

# Annual Report Summary

## Both Plans Demonstrate Strong Gains for Fiscal Year 2011

We are pleased to report that Maryland families are remaining focused on their families' educational goals by saving for the future higher education of more than 163,000 beneficiaries in the **College Savings Plans of Maryland** as of the end of fiscal year 2011. The two Plans performed well during this fiscal year, with many positive trends included in this Annual Report Summary. Investments in the Plans totaled nearly \$3.1 billion as of June 30, 2011, which is more than \$722 million higher than as of June 30, 2010. Contributions to the Plans also increased this year with approximately \$462 million contributed during the year, or approximately \$61 million more than during the last fiscal year.

For the **Maryland Prepaid College Trust**, 2,352 new accounts were opened. This is 21% more new enrollments than last year and is more than we received in any year since 2004. Total beneficiaries in this Plan reached just over 29,000, with more than 8,800 beneficiaries eligible to use an account to attend college as of the fall 2011 semester.

For the **Maryland College Investment Plan**, 15,876 new beneficiaries were enrolled during the fiscal year. Account holders contributed nearly \$401 million to this Plan, or approximately \$53 million more than for the previous fiscal year. In addition, favorable investment markets helped to increase the average account size to \$15,490 as of June 30, 2011. This is 23% higher than as of June 30, 2010, and 43% higher than just two years ago at June 30, 2009.

We are pleased to present this Annual Report Summary, which includes an overview of the past year, provides financial highlights of each Plan, discusses significant events, and affirms our commitment to helping Maryland families save for college with easy, affordable, tax advantaged options. We also recommend that you read our Comprehensive Annual Report, which contains the audited financial statements of both Plans and more detailed information about the Plans.

Thank you for making college savings a priority in your family's budget and for your participation in the **College Savings Plans of Maryland**.

Sincerely,

*College Savings Plans of Maryland Board*

**Read the 2011 Comprehensive Annual Report by visiting [CollegeSavingsMD.org](http://CollegeSavingsMD.org) or by calling 888.4MD.GRAD (463.4723).**



## 2011 Snapshot

6/30/11

### Prepaid College Trust

Contributions	\$61 million
Investments	\$644 million
Beneficiaries	29,019
Funded Status	117%

### College Investment Plan

Contributions	\$401 million
Investments	\$2.45 billion
Beneficiaries	134,173
Average Account Size	\$15,490

Martin O'Malley Governor  
Anthony Brown Lt. Governor

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# More than 163,000 beneficiaries and nearly \$3.1 billion invested in both Plans

## *A Year of Strong Growth for the College Savings Plans of Maryland*

Both the Prepaid College Trust and the College Investment Plan grew significantly over the past fiscal year. As compared with the previous year, there were more new accounts opened and more funds contributed in each of the Plans. It was also a year of a strongly positive investment performance. Investments in the Prepaid College Trust earned 21%, while nearly all of the portfolios in the College Investment Plan had investment performance that exceeded the portfolios' weighted benchmarks.

### *Highlights by Plan include:*

#### **Prepaid College Trust builds actuarial surplus**

As of June 30, 2011, the Prepaid College Trust (Trust) had an actuarial surplus of \$122.3 million and was 117% funded. This was due primarily to higher than projected investment earnings and lower than projected tuition increases at Maryland public colleges. One of the benefits of the Trust's actuarial surplus is that it can help to reduce negative future impacts that may result from either investment earnings that fall below our projection; future tuition increases that exceed our projection; or both.

#### **New enrollments in the Prepaid College Trust increase 21% over last year**

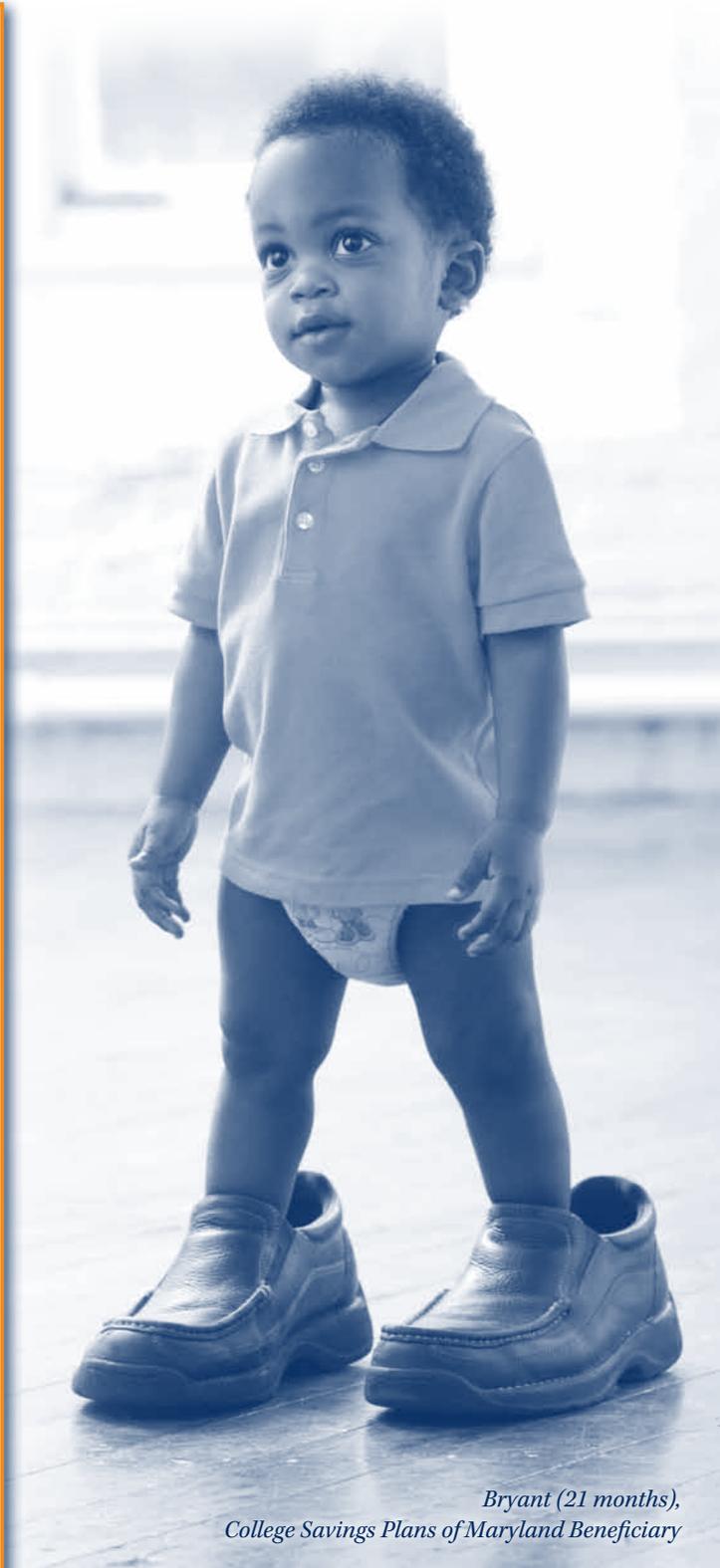
The 2,352 new enrollments in the Trust this year is more than in any other fiscal year since 2004. It is gratifying to see more families choosing to lock in future tuition benefits for their children and grandchildren.

#### **A very strong year for relative investment performance in the College Investment Plan**

For the 12 months ended June 30, 2011, investment performance for 12 of the 14 investment portfolios in the College Investment Plan (Plan) exceeded their weighted benchmarks. These portfolios contained over 97% of the investments in the Plan. The two portfolios that under-performed their weighted benchmarks were the Equity Market Index Portfolio and the U.S. Treasury Money Market Portfolio, reflecting the portfolios' expenses.

#### **The College Investment Plan earns another "Top" rating from Morningstar**

In October 2011, we were pleased to learn that the Plan was one of six college savings plans in the country to receive a "Top" rating from Morningstar, Inc. In the report identifying the Plan as "among the best", Morningstar recognized T. Rowe Price as "a top-notch steward of investor capital whose fund managers are well-known for their consistent acumen." This was the second year in a row that the College Investment Plan received Morningstar's "Top" rating and affirms our efforts to deliver one of the nation's best college savings plans to Maryland families.



*Bryant (21 months),  
College Savings Plans of Maryland Beneficiary*

## Future Direction

According to the U.S. Department of Labor, 62% of all U.S. jobs now require a minimum of two-year or four-year degrees, or special post-secondary occupation certificates or apprenticeships. That number is expected to increase to 75% by 2020. This indicates that planning for higher education expenses is more important today than ever before.

Our desire is to help all Maryland families who have college dreams for their children to start to save whatever they can afford, starting when their children are as young as possible, so they may avoid incurring burdensome debt to pay for college. Information provided by our account holders indicates that the top three ways they learn about the College Savings Plans of Maryland is from a family member or friend, a financial advisor, or from an Internet search.

Please help us to continue to spread the word about the importance of saving for college and the benefits of participating in the Prepaid College Trust, the College Investment Plan, or both. We have a network of Ambassadors who present the Plans to interested groups anywhere in the State and hope you will consider either inviting an Ambassador to a group or helping us spread the word by individually encouraging others to follow your lead in investing for our children's futures.

## Financial Highlights – Maryland Prepaid College Trust

### Changes to Net Assets

The Prepaid College Trust allows families to lock in payments that are based in part on current tuition at Maryland's public colleges. The Board invests those payments and commits to pay future tuition benefits when eligible students attend college, whether they attend a Maryland public college or nearly any other public or private 2- or 4-year college in the country.

Contributions from new and existing account holders were approximately \$61 million for the fiscal year and approximately \$46 million was paid in tuition benefits for 4,956 beneficiaries. An additional \$10 million was invested according to the Trust's Investment Policy.

For the fiscal year ended June 30, 2011, net assets of the Trust increased by \$120.8 million. This increase was primarily due to the 21.0% return on the Trust's investments for the period, which was significantly above our projected return of 7.65%. In addition, the overall increases in tuition and mandatory fees were less than projected, which also positively impacted net assets.

*The Prepaid College Trust invests your scheduled payments in order to pay future tuition benefits.*

### Condensed Statements of Net Assets As of June 30, (in millions)

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current	\$728.8	\$587.3
Noncurrent	<u>113.2</u>	<u>113.9</u>
Total	842.0	701.2
<b>Liabilities</b>		
Current	80.2	65.6
Noncurrent	<u>635.8</u>	<u>630.4</u>
Total	<u>716.0</u>	<u>696.0</u>
<b>Net Assets</b>	<u>\$126.0</u>	<u>\$ 5.2</u>

## **Maryland Prepaid College Trust – Investment Earnings and Actuarial Status**

### **Net Investment Gains**

During the fiscal year ended June 30, 2011, the Trust continued to invest contract payments received into its diversified investment portfolio. The investment balances as of June 30, 2011 and June 30, 2010 are shown at right.

The Trust's investments produced an overall return of 21.0% for the fiscal year, which is significantly more than the stated rate of return goal in our Investment Policy of 7.65%. The amount of investment return that exceeded our goal was the most important factor that contributed to the increase in the Trust's actuarial surplus.

### **Investments as of June 30, (in thousands)**

	<u>2011</u>	<u>2010</u>
Large Cap Value	\$ 68,707	\$ 52,447
S&P 500 Index	51,252	39,224
Large Cap Growth	69,934	51,259
Small Cap Value	49,788	38,156
Small/Mid Cap Core	27,811	19,436
Small Cap Core	22,297	15,982
Real Estate	28,532	21,790
Intermediate Fixed Income	186,024	175,793
Short Fixed Income	31,483	30,746
International	57,391	43,905
Intl. Emerging Markets	50,828	30,583
Total Investments	<u>\$644,047</u>	<u>\$519,321</u>

***The Trust's Funded Status—the difference between the tuition benefits promised and the assets needed to pay those tuition benefits—is one way to measure the Trust's financial health.***

### **Prepaid College Trust is 117% Funded**

Each year, an actuarial valuation of the Prepaid College Trust is conducted. The purpose of this valuation and resulting Soundness Report is to compare the future value of the Trust's assets to its future liabilities, which are discounted to reflect their present value.

The most significant change from the past year is that the Trust's actuarial surplus in fiscal year 2010 increased significantly in fiscal year 2011. As of June 30, 2011, the Trust was 117% funded, with an actuarial surplus of \$122.3 million, which is a substantial increase from the previous year, when the Trust was 100% funded, with an actuarial surplus of \$2.5 million.

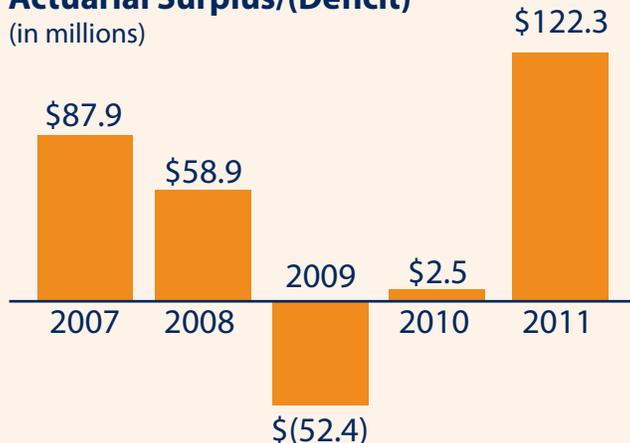
There are two primary reasons for this increase:

- First, the Prepaid College Trust's investments produced an overall return of 21.0% during the fiscal year, as compared with our stated rate of return goal of 7.65%.
- Second, the Weighted Average Tuition (which includes tuition and mandatory fees) at Maryland's public 4-year colleges, increased by 3.6% for the 2011-2012 academic year. This actual increase is less than our projected tuition increase of 7% and a mandatory fee increase of 10% for 2011-2012.

The key measures of soundness for the past five fiscal years are included in the charts below:

### Actuarial Surplus/(Deficit)

(in millions)



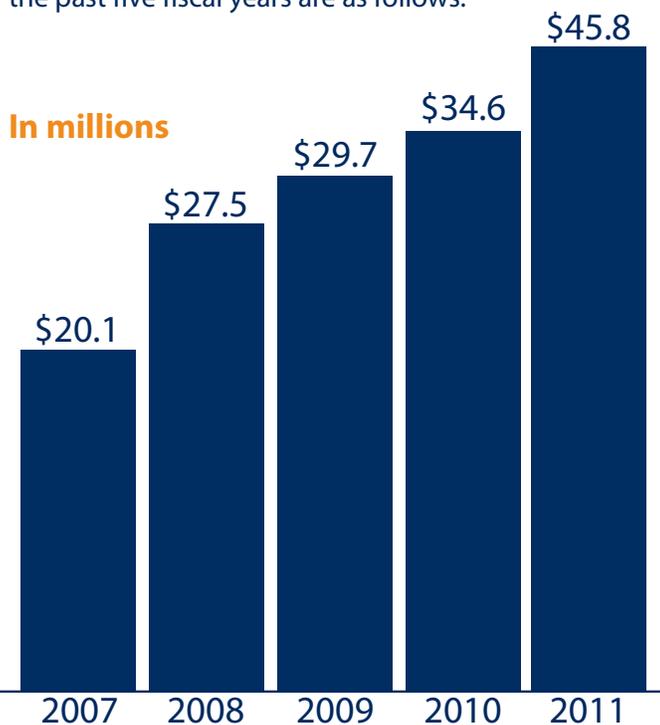
### Funded Ratio



### More Students Continue to Use Tuition Benefits at Colleges Nationwide

There are a total of 8,835 students eligible to use tuition benefits (benefits) for the Fall 2011 semester, as compared to approximately 8,043 students who were eligible for the prior academic year. As of October 20, 2011, approximately 56% of eligible beneficiaries have claimed their benefits this Fall, with approximately 40% of these students attending Maryland public colleges and 60% attending a wide variety of private or out-of-state colleges across the country. The remaining 44% of eligible beneficiaries have yet to claim their Fall 2011 benefits or have decided to defer using their benefits until a future semester.

Total tuition benefits paid during the past five fiscal years are as follows:



Help your family and friends learn about our Plans and saving for college by telling them about our website—[CollegeSavingsMD.org](http://CollegeSavingsMD.org)

Jeffrey (16),  
College Savings Plans of Maryland Beneficiary

# Financial Highlights

## Maryland College Investment Plan

### Changes to Net Assets

The College Investment Plan is managed and distributed by T. Rowe Price and offers families the opportunity to choose from a variety of investment options ranging from conservative to aggressive with no sales commissions or loads. Account holders choose how much they wish to invest, starting with as little as \$25 per month with automatic monthly contributions.

Additions to net assets resulted from 20,434 new accounts, \$401 million in contributions and \$413 million in net investment income. Deductions from net assets included \$216 million in distributions. This resulted in an increase in net assets of \$598 million for the Plan.

### Market Commentary

Market performance has a direct effect on the overall performance of investments in the College Investment Plan. The following is designed to provide a summary of market performance for the 12 months ended June 30, 2011.

**Stocks Healthy Despite Global Uncertainties** - U.S. stocks produced excellent returns in the 12-month period ended June 30, 2011, but gains were trimmed by some weakness in May and June, the last two months of the fiscal year. Equities surged in autumn on a stronger economy and stimulus efforts by the U.S. Federal Reserve. The rally was supported by healthy corporate earnings and merger activity. But as equities climbed to new highs at the end of April, macroeconomic factors began to negatively impact the markets. Turmoil in the Middle East and North Africa, a spike in oil prices, a catastrophic earthquake and tsunami in Japan, and a persistent European debt crisis triggered selling at the end of the reporting period. Softer U.S. economic data in the second quarter also weighed on the markets.

Outside the U.S., stocks in developed markets generated solid returns and performed in line with U.S. stocks over the last year. European markets performed best, helped by stronger European currencies versus the dollar. Developed Asian markets were generally less robust; in Japan, stocks lagged significantly as its economy slumped following the devastating March 11 earthquake and tsunami. Emerging markets also advanced but narrowly lagged developed markets.

**Positive Returns For Bonds Amid Volatility** - The performance of U.S. bonds was mixed over the past year but ultimately produced positive returns. At the beginning of the period, bond prices rose as sluggish U.S. economic growth and concerns over the European sovereign debt crisis prompted investors to seek the safe haven of U.S. Treasury securities. From late August through the end of March, however, many bond prices fell amid signs of stronger economic growth. In the last three months of the period, increasing economic uncertainty prompted investors to retreat to Treasuries and other less risky investments once again.

High yield bonds significantly outperformed investment-grade issues, partly reflecting strength in corporate fundamentals and also because investors favored securities with a yield advantage in a low interest rate environment. In the investment-grade universe, commercial mortgage-backed securities offered attractive yields and produced strong gains. Investment-grade corporate bonds also did well, but Treasury, asset-backed, municipal, and agency mortgage-backed securities lagged the overall bond market with only mild gains.



## Investment Earnings by Portfolio

The investment returns for each Portfolio are listed below. Please read the Comprehensive Annual Report for explanations of performance vs. benchmark for each individual Portfolio.

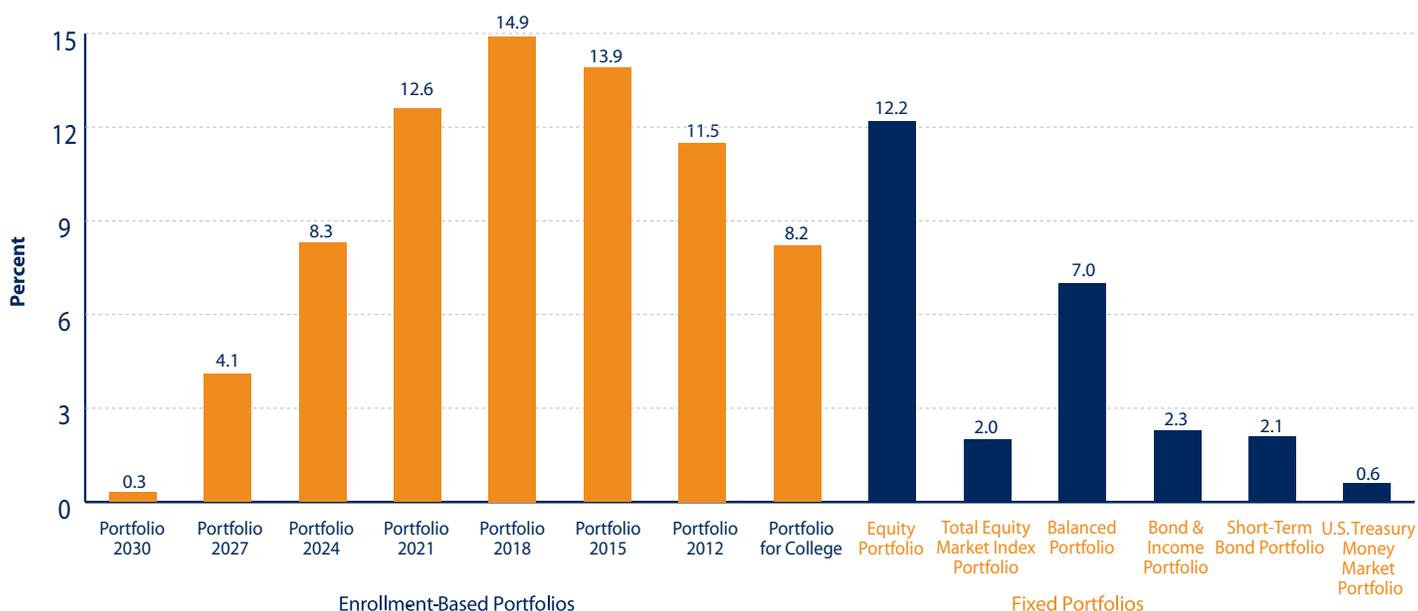
### Performance Comparison as of June 30, 2011

Portfolio	1 Year Return	Weighted Benchmark*	Annualized Since Inception Return	Weighted Benchmark*	Inception Date
Portfolio 2030	32.7	32.4	15.1	15.1	12/31/09
Portfolio 2027	32.5	32.4	3.5	3.2	6/30/06
Portfolio 2024	31.4	30.3	6.1	6.0	10/31/03
Portfolio 2021	28.1	25.8	4.8	5.0	11/26/01
Portfolio 2018	24.5	21.1	5.0	5.1	11/26/01
Portfolio 2015	20.4	16.2	5.2	5.1	11/26/01
Portfolio 2012	13.9	10.0	5.0	4.8	11/26/01
Portfolio for College	7.6	6.5	3.3	3.4	11/26/01
Equity Portfolio	32.5	32.4	4.8	4.9	11/26/01
Balanced Portfolio	24.0	20.6	5.8	5.5	11/26/01
Bond and Income Portfolio	11.1	3.9	6.8	5.4	11/26/01
Short-Term Bond Portfolio	2.3	1.9	3.4	3.6	10/31/03
Total Equity Market Index Portfolio	31.6	32.4	3.1	3.4	6/30/06
U.S. Treasury Money Market Portfolio	0.0	0.1	0.0	0.1	12/31/09

\*The Weighted Benchmark varies by portfolio. Benchmark performance inception date for Portfolio 2030 and the U.S. Treasury Money Market Portfolio is December 31, 2009. Benchmark performance inception date for Portfolio 2027 and the Total Equity Market Index Portfolio is June 30, 2006. Benchmark performance inception date for Portfolio 2024 and the Short-Term Bond Portfolio is October 31, 2003. Benchmark performance inception date for all other portfolios is November 30, 2001.

## Asset Distribution by Portfolio

The relative distribution of assets invested by portfolio as of June 30, 2011, rounded to the nearest tenth of a percent, is shown below. Assets in Enrollment-Based Portfolios comprise approximately 74% of total Plan assets, the same as for fiscal year 2010. Among the Enrollment-Based Portfolios, Portfolio 2030 grew slightly during the fiscal year, from 0.0% to 0.3%. Portfolios 2027 – 2018 had the strongest relative growth, with each growing by at least 1% of total assets as compared with fiscal year 2010. Portfolio 2015 remained the same at 13.9% of total assets and the Portfolio for College declined from 11.5% to 8.2% of total assets. Among the Fixed Portfolios, the Equity Portfolio, Total Equity Market Index Portfolio, and the U.S. Treasury Money Market Portfolio each grew by 0.4% - 0.5% of total assets, while the Balanced Portfolio declined slightly by 0.1%. The Bond & Income Portfolio and the Short-Term Bond Portfolio both declined relative to fiscal year 2010, by 0.3% and 0.7% respectively.





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# Annual Report Summary

## *for Account Holders*

For the Fiscal Year  
Ended June 30, 2011



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*Anya (10 months),  
College Savings Plans of Maryland Beneficiary*