTCA; and
- 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. ■

Appendix A

Investment Inventory

June 30, 2011

MARKET VALUE SUMMARY REPORT



12	TREASURY NOTES	1,260K	0.0%
32	FHLB 30/360	987,152K	18.7%
34	FNMA 30/360	1,681,554K	31.8%
36	FFCB 30/360	190,458K	3.6%
37	FHLMC CPN BDS 30/360	741,107K	14.0%
39	OTHER AGENCIES 30/360	260,463K	4.9%
60	REPO OPEN ACT-360	1,160,111K	21.9%
75	NEG CD COMP ACT/365-6	3,026K	0.1%
98	MONEY MARKET FUNDS	264,263K	5.0%
Total:		5,289,392K	100.0%



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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	775,926.00	17,244.20	238,288.50
153	Treasury Note 7.25	912810EM6	02/16/2024	17	AVAILABLE	12	8.5395	537,637.50	143,690,000	SUNGARD	0.00
			08/26/1996	1	100	634	7.2500	355,000.00	483,794.00	9,669.34	135,783.01
			08/16/2026	1	AVAILABLE	12	7.4142	348,010.99	136,280,000	SUNGARD	0.00
Inv Type	12 TREASURY NOTES	Count 2									
							8.0042	895,000.00	1,259,720.00	26,913.54	374,071.51
							8.0973	885,648.49	140,750,838		0.00
13681	FHLB	313371AN6	10/20/2014	31	200	2	2.7500	50,000,000.00	48,859,375.00	276,736.11	0.00
			10/20/2019	8	AVAILABLE	32	2.7619	49,975,000.00	97,718,750	SUNGARD	-1,115,625.00
13694	FHLB	313371AY2	10/27/2014	31	200	2	2.0000	50,000,000.00	49,828,125.00	180,555.56	0.00
			10/27/2019	80	AVAILABLE	32	2.0000	50,000,000.00	99,656,250	SUNGARD	-171,875.00
13703	FHLB	313371AY2	10/27/2014	31	200	2	2.0000	42,905,000.00	42,757,514.06	154,934.72	0.00
			10/27/2019	53	AVAILABLE	32	2.0011	42,902,854.75	99,656,250	SUNGARD	-145,340.69
13704	FHLB	313371AY2	10/27/2014	31	200	2	2.0000	55,000,000.00	54,810,937.50	198,611.11	0.00
			10/27/2019	83	AVAILABLE	32	2.0000	55,000,000.00	99,656,250	SUNGARD	-189,062.50
13765	FHLB	313370UJ5	10/26/2014	31	200	2	1.8750	17,000,000.00	16,909,687.50	14,166.67	0.00
			12/16/2019	84	AVAILABLE	32	1.8750	17,000,000.00	99,468,750	SUNGARD	-90,312.50
13784	FHLB	313371LP9	11/24/2014	31	200	2	1.9000	50,000,000.00	49,687,500.00	100,277.78	0.00
			11/24/2019	71	AVAILABLE	32	1.9021	49,995,000.00	99,375,000	SUNGARD	-307,500.00
13785	FHLB	313371LP9	11/24/2014	31	200	2	1.9000	43,500,000.00	43,228,125.00	87,241.67	0.00
			11/24/2019	71	AVAILABLE	32	1.9084	43,482,600.00	99,375,000	SUNGARD	-254,475.00
13799	FHLB	313371NM4	12/04/2014	31	200	2	1.7500	50,000,000.00	49,890,625.00	68,055.56	0.00
			12/04/2019	53	AVAILABLE	32	1.7579	49,981,250.00	99,781,250	SUNGARD	-90,625.00
13826	FHLB	313371AY2	11/13/2014	31	200	2	2.0000	55,000,000.00	54,810,937.50	198,611.11	0.00
			10/27/2019	76	AVAILABLE	32	2.0000	55,000,000.00	99,656,250	SUNGARD	-189,062.50
13827	FHLB	313371S31	12/10/2014	31	200	2	1.9000	50,000,000.00	49,562,500.00	58,055.56	0.00
			12/10/2019	71	AVAILABLE	32	1.9021	49,995,000.00	99,125,000	SUNGARD	-432,500.00
13830	FHLB	313371SV9	12/10/2014	31	200	2	2.0000	25,200,000.00	25,011,000.00	30,800.00	0.00
			12/10/2019	53	AVAILABLE	32	2.0053	25,193,700.00	99,250,000	SUNGARD	-182,700.00
13831	FHLB	313371TP1	12/11/2014	31	200	2	2.0500	50,000,000.00	49,765,625.00	59,791.67	0.00
			12/11/2019	71	AVAILABLE	32	2.0542	49,990,000.00	99,531,250	SUNGARD	-224,375.00
13837	FHLB	313371TP1	12/11/2014	31	200	2	2.0500	16,500,000.00	16,422,666.25	19,731.25	0.00
			12/11/2019	71	AVAILABLE	32	2.0585	16,493,400.00	99,531,250	SUNGARD	-70,743.75
13894	FHLB	313370Q76	12/07/2014	31	200	2	2.0000	25,000,000.00	24,960,937.50	38,888.89	35,937.50
			12/04/2019	53	AVAILABLE	32	2.0635	24,925,000.00	99,843,750	SUNGARD	0.00
13947	FHLB	313372A53	01/15/2015	31	200	2	4.0000	50,000,000.00	49,765,625.00	1,797,569.44	0.00
			01/15/2020	76	AVAILABLE	32	4.0123	49,975,000.00	99,531,250	SUNGARD	-209,375.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
13954	FHLB	313372BB9	01/08/2015	31	200	2	4.0000	50,000,000.00	49,406,250.00	1,903,125.00	0.00
14035	FHLB	313372F58	01/08/2020	76	AVAILABL	32	4.0049	49,990,000.00	98,812,500	SUNGARD	-583,750.00
14283	FHLB	313373TV4	01/27/2015	31	200	2	2.5500	13,500,000.00	13,521,093.75	148,218.75	31,218.75
14296	FHLB	313373WV8	01/27/2020	53	AVAILABL	32	2.5661	13,489,875.00	100,156,250	SUNGARD	0.00
14345	FHLB	313374EV5	06/09/2015	31	200	2	2.5000	50,000,000.00	50,015,625.00	79,861.11	20,625.00
14346	FHLB	313374FG0	06/09/2020	53	AVAILABL	32	2.5021	49,995,000.00	100,031,250	SUNGARD	0.00
14356	FHLB	313374G61	06/14/2015	31	200	2	2.4000	50,000,000.00	50,031,250.00	60,000.00	61,250.00
14357	FHLB	313374G87	06/14/2020	53	AVAILABL	32	2.4128	49,970,000.00	100,062,500	SUNGARD	0.00
			06/29/2015	31	200	2	2.3750	50,000,000.00	49,453,125.00	9,895.83	0.00
			06/29/2020	76	AVAILABL	32	2.3750	50,000,000.00	98,906,250	SUNGARD	-546,875.00
			06/29/2015	31	200	2	2.2500	50,000,000.00	49,437,500.00	9,375.00	0.00
			06/29/2020	71	AVAILABL	32	2.2532	49,992,500.00	98,875,000	SUNGARD	-555,000.00
			06/29/2015	31	200	2	2.3050	50,000,000.00	49,468,750.00	9,604.17	0.00
			06/21/2020	53	AVAILABL	32	2.3061	49,997,500.00	98,937,500	SUNGARD	-528,750.00
			06/29/2015	31	200	2	2.3600	50,000,000.00	49,546,875.00	9,833.33	0.00
			06/29/2020	76	AVAILABL	32	2.3600	50,000,000.00	99,093,750	SUNGARD	-453,125.00
Inv Type	32 FHLB 30/360	Count 23					2.3309	993,605,000.00	987,151,639.06	5,513,940.29	149,031.25
							2.3366	993,343,679.75	99,350,510		-6,341,071.94
113507	FNMA	3136FMX33	08/05/2014	31	200	2	3.0000	50,000,000.00	50,140,625.00	612,500.00	145,625.00
13508	FNMA	3136FMZ56	08/05/2019	53	AVAILABL	34	3.0022	49,995,000.00	100,281,250	SUNGARD	0.00
13509	FNMA	3136FM2E3	08/12/2014	31	200	2	3.1000	50,000,000.00	50,187,500.00	602,777.78	195,000.00
13510	FNMA	3136FMZ49	08/12/2019	53	AVAILABL	34	3.1033	49,992,500.00	100,375,000	SUNGARD	0.00
13527	FNMA	3136FM2Q6	08/12/2014	31	200	2	3.1500	50,000,000.00	50,171,875.00	612,500.00	176,875.00
13529	FNMA	3136FPCS4	08/12/2019	71	AVAILABL	34	3.1522	49,995,000.00	100,343,750	SUNGARD	0.00
13530	FNMA	3136FPCQ8	08/12/2014	31	200	2	3.0700	50,000,000.00	50,171,875.00	596,944.44	181,875.00
13545	FNMA Str Note	3136FPEC7	08/12/2019	71	AVAILABL	34	3.0743	49,990,000.00	100,343,750	SUNGARD	0.00
13546	FNMA Str Note	3136FPDJ3	08/13/2014	31	200	2	3.2500	50,000,000.00	50,187,500.00	631,944.44	192,500.00
			08/12/2019	71	AVAILABL	34	3.2522	49,995,000.00	100,375,000	SUNGARD	0.00
			08/31/2014	31	200	2	2.0000	50,000,000.00	49,671,875.00	337,492.33	0.00
			08/29/2019	71	AVAILABL	34	2.0047	49,990,000.00	99,343,750	SUNGARD	-318,125.00
			09/11/2014	31	200	2	2.4000	50,000,000.00	49,656,250.00	370,000.00	0.00
			09/11/2019	53	AVAILABL	34	2.4053	49,987,500.00	99,312,500	SUNGARD	-331,250.00
			09/18/2014	31	200	2	2.6250	50,000,000.00	49,140,625.00	379,201.39	0.00
			09/18/2019	71	AVAILABL	34	2.6297	49,990,000.00	98,281,250	SUNGARD	-849,375.00
			09/11/2014	31	200	2	2.2500	50,000,000.00	49,343,750.00	346,875.00	0.00
			09/11/2019	53	AVAILABL	34	2.2559	49,987,500.00	98,687,500	SUNGARD	-643,750.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
13547	FNMA Str Note	3136FPDK0	09/16/2014	31	200	2	2.2500	50,000,000.00	49,328,125.00	331,250.00	0.00
			09/16/2019	52	AVAILABLE	34	2.2500	50,000,000.00	98,656250	SUNGARD	-671,875.00
13550	FNMA	3136FPCU9	09/11/2014	31	200	2	2.1500	50,000,000.00	49,656,250.00	331,458.33	0.00
			09/11/2019	71	AVAILABLE	34	2.1570	49,985,000.00	99,312500	SUNGARD	-328,750.00
13551	FNMA	3136FPDB0	09/15/2014	31	200	2	2.2500	50,000,000.00	49,593,750.00	334,375.00	0.00
			09/15/2019	76	AVAILABLE	34	2.2500	50,000,000.00	99,187500	SUNGARD	-406,250.00
13552	FNMA	3136FPCX3	09/16/2014	31	200	2	2.2500	50,000,000.00	49,531,250.00	331,250.00	0.00
			09/16/2019	71	AVAILABLE	34	2.2523	49,995,000.00	99,062500	SUNGARD	-463,750.00
13553	FNMA Str Note	3136FPEC7	09/18/2014	31	200	2	2.6250	50,000,000.00	49,140,625.00	379,166.67	0.00
			09/18/2019	59	AVAILABLE	34	2.6250	50,000,000.00	98,281250	SUNGARD	-859,375.00
13560	FNMA	3136FPEN3	09/11/2014	31	200	2	2.5000	50,000,000.00	49,171,875.00	385,416.67	0.00
			09/11/2019	53	AVAILABLE	34	2.5059	49,987,500.00	98,343750	SUNGARD	-815,625.00
13586	FNMA	3136FPHD2	09/30/2014	31	200	2	2.6500	50,000,000.00	49,390,625.00	338,611.11	0.00
			09/30/2019	82	AVAILABLE	34	2.6524	49,995,000.00	98,781250	SUNGARD	-604,375.00
13591	FNMA	3136FPHX8	10/01/2014	31	200	2	3.0000	50,000,000.00	49,078,125.00	379,166.67	0.00
			10/01/2019	83	AVAILABLE	34	3.0000	50,000,000.00	98,156250	SUNGARD	-921,875.00
13596	FNMA	3136FPHX8	10/01/2014	31	200	2	3.0000	25,000,000.00	24,539,062.50	189,583.33	0.00
			10/01/2019	83	AVAILABLE	34	3.0048	24,995,000.00	98,156250	SUNGARD	-455,937.50
13598	FNMA	3136FPJL2	10/02/2014	31	200	2	3.0000	50,000,000.00	49,156,250.00	375,000.00	0.00
			10/02/2019	65	AVAILABLE	34	3.0000	50,000,000.00	98,312500	SUNGARD	-843,750.00
13603	FNMA	31398A3T7	09/22/2014	31	200	2	2.0000	38,850,000.00	39,347,765.63	215,833.33	507,478.13
			09/22/2019	71	AVAILABLE	34	2.0053	38,840,287.50	101,281250	SUNGARD	0.00
13625	FNMA	3136FPKE6	09/30/2014	31	200	2	2.7500	50,000,000.00	48,968,750.00	351,388.89	0.00
			09/30/2019	53	AVAILABLE	34	2.7571	49,985,000.00	97,937500	SUNGARD	-1,016,250.00
13632	FNMA	3136FPKX4	09/30/2014	31	200	2	2.5000	50,000,000.00	49,140,625.00	319,444.44	0.00
			09/30/2019	78	AVAILABLE	34	2.5071	49,985,000.00	98,281250	SUNGARD	-844,375.00
13675	FNMA	3136FPQ4	10/22/2014	31	200	2	2.5000	50,000,000.00	49,187,500.00	243,055.56	0.00
			10/22/2019	53	AVAILABLE	34	2.5059	49,987,500.00	98,375000	SUNGARD	-800,000.00
13735	FNMA	3136FPTA5	11/11/2014	31	200	2	2.5000	50,000,000.00	48,765,625.00	177,083.33	0.00
			11/11/2019	53	AVAILABLE	34	2.5047	49,990,000.00	97,531250	SUNGARD	-1,224,375.00
13749	FNMA	3136FPTR8	10/28/2014	31	200	2	2.5000	50,000,000.00	48,687,500.00	222,222.22	0.00
			10/28/2019	83	AVAILABLE	34	2.5000	50,000,000.00	97,375000	SUNGARD	-1,312,500.00
13750	FNMA	3136FPTW7	11/13/2014	31	200	2	2.6250	50,000,000.00	48,640,625.00	178,645.83	0.00
			11/13/2019	76	AVAILABLE	34	2.6321	49,985,000.00	97,281250	SUNGARD	-1,344,375.00
13769	FNMA	3136FPUZ8	11/20/2014	31	200	2	2.3750	50,000,000.00	48,765,625.00	138,541.67	0.00
			11/20/2019	53	AVAILABLE	34	2.3809	49,987,500.00	97,531250	SUNGARD	-1,221,875.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
13770	FNMA	3136FPVH7	11/20/2014	31	200	2	2.3750	35,000,000.00	34,146,875.00	96,979.17	0.00
13776	FNMA	3136FPVW6	11/20/2019	9	AVAILABL	34	2.3785	34,994,750.00	97,562,500	SUNGARD	-847,875.00
13777	FNMA	3136FPUG0	11/25/2014	31	200	2	2.3750	50,000,000.00	48,859,375.00	122,048.61	0.00
13781	FNMA	3136FPVH7	11/25/2019	76	AVAILABL	34	2.3774	49,995,000.00	97,718,750	SUNGARD	-1,135,625.00
13782	FNMA	3136FPWQ6	11/06/2014	31	200	2	1.2500	14,700,000.00	14,580,562.50	28,583.33	0.00
13783	FNMA	3136FPWK9	11/06/2019	85	AVAILABL	34	1.2707	14,685,300.00	99,187,500	SUNGARD	-104,737.50
13821	FNMA	3136FPZC4	11/20/2014	31	200	2	2.3750	11,000,000.00	10,731,875.00	30,479.17	0.00
13861	FNMA	3136FPWQ6	11/20/2019	80	AVAILABL	34	2.4411	10,969,200.00	97,562,500	SUNGARD	-237,325.00
13783	FNMA	3136FPWK9	11/20/2014	31	200	2	2.5000	50,000,000.00	48,671,875.00	145,833.33	0.00
13821	FNMA	3136FPZC4	11/20/2019	83	AVAILABL	34	2.5000	50,000,000.00	97,343,750	SUNGARD	-1,328,125.00
13888	FNMA	3136FPN29	11/25/2014	31	200	2	2.5000	50,000,000.00	48,687,500.00	128,472.22	0.00
14042	FNMA	3136FP2Q9	11/25/2019	53	AVAILABL	34	2.5047	49,990,000.00	97,375,000	SUNGARD	-1,302,500.00
14055	FNMA	3136FP4Z7	12/09/2014	31	200	2	2.1250	50,000,000.00	49,078,125.00	67,881.94	0.00
14055	FNMA	3136FP4Z7	12/09/2019	76	AVAILABL	34	2.1273	49,995,000.00	98,156,250	SUNGARD	-916,875.00
14042	FNMA	3136FP2Q9	12/18/2014	31	200	2	3.1250	50,000,000.00	48,703,125.00	60,763.89	0.00
14055	FNMA	3136FP4Z7	12/18/2019	76	AVAILABL	34	3.1250	50,000,000.00	97,406,250	SUNGARD	-1,296,875.00
14042	FNMA	3136FP2Q9	12/31/2014	31	200	2	3.2500	50,000,000.00	48,531,250.00	4,513.89	0.00
14055	FNMA	3136FP4Z7	12/31/2019	76	AVAILABL	34	3.2524	49,995,000.00	97,062,500	SUNGARD	-1,463,750.00
14042	FNMA	3136FP2Q9	01/26/2015	31	200	2	2.6000	5,730,000.00	5,738,953.13	64,558.00	8,953.13
14055	FNMA	3136FP4Z7	01/26/2020	83	AVAILABL	34	2.6000	5,730,000.00	100,156,250	SUNGARD	0.00
14055	FNMA	3136FP4Z7	02/17/2015	31	200	2	2.0000	25,000,000.00	25,062,500.00	187,500.00	68,750.00
14055	FNMA	3136FP4Z7	02/17/2020	53	AVAILABL	34	2.0053	24,993,750.00	100,250,000	SUNGARD	0.00
Inv Type 34 FNMA 30/360		Count 38					2.5817	1,705,280,000.00	1,681,553,843.76	10,649,341.98	1,477,056.26
							2.5856	1,704,988,287.50	98,608,665		-24,911,500.00
7604	FFCB - WQFA	31331SGL1	09/30/2008	31	200	74	4.4500	1,000,000.00	1,000,000.00	18,541.67	0.00
8019	FFCB - WQFA	31331STW3	02/02/2018	50	AVAILABL	36	4.4500	1,000,000.00	100,000,000	BOOK	0.00
8716	FFCB - WQFA	31331VRP3	04/09/2009	31	200	74	4.9400	2,000,000.00	2,000,000.00	41,166.67	0.00
9403	FFCB - WQFA	31331XCV2	02/02/2019	50	AVAILABL	36	4.9400	2,000,000.00	100,000,000	BOOK	0.00
11344	FFCB - WQFA	31331GBA6	02/22/2010	31	200	74	5.1710	1,000,000.00	1,000,000.00	21,545.83	0.00
13818	FFCB	31331JZ97	02/02/2020	50	AVAILABL	36	5.1710	1,000,000.00	100,000,000	BOOK	0.00
			11/02/2010	31	200	74	5.1880	3,000,000.00	3,000,000.00	64,850.00	0.00
			02/02/2020	50	AVAILABL	36	5.1880	3,000,000.00	100,000,000	BOOK	0.00
			09/10/2012	31	200	74	4.7820	3,500,000.00	3,500,000.00	69,737.50	0.00
			02/02/2022	50	AVAILABL	36	4.7820	3,500,000.00	100,000,000	BOOK	0.00
			11/10/2014	31	200	2	1.6000	40,000,000.00	39,675,000.00	92,444.44	0.00
			11/10/2019	71	AVAILABL	36	1.6104	39,980,000.00	99,187,500	SUNGARD	-305,000.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
13848	FFCB	31331J3A9	11/24/2014	31	200	2	2.0000	50,000,000.00	50,015,625.00	105,555.56	15,625.00
13877	FFCB	31331J4D2	11/24/2019	80	AVAILABL	36	2.0000	50,000,000.00	100.031250	SUNGARD	0.00
14223	FFCB	31331KHU7	12/08/2014	31	200	2	2.0000	27,500,000.00	27,500,000.00	36,666.67	13,750.00
14279	FFCB	31331KKK5	12/08/2019	53	AVAILABL	36	2.0106	27,486,250.00	100.000000	SUNGARD	0.00
			04/28/2015	31	200	2	2.1400	27,000,000.00	27,329,062.50	102,720.00	350,662.50
			04/28/2019	53	AVAILABL	36	2.1610	26,978,400.00	101.218750	SUNGARD	0.00
			05/12/2015	31	200	2	2.2500	35,350,000.00	35,438,375.00	309,312.50	120,190.00
			02/12/2020	90	AVAILABL	36	2.2697	35,318,185.00	100.250000	SUNGARD	0.00
Inv Type 36	FFCB 30/360	Count 10						190,350,000.00	190,458,062.50	862,540.84	500,227.50
								190,262,835.00	100.056770		-305,000.00
13528	FHLMC	3134G1RS5	08/26/2014	31	200	2	2.0000	16,560,000.00	16,534,125.00	115,920.00	0.00
13549	FHLMC	3134G1SL9	08/26/2019	53	AVAILABL	37	2.0021	16,558,344.00	99.843750	SUNGARD	-24,219.00
13630	FHLMC	3134G1RA4	09/11/2014	31	200	2	2.2500	50,000,000.00	49,437,500.00	347,986.11	0.00
13676	FHLMC	3134G1VW1	09/11/2019	82	AVAILABL	37	2.2617	49,975,000.00	98.875000	SUNGARD	-537,500.00
13693	FHLMC	3134G1WC4	09/14/2014	31	200	2	2.1250	7,665,000.00	7,688,953.13	57,008.44	27,785.63
13767	FHLMC	3134G1XV1	08/26/2019	53	AVAILABL	37	2.1356	7,661,167.50	100.312500	SUNGARD	0.00
13768	FHLMC	3134G1XV1	10/16/2014	31	200	2	2.7500	50,000,000.00	48,953,125.00	291,319.44	0.00
13775	FHLMC	3134G1XV1	10/16/2019	30	AVAILABL	37	2.7738	49,950,000.00	97.906250	SUNGARD	-996,875.00
13786	FHLMC	3134G1YF5	10/29/2014	31	200	2	2.7000	50,000,000.00	48,796,875.00	238,402.78	0.00
13817	FHLMC	3134G1YF5	10/29/2019	68	AVAILABL	37	2.7059	49,987,500.00	97.593750	SUNGARD	-1,190,625.00
13828	FHLMC	3134G1ZT4	11/17/2014	31	200	2	1.7000	48,000,000.00	47,820,000.00	102,000.00	0.00
13829	FHLMC	3134G1A38	11/17/2019	53	AVAILABL	37	1.7168	47,961,600.00	99.625000	SUNGARD	-141,600.00
13847	FHLMC	3134G1B45	11/17/2014	31	200	2	1.7000	50,000,000.00	49,812,500.00	106,250.00	0.00
			11/17/2019	9	AVAILABL	37	1.7262	49,937,500.00	99.625000	SUNGARD	-125,000.00
			11/17/2014	31	200	2	1.7000	50,000,000.00	49,812,500.00	106,250.00	0.00
			11/17/2019	80	AVAILABL	37	1.7168	49,960,000.00	99.625000	SUNGARD	-147,500.00
			11/18/2014	31	200	2	1.7500	50,000,000.00	49,625,000.00	106,944.44	0.00
			11/18/2019	53	AVAILABL	37	1.7836	49,920,000.00	99.250000	SUNGARD	-295,000.00
			11/18/2014	31	200	2	1.7500	18,039,000.00	17,903,707.50	38,583.42	0.00
			11/18/2019	53	AVAILABL	37	1.7531	18,036,294.15	99.250000	SUNGARD	-132,586.65
			12/10/2014	31	200	2	2.5000	50,000,000.00	48,734,375.00	76,388.89	0.00
			12/10/2019	83	AVAILABL	37	2.5000	50,000,000.00	97.468750	SUNGARD	-1,265,625.00
			12/10/2014	31	200	2	2.2500	50,000,000.00	48,453,125.00	68,750.00	0.00
			12/10/2019	53	AVAILABL	37	2.2559	49,987,500.00	96.906250	SUNGARD	-1,534,375.00
			12/11/2014	31	200	2	3.0000	50,000,000.00	48,859,375.00	87,500.00	0.00
			12/11/2019	86	AVAILABL	37	3.0060	49,987,500.00	97.718750	SUNGARD	-1,128,125.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
13868	FHLMC	3134G1B94	12/23/2014	31	200	2	2.0000	50,000,000.00	49,765,625.00	25,000.00	0.00
			12/23/2019	71	AVAILABL	37	2.0042	49,990,000.00	99,531250	SUNGARD	-224,375.00
13896	FHLMC	3134G1G65	12/31/2014	31	200	2	3.3750	50,000,000.00	49,062,500.00	4,687.50	0.00
			12/31/2019	76	AVAILABL	37	3.3798	49,990,000.00	98,125000	SUNGARD	-927,500.00
13918	FHLMC	3134G1K78	12/31/2014	31	200	2	3.0000	50,000,000.00	48,859,375.00	4,166.67	0.00
			12/31/2019	65	AVAILABL	37	3.0000	50,000,000.00	97,718750	SUNGARD	-1,140,625.00
13925	FHLMC	3134G1M76	01/07/2015	31	200	2	2.5000	50,000,000.00	50,015,625.00	607,638.89	25,625.00
			01/07/2020	71	AVAILABL	37	2.5043	49,990,000.00	100,031250	SUNGARD	0.00
14256	FHLMC	3134G1XM1	11/05/2014	31	200	2	1.7000	11,150,000.00	10,972,296.88	30,012.08	0.00
			11/05/2019	76	AVAILABL	37	1.7105	11,144,425.00	98,406250	SUNGARD	-172,128.12
Inv Type	37 FHLMC CPN BDS 30/360		Count 18				2.3360	751,414,000.00	741,106,582.51	2,414,808.66	53,410.63
							2.3471	751,036,830.65	98,628264		-9,983,658.77
111756	FAMCA	31315PCX5	01/23/2013	31	200	2	3.0000	100,000,000.00	104,343,750.00	1,325,000.00	4,343,750.00
			01/23/2018	69	AVAILABL	39	3.0000	100,000,000.00	104,343750	SUNGARD	0.00
12352	FAMCA	31315PKR9	08/05/2013	31	200	2	3.0500	12,000,000.00	12,738,750.00	149,450.00	741,750.00
			08/05/2018	53	AVAILABL	39	3.0554	11,997,000.00	106,156250	SUNGARD	0.00
12881	FAMCA	31315PFS3	01/27/2014	31	200	2	3.0100	15,000,000.00	15,895,312.50	194,395.83	899,062.50
			01/27/2019	53	AVAILABL	39	3.0154	14,996,250.00	105,968750	SUNGARD	0.00
13548	FAMCA	31315PFM6	08/25/2014	31	200	2	2.0500	27,000,000.00	26,907,187.50	195,262.50	0.00
			08/25/2019	53	AVAILABL	39	2.0606	26,986,500.00	99,656250	SUNGARD	-79,312.50
13631	FAMCA	31315PGT0	09/16/2014	31	200	2	2.1250	45,000,000.00	45,801,562.50	281,562.50	886,612.50
			09/16/2019	42	AVAILABL	39	2.1651	44,914,950.00	101,781250	SUNGARD	0.00
13680	FAMCA	31315PGZ6	10/01/2014	31	200	2	2.0000	55,000,000.00	54,776,562.50	278,055.56	0.00
			10/01/2019	53	AVAILABL	39	2.0106	54,972,500.00	99,593750	SUNGARD	-195,937.50
Inv Type	39 OTHER AGENCIES 30/360		Count 6				2.5304	254,000,000.00	260,463,125.00	2,423,726.39	6,871,175.00
							2.5417	253,867,200.00	102,544537		-275,250.00
14323	REPO 2011 1st B		06/08/2015	31	200	2090	0.1600	140,356,583.00	140,356,583.00	14,971.3	0.00
			07/09/2015	65	AVAILABL	60	0.1600	140,356,583.00	100,000000	BOOK	0.00
14324	OZAB Repo		06/08/2015	31	200	2039	0.1600	99,187.00	99,187.00	10.58	0.00
			07/09/2015	65	AVAILABL	60	0.1600	99,187.00	100,000000	BOOK	0.00
14325	OZAB Repo		06/08/2015	31	200	2049	0.1600	1,796,925.00	1,796,925.00	191.67	0.00
			07/09/2015	65	AVAILABL	60	0.1600	1,796,925.00	100,000000	BOOK	0.00
14326	OZAB Repo		06/08/2015	31	200	2059	0.1600	1,484,595.00	1,484,595.00	158.36	0.00
			07/09/2015	65	AVAILABL	60	0.1600	1,484,595.00	100,000000	BOOK	0.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
14327	QZAB Repo		06/08/2015	31	200	2064	0.1600	2,171,835.00	2,171,835.00	231.66	0.00
			07/09/2015	65	AVAILABL	60	0.1600	2,171,835.00	100.000000	BOOK	0.00
14328	QZAB Repo		06/08/2015	31	200	2069	0.1600	125,910.00	125,910.00	13.43	0.00
			07/09/2015	65	AVAILABL	60	0.1600	125,910.00	100.000000	BOOK	0.00
14329	QZAB Repo		06/08/2015	31	200	2084	0.1600	2,496,163.00	2,496,163.00	266.26	0.00
			07/09/2015	65	AVAILABL	60	0.1600	2,496,163.00	100.000000	BOOK	0.00
14330	QZAB Repo		06/08/2015	31	200	2089	0.1600	4,461,590.00	4,461,590.00	475.90	0.00
			07/09/2015	65	AVAILABL	60	0.1600	4,461,590.00	100.000000	BOOK	0.00
14331	QSCB Repo		06/08/2015	31	200	2081	0.1600	7,871,803.00	7,871,803.00	839.66	0.00
			07/09/2015	65	AVAILABL	60	0.1600	7,871,803.00	100.000000	BOOK	0.00
14332	QSCB Repo		06/08/2015	31	200	2085	0.1600	12,308,947.00	12,308,947.00	1,312.95	0.00
			07/09/2015	65	AVAILABL	60	0.1600	12,308,947.00	100.000000	BOOK	0.00
14362	REPO		06/23/2015	31	200	2	0.1700	100,000,000.00	100,000,000.00	4,250.00	0.00
			07/06/2015	65	AVAILABL	60	0.1700	100,000,000.00	100.000000	BOOK	0.00
14363	REPO		06/23/2015	31	200	2	0.1600	100,000,000.00	100,000,000.00	4,000.00	0.00
			07/06/2015	53	AVAILABL	60	0.1600	100,000,000.00	100.000000	BOOK	0.00
14373	Overnight Repo II		07/01/2015	31	200	2	0.1700	300,000,000.00	300,000,000.00	1,416.67	0.00
			07/02/2015	2	AVAILABL	60	0.1700	300,000,000.00	100.000000	BOOK	0.00
14374	Overnight Repo I		07/01/2015	31	200	2	0.1800	486,937,000.00	486,937,000.00	2,434.69	0.00
			07/02/2015	2	AVAILABL	60	0.1800	486,937,000.00	100.000000	BOOK	0.00
Inv Type	60 REPO OPEN ACT-360		Count 14				0.1718	1,160,110,538.00	1,160,110,538.00	30,573.20	0.00
							0.1718	1,160,110,538.00	100.000000		0.00
12258	LD-00401		06/11/2013	31	200	69	0.2500	516,699.41	516,699.41	3.54	0.00
			06/11/2023	77	AVAILABL	75	0.2500	516,699.41	100.000000	BOOK	0.00
12259	LD-00402		06/11/2013	31	200	69	0.2500	296,747.26	296,747.26	2.03	0.00
			06/11/2023	77	AVAILABL	75	0.2500	296,747.26	100.000000	BOOK	0.00
12260	LD-00403		06/11/2013	31	200	69	0.2500	116,708.46	116,708.46	0.00	0.00
			06/11/2023	77	AVAILABL	75	0.2500	116,708.46	100.000000	BOOK	0.00
12262	LD-00502		06/11/2013	31	200	69	0.4300	1,771.75	1,771.59	0.00	0.00
			08/11/2015	77	AVAILABL	75	0.4300	1,771.75	99.991111	SUNGARD	-0.16
12866	LD-00791		01/06/2014	31	200	69	0.6500	33,662.17	33,662.17	0.00	0.00
			01/06/2019	77	AVAILABL	75	0.6500	33,662.17	100.000000	BOOK	0.00



Run Date: 7/15/2011 • 3:31:53PM • Investment Outstanding as of 06/30/2011

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
12867	LD-00621		12/08/2013	31	200	69	0.3100	571,517.81	571,517.81	4.85	0.00
			12/08/2023	77	AVAILABLE	75	0.3100	571,517.81	100.000000	BOOK	0.00
13122	LD-00821		02/20/2014	31	200	69	0.4800	951,409.44	951,409.44	11.41	0.00
			02/20/2024	77	AVAILABLE	75	0.4800	951,409.44	100.000000	BOOK	0.00
13123	LD-00792		02/27/2014	31	200	69	0.3000	220,713.43	220,713.43	1.81	0.00
			02/27/2024	77	AVAILABLE	75	0.3000	220,713.43	100.000000	BOOK	0.00
13471	LD-00741		07/30/2014	31	200	69	0.5100	162,258.02	162,258.02	2.27	0.00
			07/14/2019	77	AVAILABLE	75	0.5100	162,258.02	100.000000	BOOK	0.00
13566	LD-01161		07/31/2014	31	200	69	0.2500	21,148.70	21,148.70	0.00	0.00
			07/31/2015	77	AVAILABLE	75	0.2500	21,150.06	99.993556	SUNGARD	-1.36
13912	LD-0122-1		12/07/2014	31	200	69	0.2500	132,873.24	132,873.24	0.00	0.00
			09/18/2024	77	AVAILABLE	75	0.2500	132,873.24	100.000000	BOOK	0.00
Inv Type	75 NEG CD COMP ACT/365-6		Count 11				0.3558	3,025,511.05	3,025,509.53	25.91	0.00
							0.3558	3,025,511.05	99.999950		-1.52
11456	LGIP		07/01/2012	3	100	2	0.1010	221,221,427.59	221,221,427.59	1,847.09	0.00
			07/02/2015	25	AVAILABLE	98	0.1010	221,221,427.59	100.000000	BOOK	0.00
11457	Balt C BP 2004 Debt		07/01/2012	31	100	11	0.0099	346.00	346.00	134.36	0.00
			07/02/2015	23	AVAILABLE	98	0.0099	346.00	100.000000	BOOK	0.00
11458	Balt C BP 2004 Reserve		07/01/2012	31	100	11	0.0100	2,724,929.41	2,724,929.41	697.19	0.00
			07/02/2015	23	AVAILABLE	98	0.0100	2,724,929.41	100.000000	BOOK	0.00
11461	CTRB 2007 Reserve		07/01/2012	31	100	11	0.0099	426.60	426.60	-2.42	0.00
			07/02/2015	23	AVAILABLE	98	0.0099	426.60	100.000000	BOOK	0.00
11462	CTRB 2007 Debt Service		07/01/2012	31	100	11	0.0100	2,781,032.46	2,781,032.46	-7.02	0.00
			06/22/2016	23	AVAILABLE	98	0.0100	2,781,032.46	100.000000	BOOK	0.00
12197	CTRB 2009 Proceeds		06/06/2013	31	200	11	0.0100	33,404,978.01	33,404,978.01	-306.76	0.00
			06/06/2017	23	AVAILABLE	98	0.0100	33,404,978.01	100.000000	BOOK	0.00
12228	CTRB 2009 Debt Serv		06/20/2013	31	200	8	0.0100	691.64	691.64	0.00	0.00
			06/20/2017	23	AVAILABLE	98	0.0100	691.64	100.000000	BOOK	0.00
12229	CTRB 2009 Reserve		06/20/2013	31	200	8	0.0100	4,129,398.91	4,129,398.91	-3.61	0.00
			06/20/2017	23	AVAILABLE	98	0.0100	4,129,398.91	100.000000	BOOK	0.00
Inv Type	98 MONEY MARKET FUNDS		Count 8				0.0861	264,263,230.62	264,263,230.62	2,358.83	0.00
							0.0861	264,263,230.62	100.000000		0.00
Grand Total			Count 130					5,322,943,279.67	5,289,392,250.98	21,924,229.64	9,424,972.15
								5,321,783,761.06	99,369,690		-41,816,482.23



Acknowledgements

Editor-In-Chief

Bernadette T. Benik

Editorial Board

Susanne Brogan

Laura McWeeney

Judy Smith

For More Information or Additional Copies Contact:

MARYLAND STATE TREASURER'S OFFICE

Attn: Annual Report • Treasury Building • 80 Calvert Street, Room 109 • Annapolis, Maryland 21401

phone (410) 260-7533 • fax (410) 974-3530

email Treasurer@Treasurer.state.md.us • website www.treasurer.state.md.us



MARYLAND



MARYLAND STATE TREASURER'S OFFICE

Treasury Building
80 Calvert Street, Room 109
Annapolis, MD 21401
(410) 260-7533 phone
(410) 974-3530 fax
Treasurer@Treasurer.state.md.us email



www.treasurer.state.md.us