

# ANNUAL REPORT SUMMARY

## **Two Great 529 Plans – Choose One or Both**

We are pleased that during fiscal year 2010, tens of thousands of Maryland families were saving for future higher education expenses, despite a significant level of uncertainty and volatility in investment markets, combined with the lingering effects of the recession. Our account holders are to be commended for remaining focused on their families' educational goals, since the time frame for accumulating college savings is typically shorter than the time frame for saving for retirement. We are pleased that investments in both Plans totaled more than \$2.3 billion as of June 30, 2010.

For the **Maryland Prepaid College Trust**, 1,943 new accounts were opened, which is 4% higher than in the previous year and brings the total number of beneficiaries in this plan to nearly 28,000. Families in this Plan continue to value the peace of mind of locking into a price for a future tuition benefit that can be used at colleges in Maryland or across the country. The assurance of a Legislative Guarantee is an important feature of this Plan, particularly given the performance of investment markets over the past few years.

For the **Maryland College Investment Plan**, 12,059 new beneficiaries were enrolled during the fiscal year. Total contributions to all accounts in this Plan were approximately \$348 million, which was approximately \$28 million more than for the previous fiscal year. In addition, more favorable investment markets helped to increase the average account size in this Plan to \$12,637 as of June 30, 2010, which is 17% higher than as of 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. That Report 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*

## **2010 Snapshot**

6/30/10

### **Prepaid College Trust**

Contributions  
\$53 million

Investments  
\$519 million

Beneficiaries  
27,931

Funded Status  
100%

### **College Investment Plan**

Contributions  
\$348 million

Investments  
\$1.85 billion

Beneficiaries  
122,178

Average  
Account Size  
\$12,637

Martin O'Malley  
Governor

Anthony Brown  
Lt. Governor

## **College Savings Plans of Maryland Board**

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Annual Report  
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# MORE CHILDREN NOW HAVE COLLEGE SAVINGS PLANS OF MARYLAND ACCOUNTS

## ***More than 150,000 beneficiaries and \$2.3 billion invested in both Plans***

One of the most rewarding results of the past year is observing continuing growth in the number of beneficiaries that are enrolled in the College Savings Plans of Maryland. As of June 30, 2010, there were more than 150,000 beneficiaries across both Plans, which is a net increase of more than 10,600 over the fiscal year. With reports of nationwide student loan debt surpassing credit card and other revolving debt for the first time in June 2010, there is probably no more important time for families to save for college.

In addition, investments in both Plans have increased by more than \$400 million over the past fiscal year and totaled more than \$2.3 billion as of June 30, 2010.

## ***Highlights by Plan include:***

### **Maryland Prepaid College Trust is 100% funded**

As of June 30, 2010, the Trust had an actuarial surplus of \$2.5 million. This was due primarily to higher than projected investment earnings and lower than projected tuition increases at Maryland public colleges.

### **Maryland College Investment Plan opens two additional investment options**

Two additional investment options were made available to Plan investors as of January 4, 2010. Portfolio 2030 was added as another Enrollment-Based Portfolio and is designed for today's youngest beneficiaries who are expected to enter college around 2030. This Portfolio opened with a 100% allocation to T. Rowe Price equity funds. At the other end of the risk spectrum is the U.S. Treasury Money Market Portfolio, which is an additional Fixed Portfolio and contains a 100% allocation to the T. Rowe Price U.S. Treasury Money Fund. Through June 30, 2010, combined investments in these new portfolios were 0.25% of total Plan investments; however, both options are expected to grow over time.

### **Maryland College Investment Plan earns a "Top" rating by Morningstar**

On October 25, 2010, we were very pleased to learn that the Maryland College Investment Plan was named by Morningstar as one of five 529 plans that earned a "Top" rating by Morningstar\* and thus made its "Best 529 College Savings Plans" list for 2010. Morningstar cited T. Rowe Price's "experienced managers" and "strong set of funds". It also recognized the Plan as one of only a few in the country that emphasizes actively managed funds, rather than index funds, and is competitively priced.

\*Morningstar, Inc., October 2010.

T. Rowe Price Investment Services, Inc., Distributor/Underwriter  
College Savings Plans of Maryland, Administrator and Issuer



## FUTURE DIRECTION

Our goal is to help all Maryland families who have college dreams for their children to save what they can afford starting while their children are as young as possible. Research is beginning to show that students with a college savings account are more likely to attend college than similar students without any college savings, demonstrating that the value of having a college savings account is beyond purely financial. The same research indicates that students with some college savings are also more likely to complete a 4-year degree program in six years than students without any college savings. (Source: Center for Social Development, January 2010)

In addition to using the College Savings Plans of Maryland to save for infants and children, accounts can be opened in the College Investment Plan for the benefit of adults of any age. We believe that this represents a much more significant opportunity in the future as adults seek to advance in their current careers through graduate education, changing careers, or simply pursuing lifelong educational goals. The same advantages of saving for children in the College Investment Plan are available to adults as well.

As current account holders, this may be a good time to review your contributions to the College Investment Plan or payments to the Prepaid College Trust. If you have added bank information to your account, you may want to consider making a one-time contribution or payment online. The use of this feature has significantly increased over the past year.

## 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 \$53 million for the fiscal year. An additional \$10 million was invested according to the Trust's Investment Policy and approximately \$34.6 million was paid in tuition benefits for 4,791 beneficiaries.

For the fiscal year ended June 30, 2010, net assets of the Trust increased by \$55 million. This increase was primarily due to the 14.0% 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>2010</u>	<u>2009</u>
<b><i>Assets</i></b>		
Current	\$ 587.3	\$ 507.0
Noncurrent	<u>113.9</u>	<u>113.7</u>
Total	701.2	620.7
<b><i>Liabilities</i></b>		
Current	65.6	56.2
Noncurrent	<u>630.4</u>	<u>614.0</u>
Total	696.0	670.2
<b><i>Net Assets</i></b>	<u>\$ 5.2</u>	<u>\$ (49.5)</u>

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

### ***Net Investment Gains***

During the fiscal year that ended June 30, 2010, the Trust continued to invest contract payments received into its diversified investment portfolio. The investment balances as of June 30, 2010 and June 30, 2009 are shown at right.

The Trust's investments produced an overall return of 14.0% 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 Trust's actuarial surplus.

It is important to remember that investment returns in the Prepaid College Trust do not determine the amount of your tuition benefits. Your tuition benefits are specified in your Contract.

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

	<b><u>2010</u></b>	<b><u>2009</u></b>
Large Cap Value	\$ 52,447	\$ 45,473
S&P 500 Index	39,224	34,271
Large Cap Growth	51,259	44,585
Small Cap Value	38,156	32,396
Small/Mid Cap Core	19,436	16,109
Small Cap Core	15,982	12,761
Real Estate	21,790	17,953
Intermediate Fixed Income	175,793	153,166
Short Fixed Income	30,746	28,787
International	43,905	42,522
Intl. Emerging Markets	30,583	16,972
Total Investments	<b><u>\$519,321</u></b>	<b><u>\$444,995</u></b>

***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 100% 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 deficit in fiscal year 2009 was eliminated. As of June 30, 2010, the Trust was 100% funded, with an actuarial surplus of \$2.5 million, which is an increase from the previous year, when the Trust was 92% funded, with an actuarial deficit of \$52.4 million.

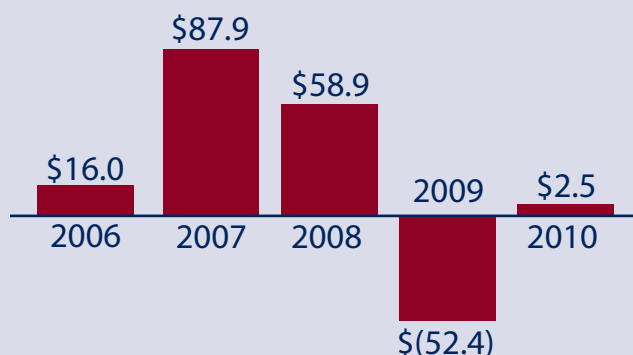
There are two primary reasons for this increase:

- First, the Prepaid College Trust's investments produced an overall return of 14.0% 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 3.0% for the 2010-2011 academic year, which is significantly less than our estimate used for the prior year's actuarial valuation of 7.72%.

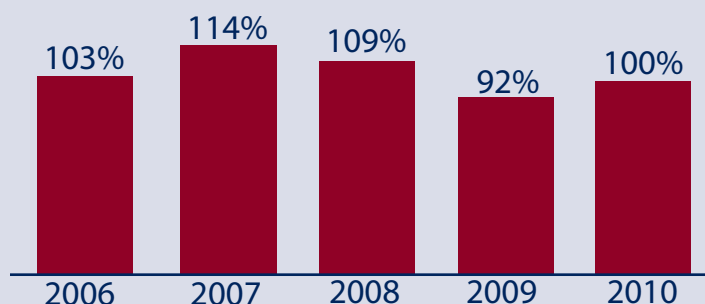
The key measures of soundness for the past five fiscal years are included in the charts below:

### Actuarial Surplus/(Deficit)

(in millions)



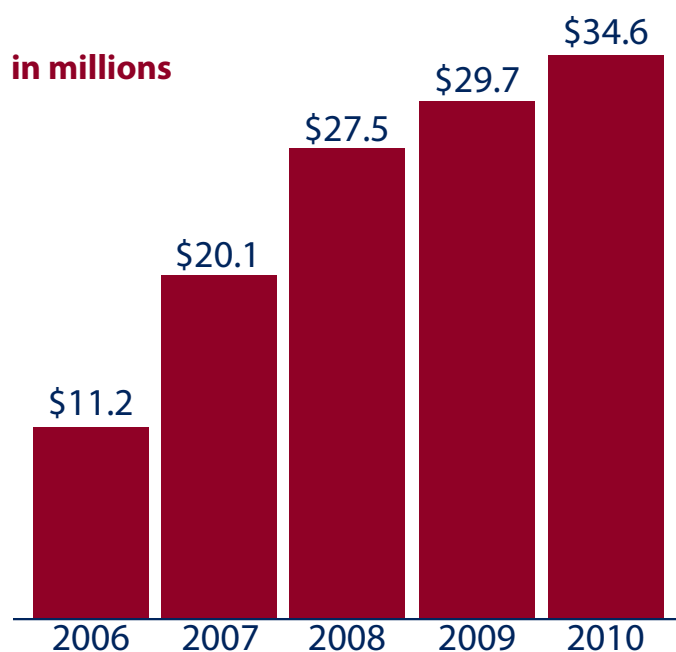
### Funded Ratio



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

There are a total of 8,043 students eligible to use benefits for the fall 2010 semester; 4,764 students – 59% of total eligible students – had claimed their fall benefits as of October 20, 2010. Approximately 33% of the students who have claimed their fall 2010 benefits are attending Maryland public colleges, while 67% are attending a wide variety of private or out-of-state colleges across the country.

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



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about our Plans and saving for college  
by telling them about our Web site—  
[collegesavingsmd.org](http://collegesavingsmd.org)*



# FINANCIAL HIGHLIGHTS – MARYLAND COLLEGE INVESTMENT PLAN

## ***Changes to Net Assets***

The College Investment Plan is managed and distributed by T. Rowe Price, and was recently named one of the top 529 plans in the country by Morningstar, Inc. This Plan 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 nearly 17,000 new accounts, \$348 million in contributions and \$191 million in net investment income. Deductions to net assets included \$168 million in distributions. This resulted in an increase in net assets of \$371 million for the Plan.

## ***Market Commentary***

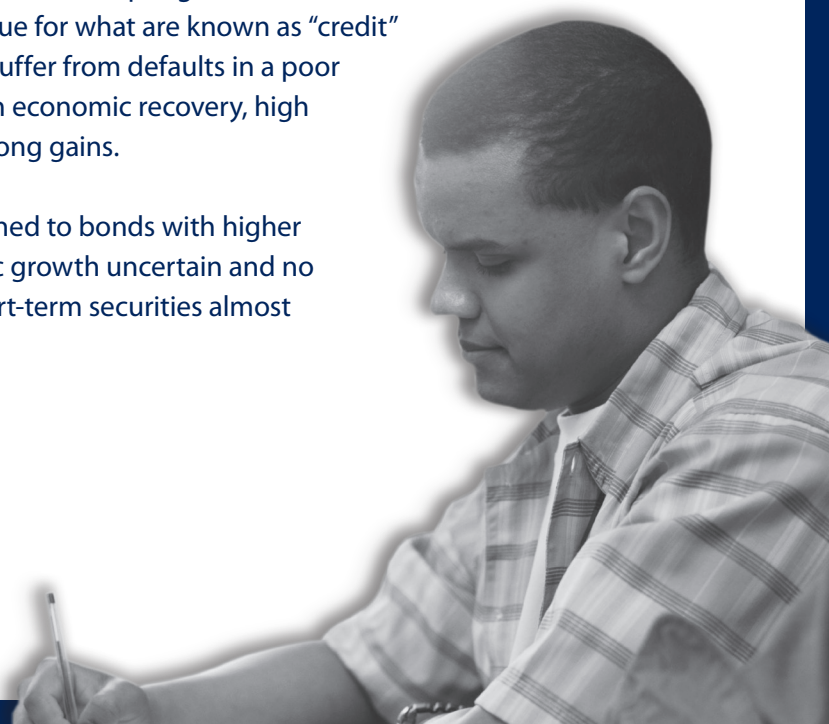
Market performance has a direct effect on the overall performance of investments in the College Investment Plan. The following is designed to provide a summary of market performance for the 12 months ended June 30, 2010.

**A Strong Year for Stocks, Despite a Late Stumble** - Over the past fiscal year, the stock market continued to experience significant volatility in the wake of the 2008–2009 financial crisis. For the first three quarters of the fiscal year ended June 30, 2010, market gains partly reflected improvements in the financial system and economy and partly reflected a rebound from excessively low valuations.

These gains were followed by a sharp correction—traditionally defined as a drop of at least 10%—in May and June that was initially triggered by the emergence of a severe Greek debt crisis. However, losses accelerated as more troubling news emerged, including weak U.S. economic data, continued poor employment figures, and the massive Gulf of Mexico oil spill. U.S. financials sector reform efforts, on top of recently passed health care reforms, also increased investor uncertainty. Despite this stumble, most broad segments of the U.S. stock market posted double digit gains for the 12-month period.

**A Beneficial Environment For Bonds** - Bonds gained ground throughout the period and posted strong results for the fiscal year ended June 30, 2010. Many segments of the bond market, except short-term Treasuries, were severely affected by the financial crisis of late 2008 through early 2009. Since the spring of 2009, bonds have been retracing many of these losses. This is particularly true for what are known as “credit” sectors – that is, corporate and other types of bonds that can suffer from defaults in a poor economy. Early in the period, when investors were confident in economic recovery, high quality bonds and high-yield bonds especially, posted very strong gains.

When conditions worsened in the spring of 2010, investors turned to bonds with higher credit quality, particularly long-term Treasuries. With economic growth uncertain and no sign of inflation, the Federal Reserve kept interest rates on short-term securities almost at 0% (ranging between 0% and 0.25%).



## 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, 2010

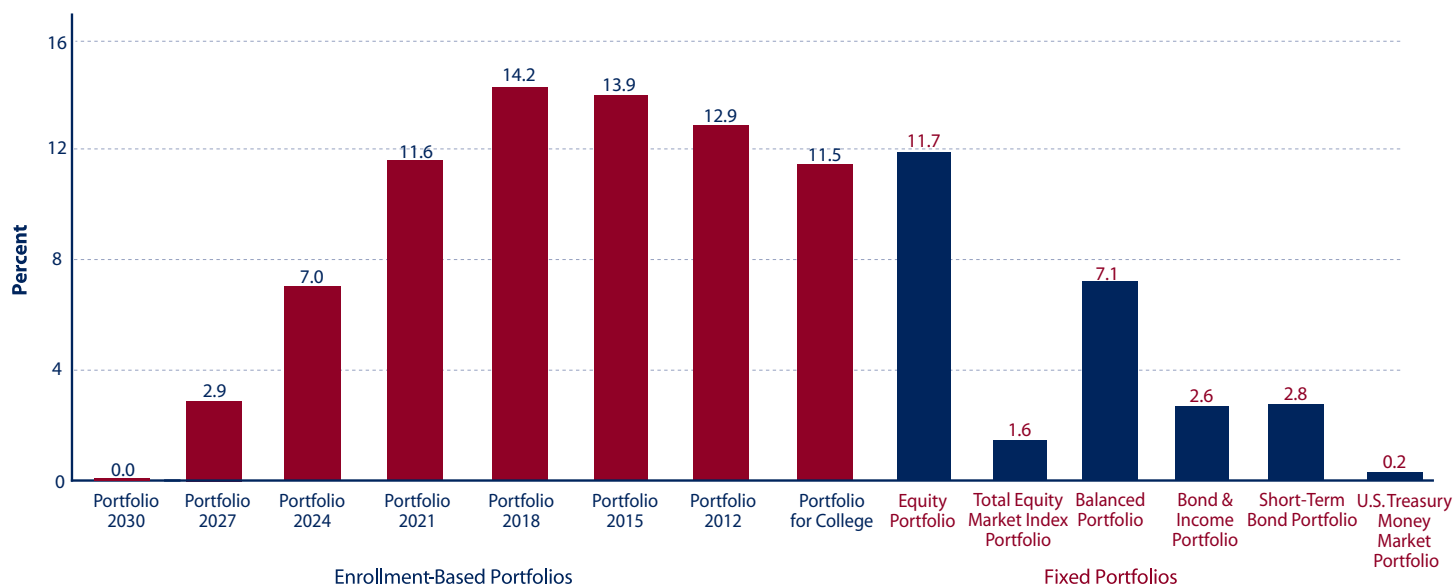
Portfolio	1 year Return	Weighted Benchmark*	Annualized Since Inception Return	Weighted Benchmark*	Inception Date
Portfolio 2030	N/A	N/A	(7.0)%**	(6.8)%**	12/31/09
Portfolio 2027	15.1	15.2	(2.7)	(3.1)	6/30/06
Portfolio 2024	15.5	15.7	2.8	2.7	10/31/03
Portfolio 2021	15.5	15.0	2.4	2.8	11/26/01
Portfolio 2018	15.2	14.2	2.9	3.4	11/26/01
Portfolio 2015	15.1	13.5	3.5	3.9	11/26/01
Portfolio 2012	13.1	10.6	4.0	4.2	11/26/01
Portfolio for College	6.9	4.6	2.9	3.0	11/26/01
Equity Portfolio	15.2	15.2	1.9	2.1	11/26/01
Balanced Portfolio	14.7	13.3	3.9	3.9	11/26/01
Bond and Income Portfolio	13.4	9.5	6.3	5.6	11/26/01
Short-Term Bond Portfolio	5.2	3.8	3.5	3.8	10/31/03
Total Equity Market Index Portfolio	15.6	16.0	(3.0)	(2.8)	6/30/06
U.S. Treasury Money Market Portfolio	N/A	N/A	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.

\*\*Portfolio 2030 and the U.S. Treasury Money Market Portfolio inceptioned on December 31, 2009. The data reflected in the chart is for the six-month period ending June 30, 2010, and therefore is not annualized.

## Asset Distribution by Portfolio

The relative distribution of assets invested by portfolio as of June 30, 2010, rounded to the nearest tenth of a percent, is shown below. Assets in Enrollment-Based Portfolios as of June 30, 2010 comprise approximately 74% of total Plan assets, the same as for fiscal year 2009. The distribution of assets among most portfolios remained very similar to fiscal year 2009, with a few broad trends. Portfolios 2027-2015 grew by 1.0% or less as compared with fiscal year 2009. The Portfolio for College, however, had the largest relative decline of any portfolio, from 14.9% to 11.5% during the fiscal year. Among the Fixed Portfolios, assets declined in the Equity Portfolio from 12.1% to 11.7% of total assets, while the Total Equity Market Index Portfolio grew from 1.3% to 1.6% of total assets. The introduction of Portfolio 2030 and the U. S. Treasury Money Market Portfolio on January 4, 2010 had a minimal impact on the distribution of total Plan assets as of June 30, 2010.



# ANNUAL REPORT SUMMARY

## *for Account Holders*

For the Fiscal Year Ended June 30, 2010

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