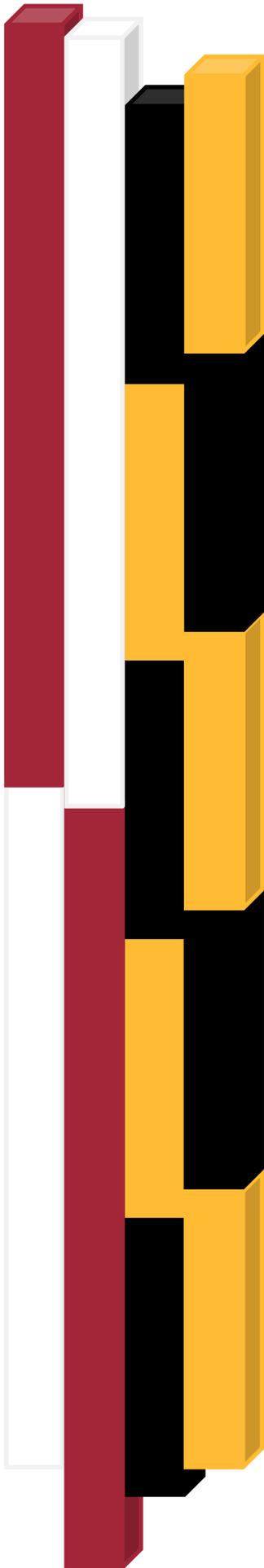


Maryland Teachers & State Employees  
Supplemental Retirement Plans

**Comprehensive Annual  
Financial Report**



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# TABLE OF CONTENTS

## **INTRODUCTORY SECTION.....1**

Letter from the Chairperson.....	2
Letter of Transmittal.....	3
About the Plans.....	7
About the Board.....	8
Board of Trustees.....	9
Professional Services.....	10
Chart of Organization.....	11

## **FINANCIAL SECTION.....12**

Report of Independent Public Accountants.....	13
Management’s Discussion and Analysis.....	15
<b>BASIC FINANCIAL STATEMENTS.....</b>	<b>20</b>
Statement of Net Plan Assets – ALL PLANS.....	22
Statement of Combining Net Assets Available for Plan Benefits.....	23
Notes to the Financial Statements.....	28
Additional Information .....	43

## **INVESTMENT SECTION.....45**

Investment Advisor’s Report.....	46
Investment Policy Objectives.....	51
Investment Option Analysis.....	52
Investment Fees/ Expenses Exhibit A.....	56
Investment Contract Pool Disclosure Report and Overview Document.....	59
Investment Performance Report.....	61

## **STATISTICAL SECTION.....65**

10 YR History Income & Expenses.....	66
10 Year Change in Net Assets.....	67
2011 Plan Statistics.....	68
Stable Value Manager Diversification.....	71
All Plans Distributions VS. Contributions, Ten Year History.....	72
<b><u>OTHER STATISTICAL INFORMATION SECTION.....</u></b>	<b><u>73</u></b>

Contribution Limits 2012.....	74
Glossary of Plan Terms .....	75
Participant Plan Definitions.....	78
Maryland Supplemental Retirement Plan Comparison Chart 2010.....	79



**STATE OF MARYLAND  
MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Comprehensive Annual Financial Report**  
For the Calendar Year Ended  
December 31, 2011

401(k), 457, 403(b) and 401(a) Plans

**Martin O'Malley**, Governor  
**Anthony Brown**, Lt. Governor  
**T. Eloise Foster**, Chairperson, Board of Trustees  
**Michael Halpin**, Executive Director  
**Debra Roberts**, Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland Teachers &  
State Employees  
Supplemental Retirement Plans

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# Maryland Supplemental Retirement Plans

Introductory Section



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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Marcia Zercoe

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Executive Director*

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*Call About the Plans  
or to Enroll  
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or Enroll on-line at  
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## A letter from Chairperson T. Eloise Foster

On behalf of the Maryland Supplemental Retirement Plans Board of Trustees, I am pleased to present our Comprehensive Annual Financial Report for the year ended December 31, 2011. This is our third year preparing the report in an expanded format. We believe the additional content provides our participants and other interested parties with sufficient information to demonstrate that the Plans are clearly worthy of their confidence. At year's end, Plan asset values totaled over \$2.5 billion and more than 58,000 State employees were actively participating. We believe the opportunity offered by the Plans, including diversified and effective investments, is an invitation to long-term success for our participants.

We believe the long term benefit of the Board's educational campaign is evident. Despite the challenges brought on by the nation's struggling economy, over 46% of State employees continue to contribute to the Plans. In fact, we have seen only a relatively small reduction in contributing employees since the beginning of the global financial crisis. Ongoing contributions and investment returns were sufficient to support a ten percent increase in withdrawals, with only a 1.6% decrease in total assets at year end.

Beginning in 2011, the Board now offers employees the opportunity to plan for their future with Roth contributions to the 457(b) Plan and the 401(k) Plan. As a result of a successful communications campaign, Roth account totals have grown to \$1.1 million in only eight months. In addition, the Board installed the Vanguard Total Bond Market Index Fund, a new bond fund investment option offering participants an additional opportunity to diversify investment risk at the low cost of a passively managed fund.

The second annual MSRP SAVING\$ EXPO was held in Annapolis and Baltimore in October 2011 in conjunction with *National Save for Retirement Week*. The events were very well attended by State employees and government officials. As result of our efforts, the National Association of Government Defined Contribution Administrators presented MSRP with a national "Award of Distinction" for the EXPO. In spring 2012, the Board will offer a regional version of the SAVING\$ EXPO in Hagerstown and Easton to extend the event's reach to participants outside the Annapolis/Baltimore area.

On December 7, 2011, MSRP received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for the December 31, 2010 comprehensive annual financial report. We will pursue this award each year as we continue to encourage all State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster  
Chairperson



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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• • •

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or Enroll on-line at  
[www.MarylandDC.com](http://www.MarylandDC.com)*

# Letter of Transmittal

May 22, 2012

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2011 Comprehensive Annual Financial Report of the Maryland Teachers and State Employees Supplemental Retirement Plans (the "Plans"). The Plans consist of four separate defined contribution plans: 401(k), 457, 403(b) and 401(a). Together, the Plans constitute fiduciary funds of the State of Maryland, administered by the Maryland Teachers and State Employees Supplemental Retirement Plans Board of Trustees (the "Board").

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

SB & Company, LLC, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the Plans financial statements for the calendar year ended December 31, 2011. The independent accountants' report is located at the front of the financial section of this report.

For financial reporting purposes, the Plans use Governmental Accounting Standards Board (GASB) Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local governments*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition to this letter of transmittal, additional narrative, overview and analysis can be found in the Management Discussion and Analysis beginning on page 16.

The Plans are authorized and established by legislation as indicated in the notes to the basic financial statements. Summaries of plan provisions are presented as well. The purpose of the Plans is to provide benefits for all state of Maryland employees who have elected to participate. Services provided by the staff are performed to meet that objective. The Plans participation rate as of the end of 2011 is 76% of eligible employees, with over 46% of eligible employees actively making contributions. New enrollments for the year exceeded 2,300 participants, a modest increase over the prior year. There was also a 32% increase in participants receiving distributions, with 3,249 taking payouts as of December 2011.

## **Economic Outlook and Condition**

During the plan year ended December 31, 2011, the value of plan assets decreased slightly from \$2.56 billion to \$2.51 billion. This is a decrease of 1.63% from January 1 to December 31, 2011. A comparative analysis of rates of return of MSRP investments and their benchmarks is presented in the investment section of this report, along with

schedules of asset fees and other information relevant to evaluation of asset quality. The Plans rely on Deutsche Asset Management for management of the Investment Contract Pool; general investment advice, and assistance in selection and ongoing evaluations of investment options is provided by Segal Advisors.

### **Revenues and Expenses – Board & Staff**

The reserves necessary to oversee and manage the plans are funded by fees charged to our participants. Currently, the Board's share of the participant fee structure is comprised of a 0.05% asset fee and a monthly \$0.50 per account fee (excludes the 401(a) Match Plan and accounts less than \$500.00). The board reserve balance at the end of December 31, 2011 was \$241,569. The expenses to operate the plans include costs associated with investment consulting, audits, staff and educational activities.

### **Major Issues and Initiatives**

The Board initiated a number of changes during the calendar year 2011. In order to provide participants with an additional alternative to plan for their financial future, the Board implemented accepting Roth (after-tax) contributions to the 401(k) Plan and the 457(b) Plan beginning April 2011. MSRP staff and NRS representatives teamed up to encourage eligible employees to consider increased savings including MSRP, and to evaluate for themselves both pre-tax and after-tax contribution options.

In addition, last April the Board installed a new bond fund investment option—the Vanguard Total Bond Market Index Fund. This new option presents an alternative bond investment, as well as an complement to MSRP's diverse menu of passively-managed index funds.

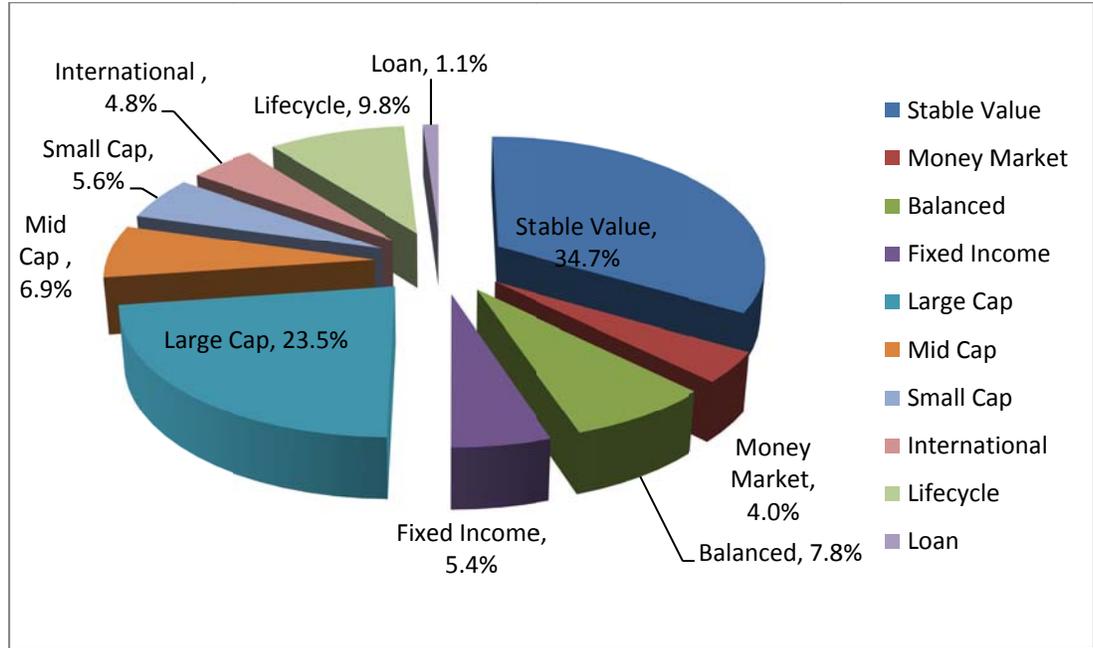
Finally, the Board selected Segal Advisors as investment advisor and pension consultant for a five year term beginning November 1, 2011.

### **Investments**

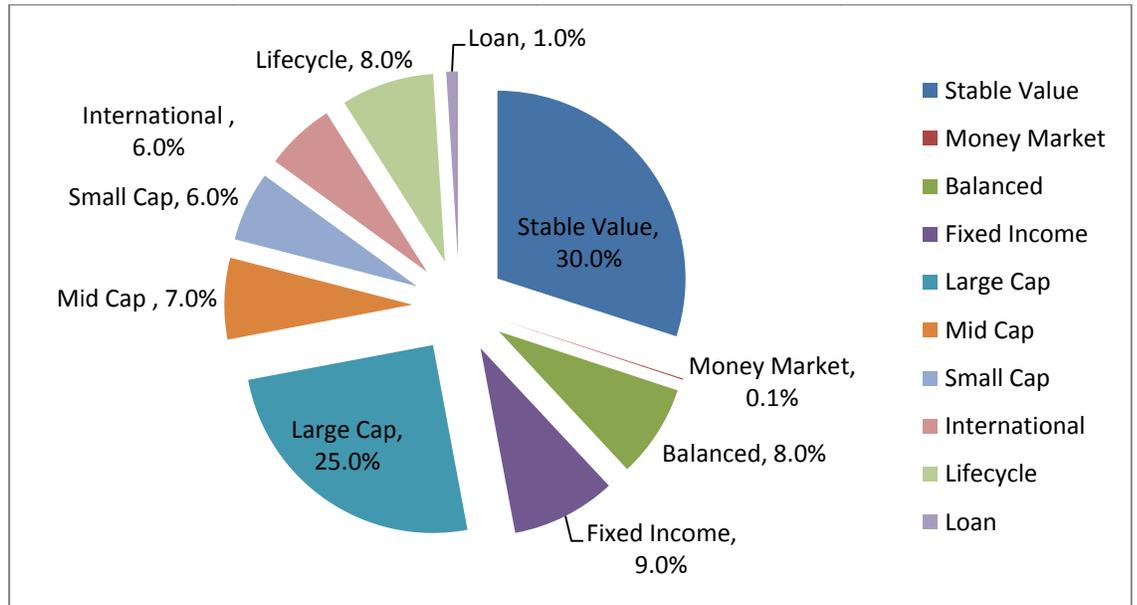
The value of Plan assets decreased to \$2.52 billion by the end of the year, or down 1.6% from prior year. The greatest contributing factor in the change in Plan invested assets was negative returns on variable investments for the calendar year. Mutual fund investments presented a loss of \$41.3 million, softened by about \$24.0 million in interest income from fixed investments and another \$1.4 million in mutual fund reimbursements. Along with a 10% increase in distributions, net investment losses reduced the value of Plan assets from the 2010 level of \$2.56 billion.

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for eligible participants. The investment policy is included in the Investment Section. The following charts show the asset allocation for the Plans as of December 31, 2011 and 2010. See the investment section of the CAFR for a more detailed analysis and information.

2011



2010



### **Professional Services**

The Board arranges contracts for the services of various independent consulting, investments advisory and financial professionals to assist in carrying out its responsibility to manage the Plans. Plan administration services are performed by Nationwide Retirement Solutions. Annual audits of the plans are conducted by the independent firm of SB & Company, LLC. The 403(b) plan custodian of mutual fund records is the Bank of America. Investment Advisory services for the stable value fund are performed by DB Advisors, a subsidiary of Deutsche Asset Management. Segal Advisors is the investment advisor and general pension consultant for all four plans. The independent public accountant's report on the basic financial statements is included in the Financial Section of this report. The investment analysis portion of the report, prepared by Segal Advisors is included in the investment section beginning on page 45.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland Supplemental Retirement Plans Board of Trustees for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the first year that it has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

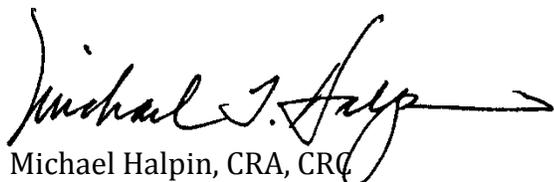
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate..

The Board sponsored its second annual MSRP SAVING\$ EXPO during the 2010 National Save for Retirement Week and was well attended. As result, The National Association of Government Defined Contribution Administrators (NAGDCA) presented MSRP with a national "Award of Distinction" for the EXPO. We were pleased with the participation of the event and hope more employees take advantage of these opportunities.

### **Acknowledgements**

Preparation of this report would not have been possible without the dedicated and efficient service of the entire staff. We express our appreciation to all staff who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Trustees for their unflinching support and higher standards of professionalism in the management of the Plans.

Sincerely,



Michael Halpin, CRA, CRC  
Executive Director



Debra L. Roberts, CPA, CRC  
Chief Financial Officer

# ***ABOUT THE PLANS***

The Maryland Deferred Compensation Program was established for Maryland state employees in 1974 by Executive Order 01.01.1974.19 and under Chapter 433 of the Acts of 1974. Subsequently, the U.S. Congress established the 457 Deferred Compensation Plan for public employees as part of the Internal Revenue Code in 1978. In 1975, enrollment began and a seven-member Board of Trustees administered the plan.

Chapter 741 of the Acts of 1985 brought the 457 Deferred Compensation Plan under the direction of a nine-member Board of Trustees. The statute also gave the Board responsibility and authority for administration of a 403(b) Tax-Deferred Annuity Plan and a 401(k) Savings and Investment Plan. The Maryland 403(b) plan became operational in 1987, and the Maryland 401(k) plan began accepting contributions in 1990, after receipt of a favorable determination letter from the Internal Revenue Service of the U.S. Department of Treasury. These three Plans came to be known as the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP).

Two significant developments occurred during the mid to late 1990s. In 1996 Congress enacted a number of reforms for 457 plans, including the requirement that funds in such plans be held in trust for the exclusive benefit of participating employees. Subsequent legislation (most importantly the Economic Growth and Tax Relief Reconciliation Act, the 2001 comprehensive tax act) gave governmental 457 plans the same rules and benefits that are available in 401(k) plans that are prevalent in the private sector. Then in 1998 the Maryland General Assembly authorized the match program, which makes a dollar for dollar matching contribution for eligible State employees that voluntarily contribute to one of the State sponsored supplemental retirement plans. State matching contributions are provided in the State budget, and capped at \$600 per employee, per year. The State contributions for MSRP participants are paid into a separate qualified plan, the 401(a) plan. The State matching contributions were suspended as part of fiscal year 2010 budget legislation; suspensions have also occurred during the previous time of budget stress (FYE 6/30/2004 and 6/30/2005). In FYE 6/30/2009 the State contribution to the match plan was \$20,224,053. Most State employees (except those in certain specialized retirement systems) are eligible for the match in the year it is effective.

The Members of the Board of Trustees are made fiduciaries by statute and are required to operate the Plans for the exclusive benefit of participating employees. The Board hires the necessary staff, administrators, consultants and accountants that are required for efficient and professional operation of the four Plans and their \$2.56 billion in assets. The Board also submits an annual report about the Plans to the governor and General Assembly.

All funds for Plan administration are paid by charges against participant accounts, including a direct charge that pays the expenses of Board staff. These charges are reflected on participant statements, and since 1987 the Plan administrator, Nationwide Retirement Solutions, is prohibited by its contract from accepting any additional, indirect compensation or commissions from investment providers.

## ***ABOUT THE BOARD***

The Maryland Supplemental Retirement Plans are administered by a nine-member Board of Trustees whose members are appointed by the Governor of Maryland to staggered four-year terms. The Governor selects three members from any of the following departments, agencies or boards: the Department of Budget and Management, the Department of Education, the Comptroller of the Treasury, the State Treasurer's Office, the Maryland State Retirement and Pension Systems or the Maryland Higher Education Commission. Three other members are eligible to participate in one or more of the plans, and at least one is eligible for the 403(b) plan. Three additional members represent the general public and are not eligible to participate in the plans. At least one of these members has experience with defined contribution and salary reduction plans.

# *MSRP Board of Trustees*



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Secretary, Department of  
Budget and Management  
State Agency Member



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**Linda L. Tanton, Esq.**  
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State Agency Member



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Public Member



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**Sabrina I. Bass**  
Eligible 403(b) Member



**Christina W. Wyskiel**  
Public Member



**MSRP**

*Maryland  
Teachers & State Employees  
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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## PROFESSIONAL SERVICES

### Plan Administration

Nationwide Retirement Solutions, Inc.

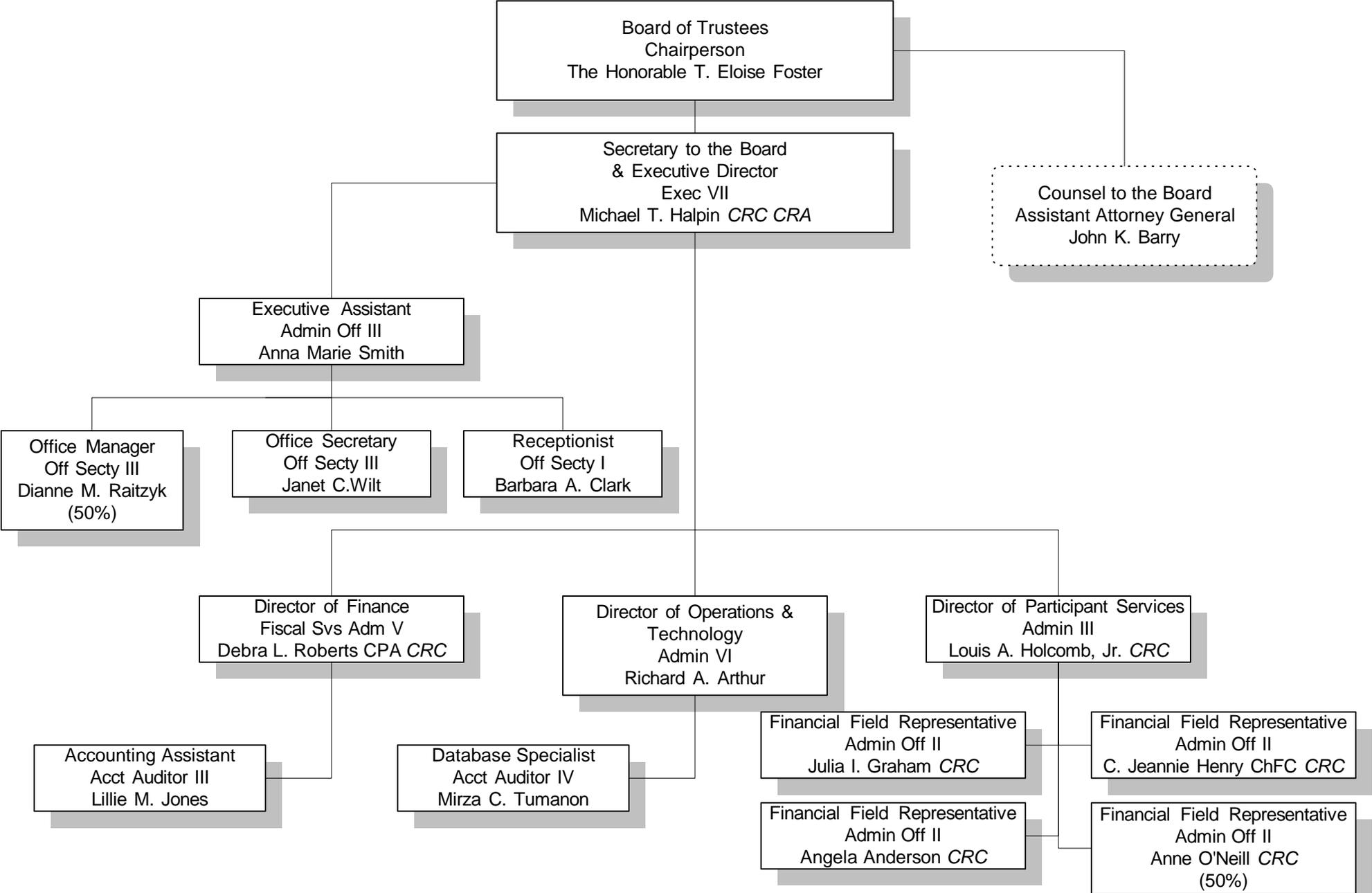
### Independent Investment Consultants

Segal Advisors, Inc.

### Independent Auditors

SB & Company, LLC

# Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:  
April 28, 2011

# Maryland Supplemental Retirement Plans

Financial Section



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

## **Report of Independent Public Accountants**

To the Board of Trustees  
Maryland Teachers and State Employees  
Supplemental Retirement Plans  
Baltimore, Maryland

We have audited the accompanying basic and combining financial statements of the State of Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP), which is a pension trust fund of the State of Maryland, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These basic and combining financial statements are the responsibility of MSRP's management. Our responsibility is to express an opinion on these basic and combining financial statements based on our audits.

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

In our opinion, the basic and combining financial statements referred to above present fairly, in all material respects, the net assets of MSRP as of December 31, 2011 and 2010, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise MSRP's basic financial statements. The accompanying schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, investment section, statistical section, and other supplementary information section, as listed in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The introductory section, investment section, statistical section, and other supplementary information section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Hunt Valley, Maryland  
May 21, 2012

*SB & Company, LLC*

# **MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS**

## **Management Discussion and Analysis**

The State of Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) have prepared this narrative as an explanatory supplement to the audited financial statements of the plans for the years ended December 31, 2011 and 2010. The financial statements appear at page 23 of this report. This narrative should be read in conjunction with the financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements for the MSRP plans are prepared in accordance with generally accepted accounting principles as interpreted and applied for governmental defined contributions pension plans by the Governmental Accounting Standards Board (“GASB”). The statements consist of the comparative Statements of Net Assets Available for Plan Benefits and Statements of Changes in Net Assets Available for Plan Benefits, together with related note disclosures where necessary or appropriate to explain a particular item or its context. Each plan – 401(k), 403(b), 457 and 401(a) has a separate, stand alone financial statement; a combined statement that consolidates the assets and transactions of all plans appears on page 26.

The Statements of Changes in Net Assets Available for Plan Benefits are intended to show the major categories of additions to the Plans from participant contributions and investment earnings, and show the deductions from the Plans for administrative expense and distributions to participants.

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

## **FINANCIAL HIGHLIGHTS - CONSOLIDATED**

- Net assets available for plan benefits decreased by \$41.7 million during the year ended December 31, 2011, from \$2.56 billion as of December 31, 2010 to \$2.52 billion as of December 31, 2011. Net assets available for plan benefits increased by \$240.2 million during the year ended December 31, 2010, from \$2.32 billion as of December 31, 2009 to \$2.56 billion as of December 31, 2010. Net assets available for plan benefits increased by \$389.5 million during the year ended December 31, 2009 from \$1.93 billion as of December 31, 2008 to \$2.32 billion as of December 31, 2009. The decrease during the calendar year 2011 was associated with the weak performance of plan investment during the final quarter.
- The Plans had a net investment loss of \$16.0 million as of December 31, 2011, a net investment gain of gain of \$248.3 million as of December 31, 2010, a net investment gain of \$365.3 million for the year ended December 31, 2009, and a \$598.3 million investment loss as of December 31, 2008.

## MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

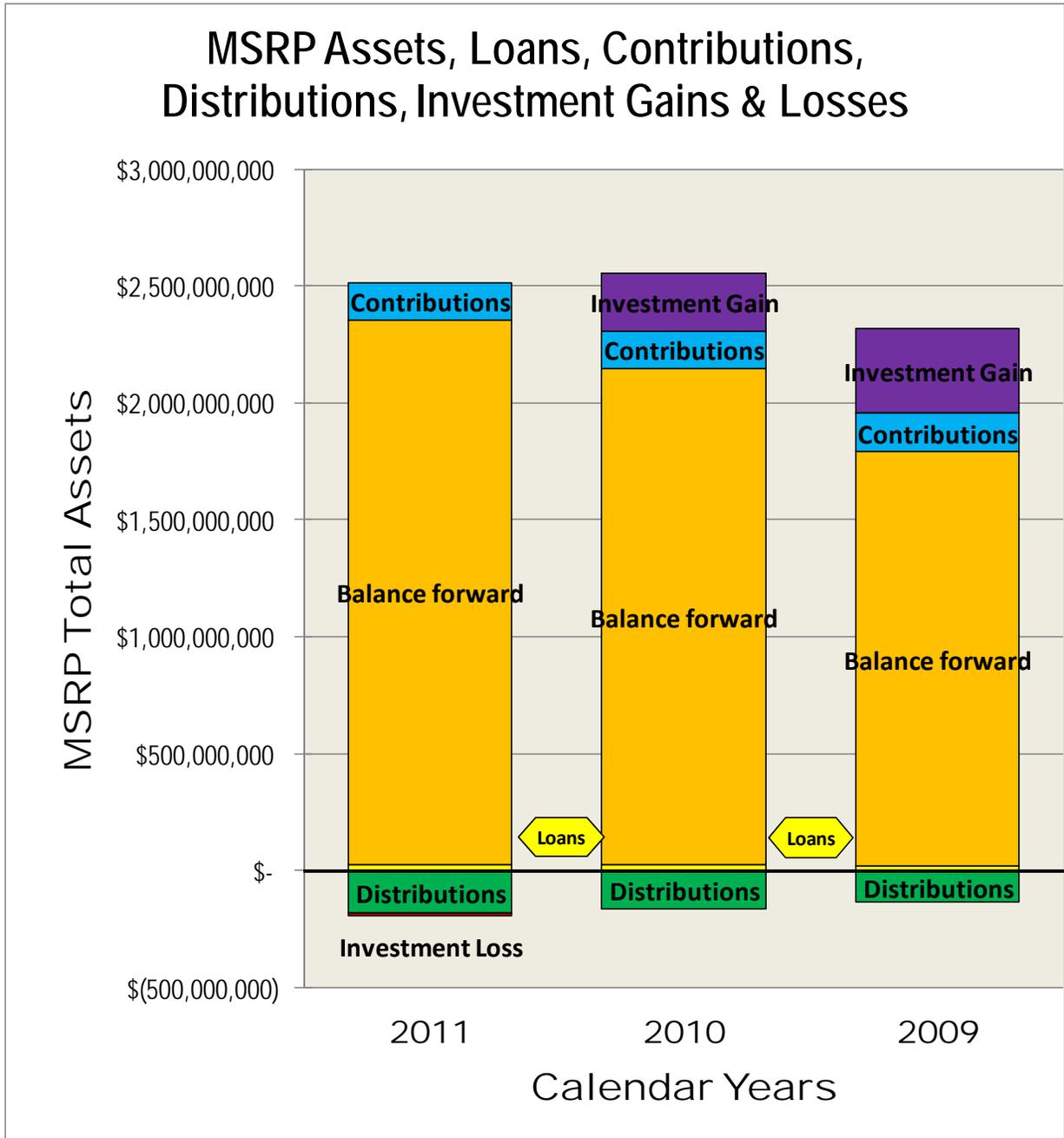
### Management Discussion and Analysis

- Employee contributions have decreased from \$167.0 million in 2008 to \$161.6 million for the year ended December 31, 2009, \$159.7 million for year ended December 31, 2010 to \$158.9 for the year ended December 31, 2011. The slight decrease in 2011 was due mostly to the mandated statewide match suspension.
- Employer contributions for the year ended December 31, 2011 were virtually eliminated due to the suspension of the State Match program implemented in July 2009. Employer contributions decreased significantly from \$20.8 million in the year ended December 31, 2008 to \$3.1 million in the year ended December 31, 2009, to \$408,000 in the year ended 2010, and then to \$400,000 in the year ended December 31, 2011.
- Distributions to participants increased from \$164.0 million to \$180.8 million for the years ended December 31, 2010 and 2011, respectively. Distributions to participants previously decreased significantly from \$169.6 million for the year ended December 31, 2008, to \$137.0 million for the year ended December 31, 2009. The increases in distribution are associated with an increase in participant loans and retirement distributions.
- Administrative expenses for the combined plans are a combination of Participant fees paid to the administrator, Nationwide Retirement Solutions, and fees imposed on Participants by the Board of Trustees to pay its expense of fiduciary supervision, participant education programs and management. The combined plan fees are \$3.7 million (year ended December 31, 2008); \$3.3 million (year ended December 31, 2009); \$4.0 million (year ended December 31, 2010) and \$4.2 million (year ended December 31, 2011). The NRS fee in each year was 0.14% of assets annually and as such is affected by increase or decrease in assets. The Board fee was adjusted as follows during this period 2008; 0.05%; 2009; 0.05%; 2010 and 2011; 0.05% + 50¢ per month. The adoption of the additional per capita fee in May 2010 should have the effect of smoothing Board administrative income in future years, but is only collected from accounts of \$500 or more excluding the 401(a) plan.

This chart located on the next page illustrates the change in all MSRP assets from calendar year to calendar year from right to left. This is a summary of all four plans—the 457, 401(k), 403(b) and 401(a) match plan. The stacked bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions, transfers, and the employer match in 2009, 2010, and 2011. The bar also shows the amounts (negative) paid out in distributions to participants, and the amounts of outstanding loans (positive) to be paid back by participants. Finally, the top or bottom of each bar indicates the net 12-month Investment gain or loss for all plans as of that year end.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Management Discussion and Analysis**



**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Management Discussion and Analysis**

The table below provides the Statement of Plan Net Assets held in trust for deferred compensation benefits as of December 31, 2011, 2010, and 2009:

**Net Assets held in trust for Deferred Compensation Benefits**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Investments	\$ 2,473,496,750	\$ 2,520,526,526	\$ 2,281,612,759
Cash surrender Value life Insurance*	3,902,640	3,691,331	3,952,184
Cash	5,665,384	4,412,999	7,014,096
<b>RECEIVABLES</b>			
Employee Contributions	4,622,831	4,161,353	4,415,556
Other Receivable	103,942	100,739	95,976
Loan Receivables**	27,502,196	24,115,789	19,675,917
<b>Total Assets</b>	<b>2,515,293,743</b>	<b>2,557,008,737</b>	<b>2,316,766,488</b>
<b>Net Plan Assets Held in Trust for Deferred Compensation Benefits</b>	<b>\$ 2,515,293,743</b>	<b>\$ 2,557,008,737</b>	<b>\$ 2,316,766,488</b>

\*457 Plan only

\*\*401(a) Match Plan excluded – no loans offered

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**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Management Discussion and Analysis**

The table below presents the changes in Net Plan assets held in trust for deferred compensation benefits for the years ended December 31, 2011, 2010 and 2009:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>ADDITIONS</b>			
Employee contributions	\$ 158,904,393	\$ 159,657,414	\$ 161,570,124
Employer contributions***	400,092	408,268	3,102,359
Mutual Fund reimbursements	1,356,029	1,196,681	1,651,712
Settlement Proceeds	-	-	3,748,831
Investment Income:			
Realized and unrealized (losses) gains	(41,295,532)	223,420,342	335,160,108
Interest income	23,952,814	23,634,466	24,699,152
<b>Total Additions</b>	<b>143,317,796</b>	<b>408,317,171</b>	<b>529,932,286</b>
<b>DEDUCTIONS</b>			
Distributions to participants	\$ 180,811,859	\$ 164,036,003	\$ 137,035,085
Administrative expenses	4,189,493	3,995,805	3,332,537
Life Insurance premiums*	31,438	43,114	48,280
<b>Total deductions</b>	<b>185,032,790</b>	<b>168,074,922</b>	<b>140,415,902</b>
Net increase (decrease)	(41,714,994)	240,242,249	389,516,384
Net assets available for plan benefits, beginning of year	2,557,008,737	2,316,766,488	1,927,250,104
<b>Net Assets Available for Plan Benefits, End of Year</b>	<b>\$ 2,515,293,743</b>	<b>\$ 2,557,008,737</b>	<b>\$ 2,316,766,488</b>

\*457 Plan only

\*\*401(a) Match Plan excluded

\*\*\*401(a) Match Plan only

**Requests for Information**

This financial report is designed to provide a general overview and available upon request. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Debra Roberts, CPA, Chief Financial Officer, Maryland Teachers and State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, Suite 200, 6 Saint Paul Street, Baltimore, Maryland 21202.

# Maryland Supplemental Retirement Plans

Basic Financial Statements

## **Maryland Supplemental Retirement Plans**

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statements of Plan Net Assets  
As of December 31, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
Investments:		
Investment contract pool	\$ 779,947,367	\$ 747,100,424
Mutual funds	1,593,585,579	1,667,908,812
Annuities	99,963,804	105,517,290
Total investments	<u>2,473,496,750</u>	<u>2,520,526,526</u>
Cash surrender value of life insurance contracts	3,902,640	3,691,331
Cash	5,665,384	4,412,999
Receivables:		
Employee contributions	4,622,831	4,161,353
Loans receivable	27,502,196	24,115,789
Other receivable	103,942	100,739
<b>Net Assets Held in Trust for Deferred Compensation Benefits</b>	<u><u>\$ 2,515,293,743</u></u>	<u><u>\$ 2,557,008,737</u></u>

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statement of Combining Net Assets Available for Plan Benefits  
As of December 31, 2011**

	<b>Deferred Compensation Plan Section 457</b>	<b>Savings and Investment Plan Section 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Tax Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
Investments:					
Investment contract pool	\$ 431,552,335	\$ 311,642,426	\$ 36,752,606	\$ -	\$ 779,947,367
Mutual funds	656,051,689	771,315,084	102,300,096	63,918,710	1,593,585,579
Annuities	99,963,804	-	-	-	99,963,804
<b>Total Investments</b>	<b>1,187,567,828</b>	<b>1,082,957,510</b>	<b>139,052,702</b>	<b>63,918,710</b>	<b>2,473,496,750</b>
Cash surrender value of life insurance contracts	3,902,640	-	-	-	3,902,640
Cash	5,665,384	-	-	-	5,665,384
Receivables:					
Employee contributions	1,941,539	2,587,265	-	94,027	4,622,831
Loans receivable	12,748,866	14,383,094	-	370,236	27,502,196
Other receivable	103,942	-	-	-	103,942
<b>Total Assets Available for Benefits</b>	<b>\$ 1,211,930,199</b>	<b>\$ 1,099,927,869</b>	<b>\$ 139,052,702</b>	<b>\$ 64,382,973</b>	<b>\$ 2,515,293,743</b>

The accompanying notes are an integral part of this financial statement.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statement of Combining Net Assets Available for Plan Benefits  
As of December 31, 2010**

	<b>Deferred Compensation Plan Section 457</b>	<b>Savings and Investment Plan Section 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Tax Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
Investments:					
Investment contract pool	\$ 420,021,819	\$ 289,857,531	\$ 37,221,074	\$ -	\$ 747,100,424
Mutual funds	697,303,338	793,217,304	110,304,680	67,083,490	1,667,908,812
Annuities	105,517,290	-	-	-	105,517,290
<b>Total Investments</b>	<b>1,222,842,447</b>	<b>1,083,074,835</b>	<b>147,525,754</b>	<b>67,083,490</b>	<b>2,520,526,526</b>
Cash surrender value of life insurance contracts	3,691,331	-	-	-	3,691,331
<b>Cash</b>	<b>4,412,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,412,999</b>
Receivables:					
Employee contributions	1,740,433	2,376,425	-	44,495	4,161,353
Loans receivable	11,166,303	12,663,185	-	286,301	24,115,789
Other receivable	100,739	-	-	-	100,739
<b>Total Assets Available for Benefits</b>	<b>\$ 1,243,954,252</b>	<b>\$ 1,098,114,445</b>	<b>\$ 147,525,754</b>	<b>\$ 67,414,286</b>	<b>\$ 2,557,008,737</b>

The accompanying notes are an integral part of this financial statement.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statements of Changes in Plan Net Assets  
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO:</b>		
Employee contributions	\$ 158,904,393	\$ 159,657,414
Employer contributions	400,092	408,268
Variable earnings reimbursements	1,356,029	1,196,681
Investment income:		
Variable earnings investment income	(41,295,532)	223,420,342
Interest income	23,952,814	23,634,466
<b>Total Additions</b>	<u>143,317,796</u>	<u>408,317,171</u>
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:</b>		
Distributions to participants	180,811,859	164,036,003
Administrative expenses	4,189,493	3,995,805
Life insurance premiums	31,438	43,114
<b>Total Deductions</b>	<u>185,032,790</u>	<u>168,074,922</u>
Net (decrease) increase	(41,714,994)	240,242,249
Net assets held in trust for deferred compensation benefits, beginning of year	<u>2,557,008,737</u>	<u>2,316,766,488</u>
<b>Net Assets Held in Trust for Deferred Compensation Benefits, End of Year</b>	<u>\$ 2,515,293,743</u>	<u>\$ 2,557,008,737</u>

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

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statement of Combining Changes in Net Assets Available for Plan Benefits  
For the Year Ended December 31, 2011**

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 65,686,279	\$ 90,335,102	\$ -	\$ 2,883,012	\$ 158,904,393
Employer contributions	-	-	400,092	-	400,092
Variable earnings reimbursements	609,103	617,656	85,866	43,404	1,356,029
Investment income:					
Variable earnings investment income	(18,598,943)	(18,823,732)	(2,336,429)	(1,536,428)	(41,295,532)
Interest income	15,466,362	7,454,265	841,833	190,354	23,952,814
<b>Total Additions</b>	<b>63,162,801</b>	<b>79,583,291</b>	<b>(1,008,638)</b>	<b>1,580,342</b>	<b>143,317,796</b>
Deductions:					
Distributions to participants	93,841,613	75,308,991	7,188,029	4,473,226	180,811,859
Administrative expenses	1,313,803	2,460,876	276,385	138,429	4,189,493
Life insurance premiums	31,438	-	-	-	31,438
<b>Total Deductions</b>	<b>95,186,854</b>	<b>77,769,867</b>	<b>7,464,414</b>	<b>4,611,655</b>	<b>185,032,790</b>
Net (decrease) increase	(32,024,053)	1,813,424	(8,473,052)	(3,031,313)	(41,714,994)
Net assets held in trust for deferred					
compensation benefits, beginning of year	1,243,954,252	1,098,114,445	147,525,754	67,414,286	2,557,008,737
<b>Net Assets Held in Trust for Deferred Compensation Benefits, End of Year</b>	<b>\$ 1,211,930,199</b>	<b>\$ 1,099,927,869</b>	<b>\$ 139,052,702</b>	<b>\$ 64,382,973</b>	<b>\$ 2,515,293,743</b>

The accompanying notes are an integral part of this financial statement.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Statement of Combining Changes in Net Assets Available for Plan Benefits  
For the Year Ended December 31, 2010**

	<b>Deferred Compensation Plan Section 457</b>	<b>Savings and Investment Plan Section 401(k) Plan</b>	<b>Match Plan and Trust 401(a) Plan</b>	<b>Tax Sheltered Annuity Plan 403(b) Plan</b>	<b>Total</b>
Additions:					
Employee contributions	\$ 64,768,004	\$ 91,618,867	\$ -	\$ 3,270,543	\$ 159,657,414
Employer contributions	-	-	408,268	-	408,268
Variable earnings reimbursements	537,578	404,308	214,896	39,899	1,196,681
Investment income:					
Variable earnings investment income	93,652,810	106,590,582	15,417,623	7,759,327	223,420,342
Interest income	15,279,996	7,270,338	887,052	197,080	23,634,466
<b>Total Additions</b>	<b>174,238,388</b>	<b>205,884,095</b>	<b>16,927,839</b>	<b>11,266,849</b>	<b>408,317,171</b>
Deductions:					
Distributions to participants	84,728,730	67,881,768	6,228,053	5,197,452	164,036,003
Administrative expenses	1,454,640	2,151,134	261,262	128,769	3,995,805
Life insurance premiums	43,114	-	-	-	43,114
<b>Total Deductions</b>	<b>86,226,484</b>	<b>70,032,902</b>	<b>6,489,315</b>	<b>5,326,221</b>	<b>168,074,922</b>
<b>Net Increase</b>	<b>88,011,904</b>	<b>135,851,193</b>	<b>10,438,524</b>	<b>5,940,628</b>	<b>240,242,249</b>
Net assets held in trust for deferred compensation benefits, beginning of year					
	1,155,942,348	962,263,252	137,087,230	61,473,658	2,316,766,488
<b>Net Assets Held in Trust for Deferred Compensation Benefits, End of Year</b>	<b>\$ 1,243,954,252</b>	<b>\$ 1,098,114,445</b>	<b>\$ 147,525,754</b>	<b>\$ 67,414,286</b>	<b>\$ 2,557,008,737</b>

The accompanying notes are an integral part of this financial statement.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) consist of four defined contribution plans that are generally available to all eligible employees and officials of the State of Maryland (the State). The MSRP operates pursuant to the provisions of the State Personnel and Pensions Article of the Maryland Code Titles 32 and 35 and is governed by a Board of Trustees (the Board).

The MSRP consists of four separate defined contribution plans: The Deferred Compensation Plan under Internal Revenue Code (the Code or IRC) Section 457; Savings and Investment Plan IRC Section 401(k); Match Plan, Section IRC 401(a); and Tax Sheltered Annuity Plan, IRC Section 403(b) (collectively, the Plans). MSRP had 65,542 participants as of December 31, 2011. MSRP is a fiduciary fund of the State.

The State of Maryland Employees Deferred Compensation Plan (the 457 Plan) was established by an executive order of the Governor of the State of Maryland on August 15, 1974. The 457 Plan operates pursuant to the provision of Title 35 of the State Personnel & Pensions Article of the Maryland Code and a plan document adopted by MSRP's Board.

The State Savings and Investment Plan (the 401(k) Plan) was established by the State pursuant to statute effective on July 1, 1985, and is designed to be a tax-qualified 401(k) profit sharing plan.

The State Match Plan and Trust (the Match Plan) was established by the State pursuant to Title 32 of the State Personnel & Pensions Article of the Maryland Code and is designed to be a tax-qualified 401(a) defined contribution matching plan.

The State Tax Sheltered Annuity Plan (the 403(b) Plan) was established by the Board of Trustees pursuant to Title 35 of the State Personnel & Pensions Article of the Maryland Code.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as additions when due pursuant to formal commitments as well as statutory and contractual commitments. Benefits are recognized when due and payable under plan provisions.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

#### Risks and Uncertainties

MSRP invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

#### Contributions

Eligible employees of the State may contribute to the 457 Plan, 401(k) Plan, or the 403(b) Plan through payroll deductions. As required by the Internal Revenue Code, MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$16,500, or 100% of their annual compensation, as defined by the I.R.C. Additional "catch-up" contributions are available for those age 50 and over across all plans. In addition, participants who contribute to the 457 Plan may under certain circumstances contribute additional sum in the three years prior to retirement. The limits are subject to an annual cost of living adjustment. Amounts contributed by employees are deferred for Federal and State income tax purposes until benefits are paid to the employees.

Under Title 32 of the State Personnel & Pension Article, the State contributes to each participant's 401(a) account an amount equal to the participant's contributions to one of the State Supplemental Retirement Plans during the same plan year. The statutory ceiling for these amounts is \$600 for each State fiscal year. Contributions are credited to the investment option selected by the employee/plan participant. For the period July 1, 2009 through the year ended December 31, 2011, the State suspended the match contribution pursuant to Budget amendments.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Participant Accounts

Employee contributions receivable represents amounts withheld from employees' pay but not remitted to the investment carriers as of December 31. Contributions are credited to the applicable investment option upon receipt from the State. Employee contributions are fully vested at all times. The State does not make any contributions to the 457 Plan, 401(k) Plan, or the 403(b) Plan, but the State does make certain matching contributions to a separate tax qualified 401(a) Plan, as noted supra.

Employees electing to contribute to the MSRP have the following investment options:

- The investment contract pool (The "ICP"). The ICP is a book value/constant principal investment fund that periodically adjusts the rates paid to participants in order to account for the income, gains and losses of the portfolio. It is made up of a collection of book value investments: a money market fund, guaranteed investment contracts written by insurance companies, and synthetic guaranteed investment contracts written by insurance companies and other financial institutions. (This option is not available in the 403(b) plan.)
- Mutual funds

#### Payment of Benefits

Employees investing in MSRP may withdraw the value of their accounts in accordance with IRC rules and the terms of the respective plan. Distributions are generally available upon termination of employment, or financial hardship. Additionally, employees are eligible to collect distributions from the 401(k) and 403(b) plans upon attainment of age 59 ½.

Employees eligible to receive benefits may select various payout options, which include lump sum, periodic or annuity payments. Purchased annuity payout options are offered by Nationwide Life Insurance Company and Metropolitan Life Insurance Company.

At retirement or termination of employment, employees investing in life insurance contracts - which are closed to additional participants - may continue to make premium payments directly to the insurance carrier, or they may receive the cash surrender value of the policies. At the time of death of an employee, the face value of the insurance contract is payable to the beneficiary.

Amounts in participant's account are paid to the designated beneficiary at the employee's death.

Distributions to participants are recorded at the time withdrawals are made from participant accounts.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Participant Loans

Participants may borrow from their accrued benefit balance in accordance with plan provisions and applicable IRC regulations; however, loans are not available from the 401(a) match plan. The maximum amount a participant may borrow is equal to the lesser of (a) 50% the value of their account or (b) \$50,000. Interest on loans is determined by a reference rate set by the Board.

In accord with IRC requirements all loans must be repaid on a periodic basis, not less than quarterly, over a period not to exceed five years. Loans used to acquire, construct, reconstruct or substantially rehabilitate a dwelling that is to be used as a principal residence may extend for a longer term.

#### Investment Valuation and Income Recognition

*The Investment Contract Pool (ICP) investment option* – The ICP is shown in the statements under the category of investments, and is valued at contract value. The ICP is managed by Deutsche Asset Management under a management agreement with the Board of Trustees. Interest rates are reset monthly.

During 1997, a Master Trust was established to hold the investment contract pool/assets underlying this investment option. Under the Master Trust arrangement, assets of participants who participate in the Maryland State Employees Deferred Compensation Plan, the State of Maryland Savings and Investment Plan, and/or the State of Maryland Match Plan and Trust are combined and held in the Master Trust. Each plan has an undivided but measurable interest in the assets held by the trust. The practice is permitted by IRC Rev. Rul. 81-100 and Rev. Rul. 2011-1. Mutual fund assets held in the 403(b) plan are held in a master custodial account as required by IRC 403(b)(7).

The ICP is valued at contract value, which represents contributions received plus interest earned to date, less applicable charges and amounts withdrawn.

*Mutual Fund investment options* - Mutual Fund investments are presented at fair value based on net assets value as reported by the investment carrier. All purchases and sales of investments are recorded on a trade-date basis.

Earnings are accrued to an individual participant's account based upon the investment performance of the specific options selected.

*Annuity Reserves* - Assets held for annuity payout reserves are valued at the actuarially determined present value of estimated future distributions.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Cash Surrender Value**

Participants have made premium payments on life insurance contracts held in the 457 Plan through salary deferral. The cash surrender value of these contracts is based on reporting by the life insurance company. This option is no longer available to new participants but participants with policies may continue to make contributions.

#### **Mutual Fund Reimbursements**

Mutual fund reimbursements represent amounts received from mutual fund investment providers for the benefit of the participants under expense reimbursement arrangements. Amounts recorded are those reimbursements actually received during the year. These amounts are periodically redistributed on a pro-rata basis to current participants in the mutual fund that paid the reimbursement.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 2. INVESTMENTS AND INVESTMENT INCOME

#### **Part 1: 457 Plan**

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2011 and 2010, were as follows:

ASSETS	2011	2010
<b>Fixed Investments</b> - Investment Contract Pool	<b>\$ 431,552,335</b>	\$ 420,021,819
Vanguard Institutional Index Fund - Institutional Plus	<b>101,252,956</b>	106,506,997
Fidelity(R) Puritan Fund	<b>91,732,975</b>	96,577,664
PIMCO Total Return Fund - Institutional Shares	<b>51,831,306</b>	56,014,690
Goldman Sachs Large Cap Value Fund - Institutional Shares	<b>53,534,868</b>	64,133,366
Vanguard Mid Cap Index Fund - Institutional Shares	-	49,272,405
Neuberger Berman Equity Fund® - Partners Fund	<b>39,547,260</b>	48,510,569
American Funds - Growth Fund of America	<b>36,196,483</b>	40,603,369
T Rowe Price Small-Cap Stock Fund, Inc.	<b>37,367,335</b>	39,120,934
American Funds - Euro Pacific Growth Fund	<b>45,088,647</b>	56,792,414
T Rowe Price Retirement 2020 Fund	<b>20,257,954</b>	16,899,299
T Rowe Price Mid Cap Value Fund, Inc.	<b>16,901,370</b>	19,695,446
T Rowe Price Retirement 2015 Fund	<b>16,620,059</b>	13,923,501
Vanguard Small Cap Growth Index - Institutional Shares	<b>12,823,089</b>	13,180,063
T Rowe Price Retirement 2025 Fund	<b>13,070,672</b>	10,987,836
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	<b>11,561,620</b>	12,138,187
T Rowe Price Retirement 2030 Fund	<b>12,704,570</b>	10,613,517
T Rowe Price Retirement 2010 Fund	<b>8,204,792</b>	8,044,757
T Rowe Price Retirement 2035 Fund	<b>7,322,694</b>	6,195,487
Vanguard Total International Stock Index Fund - Investor Shares	<b>5,518,806</b>	5,785,573
T Rowe Price Retirement 2040 Fund	<b>6,046,162</b>	5,146,859
Vanguard Small Cap Value Index Fund - Institutional Shares	<b>3,261,307</b>	3,621,337
T Rowe Price Retirement 2005 Fund	<b>2,763,994</b>	3,140,231
Vanguard Value Index Fund - Institutional Shares	<b>3,755,799</b>	3,237,042
T Rowe Price Retirement Income Fund	<b>3,591,869</b>	2,733,001
T Rowe Price Retirement 2045 Fund	<b>3,130,711</b>	2,553,856
T Rowe Price Retirement 2050 Fund	<b>1,859,755</b>	1,453,923
T Rowe Price Retirement 2055 Fund	<b>430,343</b>	307,448
Vanguard Total Bond Market Index Fund - Signal(TM) Shares	<b>3,257,377</b>	-
Vanguard Mid Cap Index Fund - Institutional Plus Shares	<b>45,055,716</b>	-
Parnassus Equity Income Fund - Institutional Shares	<b>1,361,200</b>	113,567
<b>Total Mutual Funds</b>	<b>656,051,689</b>	697,303,338
Discontinued investment options - Nationwide Fixed Annuities	<b>79,766,261</b>	83,650,654
Nationwide Life annuity payout reserves	<b>14,959,230</b>	16,363,714
Metropolitan Life annuity payout reserves	<b>5,238,313</b>	5,502,922
<b>Total Annuities</b>	<b>99,963,804</b>	105,517,290
<b>Total Investments</b>	<b>\$ 1,187,567,828</b>	\$ 1,222,842,447

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 2: 401(k) Plan**

Investments held as of December 31, 2011 and 2010, were as follows:

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 311,642,426</b>	<b>\$ 289,857,531</b>
Vanguard Institutional Index Fund - Institutional Plus	<b>143,637,685</b>	147,408,381
Fidelity(R) Puritan Fund	<b>83,207,679</b>	86,358,804
PIMCO Total Return Fund - Institutional Shares	<b>65,706,262</b>	64,950,390
Goldman Sachs Large Cap Value Fund - Institutional Shares	<b>43,740,919</b>	50,969,065
Vanguard Mid Cap Index Fund - Institutional Shares	<b>49,114,974</b>	52,098,082
Neuberger Berman Equity Fund® - Partners Fund	<b>39,356,340</b>	46,586,969
American Funds - Growth Fund of America	<b>49,812,366</b>	54,773,893
T. Rowe Price Small-Cap Stock Fund, Inc.	<b>49,028,306</b>	50,128,736
EuroPacific Growth Fund® -Class R6	<b>53,240,533</b>	65,708,261
T Rowe Price Retirement 2020 Fund	<b>31,897,710</b>	27,188,336
T Rowe Price Mid Cap Value Fund, Inc.	<b>19,207,867</b>	21,040,845
T Rowe Price Retirement 2015 Fund	<b>23,261,235</b>	19,438,749
Vanguard Small Cap Growth Index - Institutional Shares	<b>18,543,489</b>	18,631,764
T Rowe Price Retirement 2025 Fund	<b>21,518,540</b>	18,816,643
Vanguard Total International Stock Index Fund - Institutional Shares	<b>5,191,730</b>	5,465,732
Vanguard® Total Bond Market Index Fund - Signal™ Shares	<b>3,666,981</b>	-
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	<b>13,167,154</b>	14,139,968
T Rowe Price Retirement 2030 Fund	<b>15,466,470</b>	12,644,198
T Rowe Price Retirement 2010 Fund	<b>10,672,333</b>	10,120,850
T Rowe Price Retirement 2035 Fund	<b>8,035,742</b>	6,813,198
T Rowe Price Retirement 2040 Fund	<b>5,591,253</b>	4,826,365
Vanguard Small Cap Value Index Fund - Institutional Shares	<b>3,686,511</b>	3,687,628
T Rowe Price Retirement 2005 Fund	<b>3,195,407</b>	2,975,152
Vanguard Value Index Fund - Institutional Shares	<b>3,447,717</b>	2,936,588
T Rowe Price Retirement Income Fund	<b>2,916,310</b>	2,202,028
T Rowe Price Retirement 2045 Fund	<b>2,250,579</b>	1,867,869
T Rowe Price Retirement 2050 Fund	<b>710,042</b>	554,192
T Rowe Price Retirement 2055 Fund	<b>696,074</b>	632,309
Parnassus Equity Income Fund - Institutional Shares	<b>1,346,876</b>	252,248
Dreyfus MidCap Index Fund, Inc.	-	61
<b>Total Mutual Funds</b>	<b>771,315,084</b>	<b>793,217,304</b>
<b>Total Investments</b>	<b>\$ 1,082,957,510</b>	<b>\$ 1,083,074,835</b>

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 3: 401(a) Plan**

Investments held as of December 31, 2011 and 2010, were as follows:

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 36,752,606</b>	<b>\$ 37,221,074</b>
Vanguard Institutional Index Fund - Institutional Plus	26,298,941	27,701,166
Fidelity(R) Puritan Fund	11,544,358	12,254,693
PIMCO Total Return Fund - Institutional Shares	5,186,723	5,435,154
Goldman Sachs Large Cap Value Fund - Institutional Shares	6,820,571	8,134,722
Vanguard Mid Cap Index Fund - Institutional Shares	-	7,932,762
Neuberger Berman Equity Fund® - Partners Fund	6,756,676	8,228,217
American Funds - Growth Fund of America	5,860,377	6,634,340
T. Rowe Price Small-Cap Stock Fund, Inc.	6,334,762	6,674,616
EuroPacific Growth Fund® -Class R6	5,396,151	6,770,203
T Rowe Price Retirement 2020 Fund	3,267,551	3,058,516
T Rowe Price Mid Cap Value Fund, Inc.	1,643,618	1,887,797
T Rowe Price Retirement 2015 Fund	2,186,673	2,052,044
Vanguard Total Bond Market Index Fund - Signal(TM) Shares	240,448	-
Vanguard Total International Stock Index Fund - Institutional Shares	235,669	-
Vanguard Mid Cap Index Fund - Institutional Plus Shares	7,322,966	-
Vanguard Small Cap Growth Index - Institutional Shares	2,231,948	2,348,982
T Rowe Price Retirement 2025 Fund	2,614,724	2,476,008
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	797,883	908,293
T Rowe Price Retirement 2030 Fund	2,333,990	2,233,553
T Rowe Price Retirement 2010 Fund	838,922	857,429
T Rowe Price Retirement 2035 Fund	1,533,430	1,557,317
Vanguard Total International Stock Index Fund - Investor Shares	-	287,017
T Rowe Price Retirement 2040 Fund	1,160,797	1,162,372
Vanguard Small Cap Value Index Fund - Institutional Shares	146,921	135,235
T Rowe Price Retirement 2005 Fund	146,101	157,261
Vanguard Value Index Fund - Institutional Shares	235,838	265,021
T Rowe Price Retirement Income Fund	193,253	154,865
T Rowe Price Retirement 2045 Fund	625,823	670,862
T Rowe Price Retirement 2050 Fund	253,144	266,722
T Rowe Price Retirement 2055 Fund	47,174	49,994
Parnassus Equity Income Fund - Institutional Shares	44,664	9,519
<b>Total Mutual Funds</b>	<b>102,300,096</b>	<b>110,304,680</b>
<b>Total Investments</b>	<b>\$ 139,052,702</b>	<b>\$ 147,525,754</b>

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

**Part 4: 403(b) Plan**

Investments held as of December 31, 2011 and 2010, were as follows:

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
Vanguard Institutional Index Fund - Institutional Plus	\$ 8,541,372	\$ 8,759,898
Fidelity(R) Puritan Fund	7,474,295	7,862,680
PIMCO Total Return Fund - Institutional Shares	4,765,603	5,063,417
Goldman Sachs Large Cap Value Fund - Institutional Shares	4,702,052	5,490,220
Vanguard Mid Cap Index Fund - Institutional Shares	-	6,117,994
Neuberger Berman Equity Fund® - Partners Fund	2,973,255	3,454,948
American Funds - Growth Fund of America	2,720,545	3,041,346
T. Rowe Price Small-Cap Stock Fund, Inc.	2,264,213	2,248,102
Vanguard Total International Stock Index Fund - Institutional Shares	993,733	-
Vanguard(R) Total Bond Market Index Fund - Signal™ Shares	613,188	-
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	5,675,515	-
EuroPacific Growth Fund® -Class R6	3,747,194	5,109,931
T Rowe Price Retirement 2020 Fund	754,565	828,574
T Rowe Price Mid Cap Value Fund, Inc.	880,838	947,965
T Rowe Price Retirement 2015 Fund	1,135,682	859,920
Vanguard Small Cap Growth Index - Institutional Shares	1,618,692	1,463,240
T Rowe Price Retirement 2025 Fund	470,646	386,339
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	1,165,475	1,080,671
T Rowe Price Retirement 2030 Fund	406,124	393,372
T Rowe Price Retirement 2010 Fund	689,966	593,892
T Rowe Price Retirement 2035 Fund	97,313	44,799
Vanguard Total International Stock Index Fund - Investor Shares	-	1,083,247
T Rowe Price Retirement 2040 Fund	73,702	57,563
Vanguard Small Cap Value Index Fund - Institutional Shares	666,454	642,550
T Rowe Price Retirement 2005 Fund	824,816	445,154
Vanguard Value Index Fund - Institutional Shares	180,906	178,179
Vanguard Prime Money Market Fund - Institutional Shares	5,813,026	6,066,703
T Rowe Price Retirement Income Fund	236,339	394,278
T Rowe Price Retirement 2045 Fund	30,634	20,942
Great West Life Assurance Company	4,261,423	4,398,159
T Rowe Price Retirement 2050 Fund	4,703	2,181
T Rowe Price Retirement 2055 Fund	168	7,251
Parnassus Equity Income Fund - Institutional Shares	136,273	39,975
<b>Total Mutual Funds</b>	<b>\$ 63,918,710</b>	<b>\$ 67,083,490</b>

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME**

**Part 5: MSRP – All Plans Summary**

Investments held including a discontinued group annuity contract and annuity reserves held by Nationwide Life and Metropolitan Life, as of December 31, 2011 and 2010, were as follows:

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Fixed Investments - Investment Contract Pool</b>	<b>\$ 779,947,367</b>	<b>\$ 747,100,424</b>
Vanguard Institutional Index Fund - Institutional Plus	279,730,954	290,376,442
Fidelity(R) Puritan Fund	193,959,307	203,053,841
PIMCO Total Return Fund - Institutional Shares	127,489,894	131,463,651
Goldman Sachs Large Cap Value Fund - Institutional Shares	108,798,410	128,727,373
Vanguard Mid Cap Index Fund - Institutional Shares	49,114,974	115,421,243
Neuberger Berman Equity Fund® - Partners Fund	88,633,531	106,780,703
American Funds - Growth Fund of America	94,589,771	105,052,948
T Rowe Price Small-Cap Stock Fund, Inc.	94,994,616	98,172,388
EuroPacific Growth Fund® -Class R6	62,383,878	77,588,395
American Funds - Euro Pacific Growth Fund	45,088,647	56,792,414
T Rowe Price Retirement 2020 Fund	56,177,780	47,974,725
T Rowe Price Mid Cap Value Fund, Inc.	38,633,693	43,572,053
T Rowe Price Retirement 2015 Fund	43,203,649	36,274,214
Vanguard Small Cap Growth Index - Institutional Shares	35,217,218	35,624,049
T Rowe Price Retirement 2025 Fund	37,674,582	32,666,826
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	26,692,132	28,267,119
T Rowe Price Retirement 2030 Fund	30,911,154	25,884,640
T Rowe Price Retirement 2010 Fund	20,406,013	19,616,928
T Rowe Price Retirement 2035 Fund	16,989,179	14,610,801
Vanguard Total International Stock Index Fund - Investor Shares	5,518,806	12,621,569
T Rowe Price Retirement 2040 Fund	12,871,914	11,193,159
Vanguard Small Cap Value Index Fund - Institutional Shares	7,761,193	8,086,750
T Rowe Price Retirement 2005 Fund	6,930,318	6,717,798
Vanguard Value Index Fund - Institutional Shares	7,620,260	6,616,830
Vanguard Prime Money Market Fund - Institutional Shares	5,813,026	6,066,703
T Rowe Price Retirement Income Fund	6,937,771	5,484,172
T Rowe Price Retirement 2045 Fund	6,037,747	5,113,529
Great West Life Assurance Company	4,261,423	4,398,159
T Rowe Price Retirement 2050 Fund	2,827,644	2,277,018
T Rowe Price Retirement 2055 Fund	1,173,759	997,003
Vanguard Total International Stock Index Fund - Institutional Shares	6,421,132	-
Vanguard® Total Bond Market Index Fund - Signal™ Shares	7,777,994	-
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	58,054,197	-
Parnassus Equity Income Fund - Institutional Shares	2,889,013	415,308
Dreyfus MidCap Index Fund, Inc.	-	61
<b>Total Mutual Funds</b>	<b>1,593,585,579</b>	<b>1,667,908,812</b>
Discontinued investment options - Nationwide Fixed Annuities	79,766,261	83,650,654
Nationwide Life annuity payout reserves	14,959,230	16,363,714
Metropolitan Life annuity payout reserves	5,238,313	5,502,922
<b>Total Annuities</b>	<b>99,963,804</b>	<b>105,517,290</b>
<b>Total Investments</b>	<b>\$ 2,473,496,750</b>	<b>\$ 2,520,526,526</b>

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 2. INVESTMENTS AND INVESTMENT INCOME (continued)

Investment contract pool interest income in the 457, 401(k) and 401(a) plans is recorded based upon a blended rate of the contractual interest of all investment contracts in force during the period. These amounts are credited to the participants' accounts prior to charges for administrative expenses charged by the Administrator and the Board of the Plan. The blended gross interest rate was 2.32% as of December 31, 2011, and ranged from 2.14% to 2.55% during the year ended December 31, 2011. The blended gross interest rate was 2.37% as of December 31, 2010, and ranged from 2.29% to 2.48% during the year ended December 31, 2010. The contract value as of December 31, 2011 and 2010, was \$779,947,367 and \$747,100,424, respectively. The fair market value as of December 31, 2011 and 2010, was \$806,002,858 and \$759,292,610, respectively, and the wrapper value was \$728,050 and \$637,506, respectively.

The Nationwide Life fixed annuities in the 457 plan reflect investments made under a fixed group annuity contract with Nationwide Life. That contract has been closed to new contributions since January 1, 1987.

Interest income on investments in Nationwide Life fixed annuities and annuity payout reserves are recorded as earned on an accrual basis. Beginning in 1982, based upon the date of contribution, Nationwide Life initiated a plan for paying different rates to specific pools of money. The gross interest rate paid on fixed annuity contributions was 4.1% as of December 31, 2011, which did not change during the year, and was 4.13% as of December 31, 2010, and ranged from 4.1% to 4.2% for the years then ended.

The 403(b) plan includes a closed fixed earnings investment with the Great-West Fixed Investment Fund and is valued at contract value, which represents costs plus interest credited at guaranteed rates (subject to quarterly market adjustments, as reported by Great-West as of December 31). These amounts are credited to the participant's accounts prior to charges for administration expenses charged by the Administrator and the Board of the Plan. The gross interest rate paid on contributions to this investment was 4.0% in 2011 and 2010, respectively. This option is not open for new contributions or exchanges.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the underlying investments.

MSRP discloses investment risks, below, in accordance with GASB Statement No. 40, which defines these risks as follows:

*Interest Rate Risk.* Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to an investment in a single issuer.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either (a) the counterparty, or (b) the counterparty's trust department or agent but not in MSRP's name.

*Foreign Currency Risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

*Average Maturities.* The investments and weighted average maturities as of December 31, 2011 and 2010, were as follows:

	<b>December 31, 2011</b>	
	<b>Valuation</b>	<b>Weighted Average Maturity</b>
Investment Contract Pool	\$ 779,947,367	2.65 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	127,489,894	8.9 years
Great-West Fixed Investment Fund		
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	4,261,423 5,813,026	3.1 years 0.2 years

Note: The Investment Contract Pool is only available in the 457, 401(k) and 401(a) Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. INVESTMENTS AND INVESTMENT INCOME (continued)**

	<b>December 31, 2010</b>	
	<b>Valuation</b>	<b>Weighted Average Maturity</b>
Investment Contract Pool	\$ 747,100,424	3.33 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	131,463,651	7.1 years
Great-West Fixed Investment Fund		
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	4,398,159 6,066,703	3.1 years 0.2 years

Note: The Investment Contract Pool is only available in the 457, 401(k) and 401(a) Plans. The Great-West Fixed Investment Fund and the Vanguard Prime Money Market Fund are only available in the 403(b) Plan.

*Interest rate risk, credit risk and concentration of credit risk.* Since all investments are participant directed, all risks are at the participant level. Each individual has the ability to liquidate their positions on demand and have responsibility for managing their exposure to fair value loss. Participants have the option to change their investment options to any investment available to alter their interest rate risk.

The investment contract pool had a reported credit rating of AA for the years ended December 31, 2011 and 2010. Mutual Funds were unrated.

*Custodial credit risk – deposits* is the risk that, in the event of a bank failure, MSRP's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in MSRP's name.

All deposits of MSRP, consisting of amounts held by the agency for an administrative expense, are held on behalf of MSRP by the State in accordance with the formal deposit policy for custodial credit risk of the State.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 3. LIFE INSURANCE

In the 457 plan, the amount of life insurance in force with Unum Life was approximately \$8,953,280 and \$8,464,419 as of December 31, 2011 and 2010, respectively. Participants in the 457 plan contributed \$31,438 and \$43,114 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2011 and 2010, respectively. At the time of retirement or termination of employment from the State, these participants have the option of continuing to make the life insurance premium payments or to receive the cash surrender value of the policy. This option is no longer available to new participants, only participants with policies may continue to make contributions to this option.

### 4. ADMINISTRATIVE EXPENSES

The Board has appointed Nationwide® Retirement Solutions, Inc. (NRS), as the administrator under an administrative services contract. NRS is a subsidiary of Nationwide Financial Services, Inc., the owner of Nationwide Life and provider of certain 457 plan fixed annuities that are no longer available to new participants or for exchanges from other plan investments.

The current contract with NRS to provide administrative services to MSRP under Board authority became effective January 1, 2008. Under the agreement, NRS provides administrative services, such as account statements, monitoring financial transactions, participant relations, and general management. Fees were charged by NRS at an annual rate of 0.14% in 2011 and 2010, respectively against the mutual fund, investment contract pool and fixed annuity assets.

During 2011 and 2010, an additional charge of 0.05% was imposed by MSRP for its expenses (staff, auditor, consultants, education and other administrative expenses). The fees are collected directly from participant's accounts. During 2011 and 2010, an additional fee of \$0.50 per month was charged for each account with a balance greater than \$500 in the 457, 401(k), and 403(b) plans. The fee will be used to stabilize revenue for board operations. The annual cap on participant charges was \$2,000 for 2011 and 2010.

Participants choosing to exercise loan options are assessed an origination fee of \$50.

The cash balance in the accompanying financial statements as of December 31, 2011 and 2010, represents charges assessed by the Board from all deferred compensation plans and held as pooled cash by the Maryland State Treasurer in excess of expenses paid on behalf of the Board. By State law, this amount does not revert to the general fund of the State but constitutes a dedicated fund or reserve for use by the Plan, pursuant to the usual State appropriation process.

# MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

## Notes to the Financial Statements December 31, 2011 and 2010

### 4. ADMINISTRATIVE EXPENSES (continued)

The cash reserve balance was \$297,432 and \$176,328 as of December 31, 2011 and 2010, respectively. In addition, the appropriate funds and cash reserves are carried on the 457 Plan financial statements as a matter of historical practice, arising from the period prior to 1990 when the 457 Plan was the only Plan operated by the Board and all 457 Plan assets, including the cash reserves were general non-trust funds of the State.

### 5. TAX STATUS

In the opinion of the State's legal counsel, the Plans are exempt from income taxes under the applicable section of the IRC (the Code) and, therefore, the amounts contributed by the State on behalf of the employees participating in MSRP are not subject to Federal income tax withholding nor are they includable in taxable income until actually paid or otherwise made available to the participant, the participant's beneficiary, or the participant's estate.

### 6. RELATED PARTIES

Certain members of the Board are participants in one or more Plans in the MSRP.

## **ADDITIONAL INFORMATION**

**MARYLAND TEACHERS AND STATE EMPLOYEES  
SUPPLEMENTAL RETIREMENT PLANS**

**Schedule of Administrative Expenses  
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Plan Administrator		
Third party administrator fees	\$ 2,670,597	\$ 2,510,542
Plan Sponsor*		
Salaries, wages and fringe benefits	1,070,891	1,078,193
Technical and special fees	943	4,401
Communications	18,797	22,451
Travel (in-state and out-of-state)	15,523	12,243
Contractual services	235,772	233,543
Supplies and materials	3,830	4,935
Equipment and furnishings	45,205	5,183
Fixed charges	127,935	124,314
Plan Sponsor Total	<u>1,518,896</u>	<u>1,485,263</u>
<b>Total Administrative Expenses</b>	<u><u>\$ 4,189,493</u></u>	<u><u>\$ 3,995,805</u></u>

\*See footnote 4 for more information.

# Maryland Supplemental Retirement Plans

Investment Section

# INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2011

Prepared by Segal Advisors, Inc.

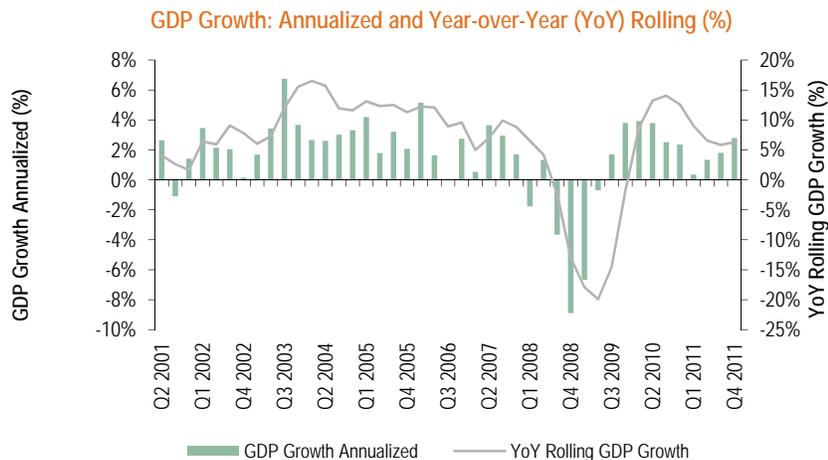
The report below discusses the overall performance of the Plan's investments for the year ended December 31, 2011 as well as the 2011 market environment.

Asset Class	Indices	Quarter	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)	7.6	-5.5	-5.5	11.1	-2.4	3.6
	Russell 3000	12.1	1.0	1.0	14.9	0.0	3.5
	MSCI EAFE (Net of dividends)	3.3	-12.1	-12.1	7.6	-4.7	4.7
	MSCI EM (Net of dividends)	4.4	-18.4	-18.4	20.1	2.4	13.9
Fixed Income	Barclays Capital Aggregate	1.1	7.8	7.8	6.8	6.5	5.8
	Citigroup Non-U.S. WGBI (Unhedged)	-0.5	5.2	5.2	4.9	7.2	8.4
Other	Commodity Splice*	4.7	-7.2	-7.2	6.7	-2.4	5.6
	NCREIF NPI	3.0	14.3	14.3	2.4	3.1	8.1
	Thomson Reuters Private Equity**	4.3	9.4	24.2	2.2	6.2	6.5
	HFN HFOF Multi-Strategy	-0.3	-5.5	-5.5	-0.5	0.1	3.5

\* Commodity Splice, a Segal Advisors index, blends the DJ UBS Commodity Index(50%) and the S&P GSCI Index(50%), rebalanced monthly

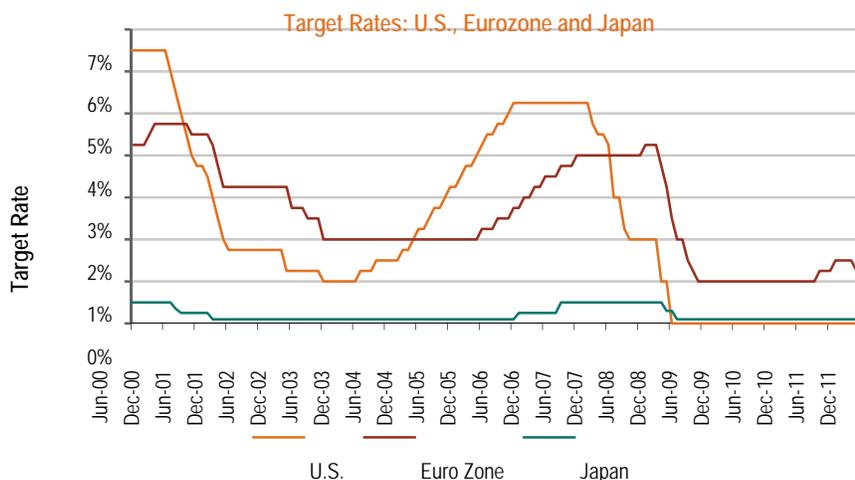
\*\* Performance reflected is as of Q2 2011 because Q3 2011 and Q4 2011 performance data is not yet available.

The heightened volatility and uncertain investor sentiment experienced in the first three quarters of 2011 continued throughout Q4 2011. However, better-than-expected economic data in the U.S. and Europe, political progress in Europe regarding stabilizing Greece's financial situation and positive growth in the emerging markets all contributed to an equity market rally in Q4 2011. That rally was not strong enough to overcome the previous three quarters' negative performance. As a result, most equity markets ended the year in negative territory. The exception was U.S. equities, which ended 2011 up 1.0 percent. Commodities also bounced back in Q4 2011 as oil prices rose. Correlations between equities and commodities remained elevated. Although fixed-income markets underperformed equity markets in Q4 2011, they still ended the year in positive territory. U.S., German and Japanese 10-year bond yields remained relatively stable. However overall performance suffered amidst the multiple European-crisis summits held in 2011, which failed to give the bond markets a definitive direction.



Source: Bureau of Economic Analysis

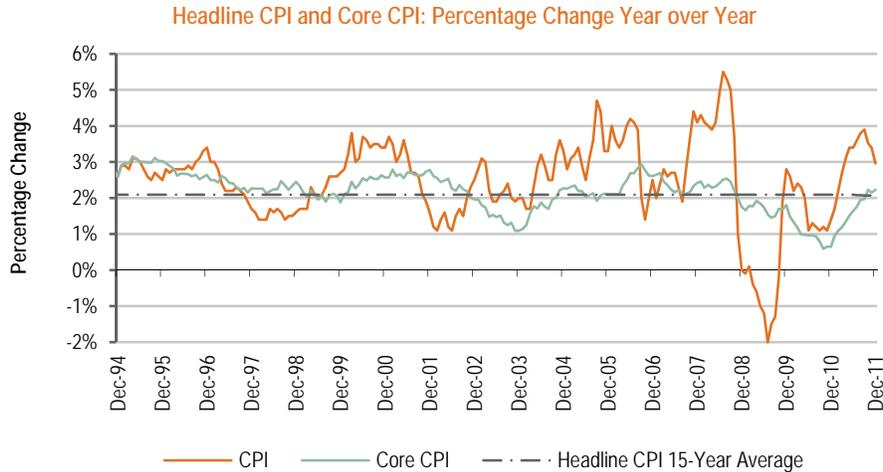
During Q4 2011, gross domestic product (GDP) grew at an annualized rate of 2.8 percent. Although this fell short of economists' expectations for a 3.0 percent growth rate, it is at its highest level since Q2 2010, when GDP grew at 3.8 percent. For all of 2011, GDP grew at 1.7 percent, which was weaker than the 3.0 percent GDP growth experienced in 2010. The graph to the right shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP growth. Much of the growth in Q4 2011 came from personal consumption expenditures, nonresidential fixed-investment, exports and private inventory investments, which grew at 2.0 percent, 1.7 percent, 4.7 percent and 1.9 percent, respectively. The primary negative contribution to GDP growth was the 7.3 percent decrease in federal government spending. While this marks the tenth consecutive quarter of growth, the Bureau of Economic Analysis emphasized that Q4 2011 data is incomplete and will be subject to revisions, which will be released on February 29. *Update: GDP Growth for Q4 2011 was revised up to 3.0 percent (annualized rate) from 2.8 percent. Investment performance is calculated using time weighted rates of total return. Total Returns includes interest and dividends, as well as capital appreciation.*



Sources: Segal Advisors using data from the Federal Reserve Board, the European Central Bank and the Bank of Japan

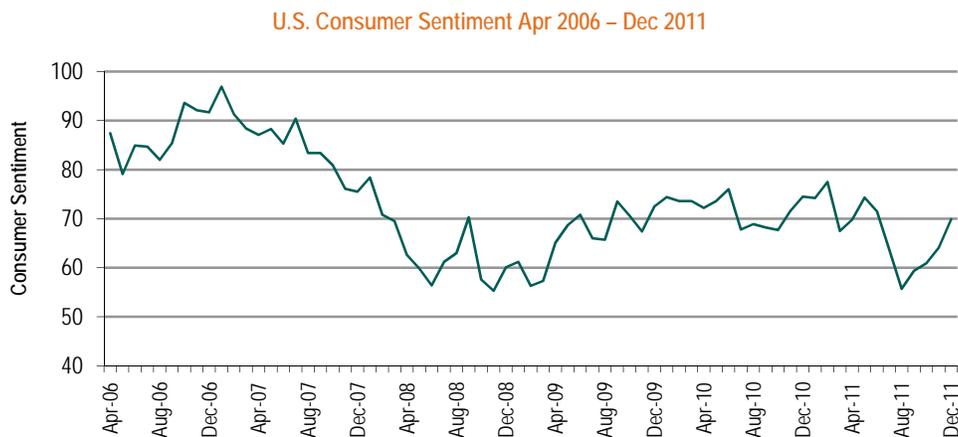
At the Federal Reserve's December 13 meeting, the Federal Open Market Committee (FOMC) kept the target rate at 0.0 to 0.25 percent. The FOMC expects that economic conditions, as well as a weak outlook for inflation over the medium term, are likely to sustain exceptionally low federal funds rate levels through 2014. The FOMC will maintain its existing policy of reinvesting principal payments from its securities holdings. It intends to purchase \$600 billion of longer term Treasury securities by the end of the second quarter of 2012, both to promote a stronger pace of economic recovery and to ensure that inflation remains consistent with FOMC's mandate.

In December 2011, for the second consecutive month, the European Central Bank (ECB) decided to decrease interest rates. That month, it reduced interest rates by 25 basis points (bps)\* to 1.00 percent, which followed a decrease of 25 bps to 1.25 percent in November 2011. The ECB believes that the financial markets continue to strain economic activity in Europe. The ECB is focused on maintaining medium-term interest rates at just under 2.0 percent to promote economic growth and job creation. The Bank of Japan also continued its low-interest-rate policy, maintaining rates at 0.0 to 0.1 percent. It has stated that this policy will continue until it judges that price stability is in sight.



Source: Moody's Economy.com using data from the Bureau of Labor Statistics

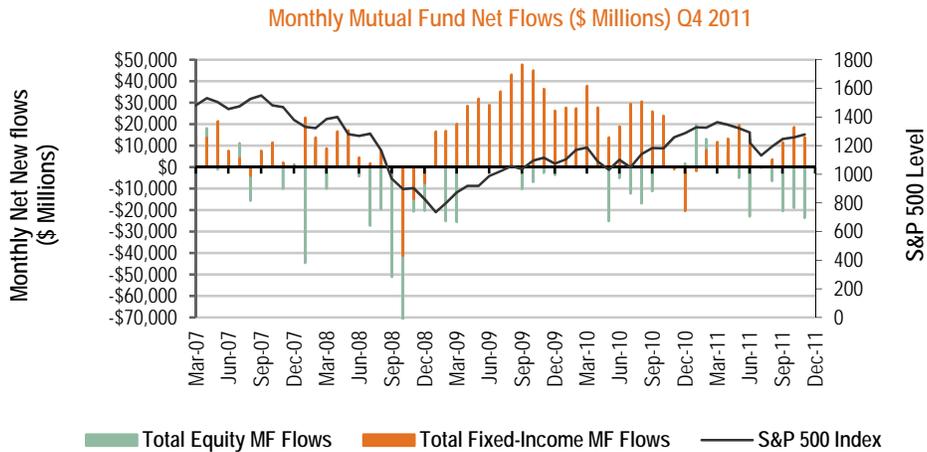
The headline Consumer Price Index (CPI)\* was unchanged in December 2011, and has increased by 3.0 percent on a year-over-year basis, marking the largest year-over-year CPI growth since 2007. The rise was mainly due to gains in energy and gasoline indices, which increased by 6.6 percent and 9.9 percent, respectively. However, these increases were less than the 2010 increase of 7.7 percent in the energy index and 13.8 percent in the gasoline index. During 2011, the food index rose 4.7 percent compared to the 1.5 percent increase in 2010. Core CPI, which excludes both food and energy prices, rose 0.1 percent in December. Over the past year, core CPI rose 2.2 percent after its historical low increase in 2010 of 0.8 percent. Both the apparel and new vehicles indices, which decelerated in 2010, experienced an increase in 2011 of 4.6 percent and 3.2 percent, respectively. The adjacent graph shows headline CPI and core CPI since December 1994.



Source: Moody's Economy.com using data from the Thomson Reuters/University of Michigan Consumer Sentiment Index

The University of Michigan Index of U.S. Consumer Sentiment is an economic indicator that measures how confident individuals are about the stability of their incomes as well as the state of the economy. Consumer confidence improved in December 2011 by 5.8 points to 69.9, continuing an upward trend throughout Q4 2011. That upward trend began in November 2008, as shown in the preceding graph. The index average, since inception, is 87.9. During non-recessionary years, the average is 88.6. The average during the five most recent recessions is

69.3. U.S. Consumer Sentiment has remained between 55.3 and 75.5 since the start of the recession in December 2007.



Source: Investment Company Institute <http://www.ici.org>

The above graph shows net flows into equity and fixed-income mutual funds. In periods of equity market declines, fixed-income mutual funds tend to experience inflows, while in periods of rising equity markets, equity mutual funds tend to experience inflows. In Q4 2011, mutual funds experienced net outflows of approximately \$16.9 billion, mainly due to over \$63.0 billion in outflows from equity funds, overshadowing the \$43.8 billion inflows fixed-income mutual funds achieved. Mutual funds experienced total net inflows of approximately \$71.3 billion for 2011, with the first half dominated by equity-fund inflows and the second half concentrated in fixed-income mutual fund inflows. While 2011 inflows were positive, they were significantly lower than 2010 and 2009 inflows, which stood at \$227.8 and \$390.0 billion, respectively.

Equity Indices	Quarter	1 Year	3 Year	5 Year	10 Year
S&P 500 ®	11.8	2.1	14.1	-0.3	2.9
Russell 3000	12.1	1.0	14.9	0.0	3.5
Russell 1000	11.8	1.5	14.8	0.0	3.3
Russell 1000 Growth	10.6	2.6	18.0	2.5	2.6
Russell 1000 Value	13.1	0.4	11.5	-2.6	3.9
Russell 2000	15.5	-4.2	15.6	0.2	5.6
Russell 2000 Growth	15.0	-2.9	19.0	2.1	4.5
Russell 2000 Value	16.0	-5.5	12.4	-1.9	6.4
MSCI EAFE (net)*	3.3	-12.1	7.6	-4.7	4.7
MSCI ACWI ex-U.S. (net)*	3.7	-13.7	10.7	-2.9	6.3
MSCI EM (net)*	4.4	-18.4	20.1	2.4	13.9

Sources: Standard & Poor's, Russell Investments and Morgan Stanley Capital International

During the fourth quarter of 2011, small cap stocks outpaced large cap stocks and value equity outperformed growth equity. The various domestic equity indices produced strong returns during the fourth quarter of 2011, which erased the negative performance produced earlier in the year. The international equity markets did not rebound as significantly and ended the calendar year with negative results. Over the trailing three-year period, the equity markets produced strong results, despite the volatility experienced in recent years. During the longer-term periods, returns remain flat to slightly positive.

Fixed-Income Indices	Quarter	1 Year	3 Year	5 Year	10 Year
BarCap Aggregate	1.1	7.8	6.8	6.5	5.8
BarCap Govt/Credit	1.2	8.7	6.6	6.5	5.9
BarCap Intermediate Govt/Credit	0.8	5.8	5.6	5.9	5.2
BarCap L/T Govt/Credit	2.6	22.5	11.2	9.7	8.5
BarCap Government	0.8	9.0	4.0	6.6	5.6
BarCap Credit	1.7	8.4	10.9	6.8	6.3
BarCap Mortgage	0.9	6.2	5.8	6.5	5.7
BofA ML US High Yield Master II	6.2	4.4	23.7	7.3	8.6
Citigroup Non-U.S. WGBI (Unhedged)	-0.5	5.2	4.9	7.2	8.4
Citigroup 3-Month T-Bill	0.0	0.1	0.1	1.4	1.9
Hueler Stable Value	0.6	2.7	3.0	3.7	4.2

The domestic fixed income indices produced strong results during the more recent and longer-term annualized periods as interest rates continued to decline during the year. Spread sectors outperformed U.S. Treasuries in the fourth quarter, led by corporate bonds and commercial mortgage-backed securities. For the year however, U.S. Treasuries outperformed most spread sectors with the exception of commercial mortgage-backed securities and asset-backed securities. The international sovereign debt market declined slightly during the fourth quarter of 2011, but produced positive returns over all other trailing periods. Domestic long-term and high yield bonds have provided the highest returns during the 3-, 5-, and 10-year periods.

## Plans Summary Report

For period ended December 31, 2011

Prepared by Segal Advisors, Inc. (narrative based on preliminary asset balances)

Assets of the Maryland Teachers & State Employees Supplemental Retirement Plans (“the Plans”) totaled \$2.483 billion as of December 31, 2012. This reflected a decrease of \$43 million from the prior calendar year-end. During 2011, the Plans received \$167 million in contributions and paid \$188 million in distributions to participants which accounted for a \$21 million decrease in Plan assets. In terms of overall asset allocation, the assets were invested as follows: 34.7% stable value, 23.5% large cap equity, 9.8% lifecycle, 7.8% balanced, 6.9% mid cap equity, 5.6% small cap equity, 5.4% fixed income, 4.8% international equity, 0.4% money market, and the remaining 1.1% was in loans. The single most popular investment option was the Investment Contract Pool, which comprised 31% of Plan assets.

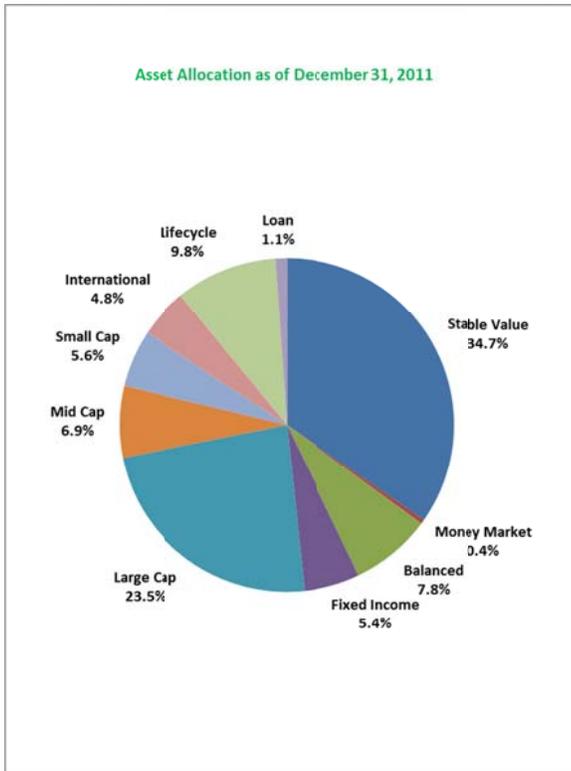
The 457 Plan comprises the largest portion of the Plans, with \$1.181 billion in assets as of December 31, 2011. As of year-end, participants’ assets were invested 43.4% stable value, 30.7% domestic equity, 8.1% lifecycle, 7.8% balanced, 4.7% fixed income, 4.3% international equity, and 1.1% loans. The largest allocation was to the Investment Contract Pool with 36.5% of participant assets.

Assets in the 401(k) Plan were valued at \$1.098 million as of December 31, 2011, which comprised 44.2% of the Plans. As of year-end, participants’ assets were invested 28.4% stable value, 39.6% domestic equity, 11.5% lifecycle, 7.6% balanced, 6.3% fixed income, 5.3% international equity, and 1.3% loans. The largest single fund allocation was the Investment Contract Pool with 28.4% of participant assets.

As of December 31, 2011, the 401(a) Plan was valued at \$139 million, which accounted for 5.6% of total Plan assets. Like the 457 and 401(k) Plans, the Investment Contract Pool was the most popular investment option with 26.4% of participant assets. As of year-end, participants’ assets were invested 26.4% stable value, 46.4% domestic equity, 10.9% lifecycle, 8.3% balanced, 3.9% fixed income, and 4.0% international equity.

The 403(b) comprised the smallest portion of the overall Plans, with \$64 million in assets. As of year-end, participants’ assets were invested 49.1% domestic equity, 15.5% money market, 11.7% balanced, 8.4% fixed income, 7.4% lifecycle, 7.4% international equity, and 0.5% in loans. The single largest option in the Plan, by participant assets was the Vanguard Institutional Index Fund.

As of December 31, 2011



Top 5 Holdings	% of Total
Investment Contract Pool	31%
Vanguard Instl Index	11%
Fidelity Puritan	8%
PIMCO Total Return	5%
Goldman Sachs Large Cap Value	4%
<b>Subtotal</b>	<b>60%</b>

Investment Categories	Market Value	% of Plan
Stable Value	\$ 870,704,838	35%
Active Core Options	\$ 884,152,891	36%
Passive Options	\$ 458,227,183	18%
LifeCycle Funds	\$ 242,141,507	10%
Loan	\$ 27,446,856	1%
<b>Total Assets</b>	<b>\$ 2,482,673,275</b>	<b>100%</b>

## Summary of the Investment Policy Statement

### Objectives of the Plans

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for eligible participants. The investment options available from the Plans cover a broad range of investment risk and rewards appropriate for these kinds of retirement savings programs. Participants bear the risk and reap the rewards of investment returns that result from the investment options they select.

A Statement of Investment Policy has been adopted by the Plan's Board of Trustees and serves the following purposes:

- To ensure that a broad range of investment options are offered to Plan participants;
- To establish an investment program that will allow Plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances;
- To define the investment categories offered by the Plans;
- To establish investment objectives and guidelines for each investment category offered within the Plans;
- To establish benchmarks and performance standards for each investment category and to evaluate each option's performance against appropriate benchmarks and standards;
- To establish a procedure for reporting and monitoring of the various funds;
- To define the procedures for investment fund evaluation and formal fund review; and

- To set guidelines and procedures for withdrawal of an investment option which, in the Board's opinion, does not, or will not, fulfill the Plans' objectives for which it was selected and replace the option with an appropriate substitute.

The Investment Policy Statement is intended to be dynamic and should be reviewed periodically and revised when appropriate.

### **Investment Categories**

The Board has chosen to offer the following categories of investments:

- Money Market Funds
- Fixed Investment Funds
- Fixed Income Funds
- Balanced Funds
- Domestic Large Cap Equity Funds
- Domestic Mid Cap Equity Funds
- Domestic Small Cap Equity Funds
- International Equity Funds
- LifeCycle Funds

Within each category of investment, more than one investment option may be offered. For many of the categories, both actively managed and passively managed funds are available. Additionally, there may be multiple styles (eg., value, growth, blend) offered. Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus or "fact sheet";
- Have its performance results measured against the applicable performance standards described herein for that investment category.

If the Plans' Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to the investment fund evaluation procedure outlined herein. From time-to-time, investment options/categories may be added to the current core line-up.

## **Investment Option Analysis**

Please refer to Exhibit A for more detailed results and mutual fund fees.

### **Stable Value/ Money Market**

**Investment Contract Pool (ICP):** As the largest option in the Plans, this stable value option was valued at \$779.9 million as of December 31, 2011. This investment option is not available in the 403(b) Plan. For the calendar year 2011, the ICP produced an annual return of 2.34%, which was below the blended policy index of the fund. Additionally, the performance was slightly below the Hueler Index which is a blended return of actual stable value pooled funds and separate account portfolios.

**Nationwide Fixed Annuity:** This option is only included in the investment line-up of the 457 Plan. Additionally, this option is frozen and therefore no longer accepting contributions. As of December 31, 2011, the value of the option was \$80.8 million. The quarterly crediting rates exceeded the treasury index during 2011.

**GW Daily Interest Guarantee, GW 36 Month CD, GW 60 Month CD, GW 84 Month CD:** These frozen investment options were previously offered in the 403(b) Plan. As of December 31, 2011, the largest fund by participant assets was the 84 month CD, which was valued at \$3.0 million. The 36 month and 60 month CDs each valued at approximately \$0.4 million, while the Daily Interest Guarantee had approximately \$0.3 million

**Vanguard Prime Money Market:** Another option only offered in the 403(b) Plan, this option has approximately \$5.8 million in assets as of December 31, 2011. Over the 1-year period, the Fund earned 0.1%, which was only slightly better than the 90 Day US Treasury Bill. During the last 5 years, the Fund earned 1.8% on an average, annual basis which was better than its benchmark.

### Passive Options

**Vanguard Total Bond Market Fund:** This passively managed core bond fund performed in line with the Barclays Capital Aggregate Bond Index across all periods involved. Participant investments in this fund were valued at \$7.8 million as of December 31, 2011.

**Vanguard Value Index:** The passively managed large cap value equity fund produced returns consistent with the MSCI US Prime Market Value Index. As of year-end, there were \$7.5 million in assets invested in this fund.

**Vanguard Institutional Index Plus:** The passively managed large cap blend equity fund approximated the performance of the S&P 500 Index across all periods. As of December 31, 2011, \$280.7 million in participant assets were invested in this fund.

**Vanguard MidCap Index Instl Plus:** The passively managed mid cap blend equity fund performs in line with the S&P Mid Cap 400 Index. Participant investments in this fund were valued at \$107.2 million as of December 31, 2011.

**Vanguard Small Cap Value Index Instl:** This passively managed small cap value equity fund produced results consistent with the MSCI US Small Cap Value Index. As of year-end, there were \$7.9 million in assets invested in this fund.

**Vanguard Small Cap Growth Index Instl:** This passively managed small cap growth equity fund produced results consistent with the MSCI US Small Cap Growth Index. As of December 31, 2011, \$35.2 million in participant assets were invested in this fund.

**Vanguard Total International Stock Instl:** This passively managed international blend fund approximated the performance of the MSCI ACWI ex-US Index. Participant investments in this fund totaled \$11.9 million of as the calendar year-end.

### Active Options

**PIMCO Total Return Fund:** This actively managed core fixed income option was valued at \$127.5 million as of December 31, 2011, comprising assets of participants from each of the four plans. For the year, the Fund underperformed the Barclays Capital Aggregate Bond Index and its peer group; however, over the trailing 5-year period the Fund exceeded the performance of the index and the median of the peer universe. In fact, the Fund ranked in the top decile over the 5-year period. As of year-end, there were \$127.5 million in participant assets invested in this fund.

**Fidelity Puritan Fund:** As of December 31, 2011, \$194.0 million of participant assets were invested in the Plan's balanced option. The Fidelity Puritan Fund lagged its blended benchmark, but ranked above the media of the balanced mutual fund universe during 2011. The Fund outpaced both comparative benchmarks during the trailing 3-year period. For the 5-year period, the Fund lagged the blended index, but performed better than the median. There were \$194.0 million of participant assets in this fund as of December 31, 2011.

**Goldman Sachs Large Cap Value Fund:** The Plan's actively managed large cap value option underperformed the Russell 1000 Value Index and the median return of the large cap value mutual fund universe during the trailing 1-, 3-, and 5-year periods. As of December 31, 2011, participant assets invested in this fund were valued at \$108.8 million.

**Neuberger Berman Partners Fund:** For the calendar year 2011, the actively managed large cap core equity option significantly underperformed the S&P 500 Index. The Fund outpaced its benchmark and the median of its peer universe; however, during the trailing 5-year period it lagged both the market index and median return. Participant assets invested in this fund were valued at \$88.6 million as of December 31, 2011.

**Parnassus Equity Income Instl:** The large cap blend equity, socially responsible option, outperformed the S&P 500 Index during 2011. Additionally, the fund outpaced the market index and the median of its peer universe during the trailing 3- and 5-year periods. As of December 31, 2011, there were \$2.9 million in participant balances.

**American Funds Growth Fund of America:** For the trailing 1-year period, the Plan's actively managed large cap growth option underperformed its benchmark and the median return of the large cap growth equity mutual fund universe. The Fund also underperformed both comparative measures during the trailing 3- and 5-year periods. There were \$94.6 million in participant assets invested in this fund as of year-end.

**T. Rowe Price MidCap Value:** The Plan's actively managed mid cap value equity fund lagged the Russell Mid Cap Value Index and the median of the mid cap value equity mutual fund universe during the trailing 1-year. The Fund exceeded the performance of the median during the trailing 3-year period, and during the trailing 5-year period, the Fund outpaced both benchmarks. As of year-end, participant assets invested in this fund were valued at \$38.6 million.

**Morgan Stanley Instl Trust:** For the calendar year 2011, the fund underperformed the Russell Mid Cap Growth Index and the median of the mid cap growth mutual fund universe. During the annualized 3- and 5-year periods, the fund outperformed its market benchmark and ranked in the top quartile among its peer group. The participant balances in the fund totaled \$26.7 million as of December 31, 2011.

**T Rowe Price Small Cap Stock:** The Plan's actively managed small cap blend equity fund performed above the relevant market index and median of its peer universe. Additionally, the fund exceeded both of these benchmarks during the trailing 3- and 5- year periods. As of December 31, 2011, participant assets invested in this fund were valued at \$95.0 million.

**American Funds EuroPacific Growth Fund:** During the trailing 1-year period, the Plan's actively managed international equity fund matched the performance of the MSCI ACWI ex-US Index, but lagged the median of the international large cap equity mutual fund universe. During the 3-year annualized period, the Fund outpaced the median of its peer group, but lagged the index; however during the 5-year annualized period, the fund performed above both benchmarks. At year-end, the total value of Plan assets invested in this fund was \$107.5 million.

**T Rowe Price Retirement Funds:** The T Rowe Price Retirement Funds are the Plan's lifecycle option. Participants had invested \$242.1 million in the 12 lifecycle funds as of December 31, 2011. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative

allocations as retirement date approaches. For 2011, the most conservative fund earned 1.4%, while the most aggressive fund which would be for participants with retirement approximately 40 years out, the fund declined 3.4%. On an annualized 5 year basis, the funds for participants that are in or are close to retirement produced returns of approximately 2.5-3.4%, whereas, funds for those younger employees earned 0.4%. The following table illustrates the broad asset allocation of each of the specific funds as of December 31, 2011.

	<u>Domestic Fixed</u>	<u>Domestic Equity</u>	<u>Int'l Equity</u>	<u>Int'l Fixed</u>	<u>Other</u>
<b>T Rowe Price Rtmt Income</b>	46.9%	30.8%	11.1%	9.4%	1.8%
<b>T Rowe Price Rtmt 2005</b>	40.4%	34.0%	12.1%	11.5%	2.0%
<b>T Rowe Price Rtmt 2010</b>	34.0%	39.3%	14.7%	10.1%	1.9%
<b>T Rowe Price Rtmt 2015</b>	25.9%	45.0%	17.5%	8.5%	3.1%
<b>T Rowe Price Rtmt 2020</b>	19.7%	50.3%	20.2%	6.9%	2.9%
<b>T Rowe Price Rtmt 2025</b>	13.8%	54.5%	22.3%	5.2%	4.2%
<b>T Rowe Price Rtmt 2030</b>	9.4%	58.8%	24.4%	3.9%	3.5%
<b>T Rowe Price Rtmt 2035</b>	5.9%	61.6%	25.8%	2.5%	4.2%
<b>T Rowe Price Rtmt 2040</b>	5.0%	62.7%	26.5%	2.1%	3.7%
<b>T Rowe Price Rtmt 2045</b>	4.9%	62.5%	26.3%	2.0%	4.3%
<b>T Rowe Price Rtmt 2050</b>	4.8%	62.4%	26.3%	2.0%	4.5%
<b>T Rowe Price Rtmt 2055</b>	4.8%	62.3%	26.1%	2.0%	4.8%

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**Maryland Teachers State Employees Supplemental Rmt Plans**  
As of December 31, 2011

	Year					Expense Ratio
	1 Quarter	To Date	1 Year	3 Years	5 Years	
<b>Maryland Investment Contract Pool</b>	<b>0.58</b>	<b>2.34</b>	<b>2.34</b>	<b>2.36</b>	<b>3.30</b>	
Hueler Stable Value Pooled Fund Index	0.63	2.70	2.70	2.98	3.69	
<b>Nationwide Fixed Account (4Q11 Crediting Rate: 4.1%)</b>						
BofA Merrill Lynch 1-3 Year Treasury	0.20	1.55	1.55	1.56	3.69	
<b>Vanguard Prime Money Mkt Instl</b>	<b>0.03</b>	<b>0.14</b>	<b>0.14</b>	<b>0.34</b>	<b>1.83</b>	<b>0.09</b>
90 Day U.S. Treasury Bill	0.00	0.08	0.08	0.13	1.46	
<b>Vanguard Total Bond Mkt Sig</b>	<b>0.97</b>	<b>7.69</b>	<b>7.69</b>	<b>6.75</b>	<b>6.48</b>	<b>0.11</b>
Barclays Capital Aggregate	1.12	7.84	7.84	6.77	6.50	
IM U.S. Broad Market Core Fixed Income (MF) Median	1.32	6.54	6.54	8.92	5.95	
Vanguard Total Bond Mkt Sig Rank	80	14	14	85	32	
<b>Vanguard Value Index Instl</b>	<b>12.49</b>	<b>1.17</b>	<b>1.17</b>	<b>11.54</b>	<b>-2.27</b>	<b>0.08</b>
MSCI US Prime Market Value	12.52	1.26	1.26	11.51	-2.32	
IM U.S. Large Cap Value Equity (MF) Median	12.20	-2.20	-2.20	10.81	-2.61	
Vanguard Value Index Instl Rank	42	17	17	36	43	
<b>Vanguard Instl Index Plus</b>	<b>11.83</b>	<b>2.12</b>	<b>2.12</b>	<b>14.18</b>	<b>-0.20</b>	<b>0.02</b>
S&P 500	11.82	2.11	2.11	14.11	-0.25	
IM U.S. Large Cap Core Equity (MF) Median	11.25	-0.50	-0.50	12.81	-0.71	
Vanguard Instl Index Plus Rank	29	23	23	25	38	
<b>Vanguard MidCap Index Instl Plus</b>	<b>12.13</b>	<b>-1.91</b>	<b>-1.91</b>	<b>N/A</b>	<b>N/A</b>	<b>0.06</b>
S&P MidCap 400	12.98	-1.73	-1.73	19.57	3.32	
IM U.S. Mid Cap Core Equity (MF) Median	12.75	-3.19	-3.19	17.48	1.21	
Vanguard MidCap Index Instl Plus Rank	65	31	31	N/A	N/A	
<b>Vanguard Small Cap Value Index Instl</b>	<b>15.28</b>	<b>-3.97</b>	<b>-3.97</b>	<b>16.19</b>	<b>-0.14</b>	<b>0.19</b>
MSCI US Small Cap Value	15.24	-4.05	-4.05	16.05	-0.25	
IM U.S. Small Cap Value Equity (MF) Median	16.32	-4.77	-4.77	16.07	-0.08	
Vanguard Small Cap Value Index Instl Rank	69	42	42	48	52	
<b>Vanguard Small Cap Growth Index Instl</b>		<b>-1.40</b>	<b>-1.40</b>	<b>22.43</b>	<b>3.90</b>	<b>0.08</b>
MSCI US Small Cap Growth	14.84	-1.53	-1.53	22.25	3.72	
IM U.S. Small Cap Growth Equity (MF) Median	13.31	-3.37	-3.37	19.17	1.63	
Vanguard Small Cap Growth Index Instl Rank	30	32	32	19	16	
<b>Vanguard Total Intl Stock Instl</b>	<b>4.19</b>	<b>-14.51</b>	<b>-14.51</b>	<b>N/A</b>	<b>N/A</b>	<b>0.15</b>
MSCI AC World ex USA	3.77	-13.33	-13.33	11.20	-2.48	
IM International Large Cap Core Equity (MF) Median	4.60	-12.67	-12.67	6.75	-4.85	
Vanguard Total Intl Stock Instl Rank	59	77	77	N/A	N/A	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

**Maryland Teachers State Employees Supplemental Rmt Plans**  
As of December 31, 2011

<b>PIMCO Total Return Instl</b>	<b>2.22</b>	<b>4.16</b>	<b>4.16</b>	<b>8.89</b>	<b>8.10</b>	<b>0.46</b>
Barclays Capital Aggregate	1.12	7.84	7.84	6.77	6.50	
IM U.S. Broad Market Core Fixed Income (MF) Median	1.32	6.54	6.54	8.92	5.95	
PIMCO Total Return Instl Rank	6	89	89	52	4	
<b>Fidelity Puritan Fund</b>	<b>6.25</b>	<b>0.67</b>	<b>0.67</b>	<b>13.30</b>	<b>1.81</b>	<b>0.61</b>
60% S&P 500 / 40% BC Agg	7.54	4.69	4.69	11.60	2.84	
IM All Balanced (MF) Median	6.08	-1.34	-1.34	11.78	1.13	
Fidelity Puritan Fund Rank	47	31	31	21	36	
<b>Goldman Sachs Large Cap Value Instl</b>	<b>11.27</b>	<b>-7.45</b>	<b>-7.45</b>	<b>9.27</b>	<b>-3.11</b>	<b>0.77</b>
Russell 1000 Value Index	13.11	0.39	0.39	11.55	-2.64	
IM U.S. Large Cap Value Equity (MF) Median	12.20	-2.20	-2.20	10.81	-2.61	
Goldman Sachs Large Cap Value Instl Rank	76	89	89	78	63	
<b>Neuberger Berman Partners Instl</b>	<b>10.99</b>	<b>-11.10</b>	<b>-11.10</b>	<b>17.11</b>	<b>-3.15</b>	<b>0.69</b>
S&P 500	11.82	2.11	2.11	14.11	-0.25	
IM U.S. Large Cap Core Equity (MF) Median	11.25	-0.50	-0.50	12.81	-0.71	
Neuberger Berman Partners Instl Rank	60	98	98	5	89	
<b>Parnassus Equity Income Instl</b>	<b>11.05</b>	<b>3.40</b>	<b>3.40</b>	<b>13.30</b>	<b>5.14</b>	<b>0.75</b>
S&P 500	11.82	2.11	2.11	14.11	-0.25	
IM U.S. Large Cap Core Equity (MF) Median	11.25	-0.50	-0.50	12.81	-0.71	
Parnassus Equity Income Instl Rank	58	17	17	41	1	
<b>American Funds Growth Fund of American R6</b>	<b>8.64</b>	<b>-4.53</b>	<b>-4.53</b>	<b>N/A</b>	<b>N/A</b>	<b>0.33</b>
<b>American Funds Gro;R-5 (RGAFX)</b>	<b>8.64</b>	<b>-4.59</b>	<b>-4.59</b>	<b>13.18</b>	<b>-0.29</b>	<b>0.38</b>
Russell 1000 Growth Index	10.61	2.64	2.64	18.02	2.50	
IM U.S. Large Cap Growth Equity (MF) Median	9.35	-1.72	-1.72	15.25	0.88	
American Funds Growth Fund of American R6 Rank	65	77	77	N/A	N/A	
<b>T Rowe Price MidCap Value</b>	<b>8.97</b>	<b>-4.82</b>	<b>-4.82</b>	<b>17.59</b>	<b>1.36</b>	<b>0.84</b>
Russell Midcap Value Index	13.37	-1.38	-1.38	18.19	0.04	
IM U.S. Mid Cap Value Equity (MF) Median	13.37	-4.19	-4.19	16.44	-0.68	
T Rowe Price MidCap Value Rank	99	57	57	38	23	
<b>Morgan Stanley Instl Trust</b>	<b>3.35</b>	<b>-6.89</b>	<b>-6.89</b>	<b>25.63</b>	<b>5.15</b>	<b>0.69</b>
Russell Midcap Growth Index	11.24	-1.65	-1.65	22.06	2.44	
IM U.S. Mid Cap Growth Equity (MF) Median	10.33	-4.37	-4.37	19.34	2.31	
Morgan Stanley Instl Trust Rank	96	71	71	5	15	
<b>T Rowe Price Small Cap Stock</b>	<b>16.80</b>	<b>-0.09</b>	<b>-0.09</b>	<b>22.39</b>	<b>3.72</b>	<b>0.92</b>
Russell 2000 Index	15.47	-4.18	-4.18	15.63	0.15	
IM U.S. Small Cap Core Equity (MF) Median	15.28	-2.97	-2.97	16.62	0.40	
T Rowe Price Small Cap Stock Rank	29	21	21	7	11	
<b>American Funds EuroPacific Growth R6</b>	<b>4.59</b>	<b>-13.31</b>	<b>-13.31</b>	<b>N/A</b>	<b>N/A</b>	<b>0.50</b>
<b>American Funds EuPc;R-5 (RERFX)</b>	<b>4.59</b>	<b>-13.33</b>	<b>-13.33</b>	<b>9.89</b>	<b>-1.16</b>	<b>0.55</b>
MSCI AC World ex USA	3.77	-13.33	-13.33	11.20	-2.48	
IM International Large Cap Core Equity (MF) Median	4.60	-12.67	-12.67	6.75	-4.85	
American Funds EuroPacific Growth R6 Rank	51	62	62	N/A	N/A	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.

**Maryland Teachers State Employees Supplemental Rtmt Plans**  
As of December 31, 2011

<b>T Rowe Price Rtmt Income</b>	<b>5.12</b>	<b>1.43</b>	<b>1.43</b>	<b>10.88</b>	<b>3.38</b>	<b>0.56</b>
T. Rowe Price Retirement Income Fund	4.61	1.76	1.76	8.08	2.56	
IM Mixed-Asset Target Alloc Consv (MF) Median	3.96	2.03	2.03	10.32	3.13	
T Rowe Price Rtmt Income Rank	15	67	67	38	42	
<b>T Rowe Price Rtmt 2005</b>	<b>5.72</b>	<b>1.43</b>	<b>1.43</b>	<b>12.10</b>	<b>3.16</b>	<b>0.58</b>
T. Rowe Price Retirement 2005	5.00	2.38	2.38	9.68	2.65	
IM Mixed-Asset Target 2010 (MF) Median	4.66	0.79	0.79	11.25	1.74	
T Rowe Price Rtmt 2005 Rank	14	34	34	26	14	
<b>T. Rowe Price Retire 2010</b>	<b>6.37</b>	<b>0.54</b>	<b>0.54</b>	<b>13.18</b>	<b>2.53</b>	<b>0.61</b>
T. Rowe Price Retirement 2010	5.78	1.81	1.81	10.71	2.17	
IM Mixed-Asset Target 2010 (MF) Median	4.66	0.79	0.79	11.25	1.74	
T. Rowe Price Retire 2010 Rank	6	57	57	8	29	
<b>T. Rowe Price Retire 2015</b>	<b>7.07</b>	<b>-0.32</b>	<b>-0.32</b>	<b>14.21</b>	<b>2.11</b>	<b>0.65</b>
T. Rowe Price Retirement 2015	6.63	1.09	1.09	11.58	1.73	
IM Mixed-Asset Target 2015 (MF) Median	5.32	-0.33	-0.33	11.49	1.05	
T. Rowe Price Retire 2015 Rank	3	50	50	2	26	
<b>T. Rowe Price Retire 2020</b>	<b>7.78</b>	<b>-1.20</b>	<b>-1.20</b>	<b>15.01</b>	<b>1.55</b>	<b>0.69</b>
T. Rowe Price Retirement 2020	7.34	0.48	0.48	12.30	1.24	
IM Mixed-Asset Target 2020 (MF) Median	5.89	-0.51	-0.51	11.94	0.76	
T. Rowe Price Retire 2020 Rank	3	63	63	2	21	
<b>T. Rowe Price Retire 2025</b>	<b>8.18</b>	<b>-2.06</b>	<b>-2.06</b>	<b>15.48</b>	<b>1.06</b>	<b>0.72</b>
T. Rowe Price Retirement 2025	8.00	-0.22	-0.22	12.83	0.78	
IM Mixed-Asset Target 2025 (MF) Median	6.78	-2.06	-2.06	12.52	-0.25	
T. Rowe Price Retire 2025 Rank	9	50	50	1	23	
<b>T. Rowe Price Retire 2030</b>	<b>8.75</b>	<b>-2.70</b>	<b>-2.70</b>	<b>15.92</b>	<b>0.69</b>	<b>0.74</b>
T. Rowe Price Retirement 2030	8.54	-0.79	-0.79	13.19	0.39	
IM Mixed-Asset Target 2030 (MF) Median	7.17	-2.59	-2.59	12.63	-0.70	
T. Rowe Price Retire 2030 Rank	5	55	55	3	11	
<b>T. Rowe Price Retire 2035</b>	<b>9.05</b>	<b>-3.26</b>	<b>-3.26</b>	<b>16.10</b>	<b>0.43</b>	<b>0.76</b>
T. Rowe Price Retirement 2035	8.96	-1.37	-1.37	13.44	0.15	
IM Mixed-Asset Target 2035 (MF) Median	8.10	-3.35	-3.35	12.66	-0.91	
T. Rowe Price Retire 2035 Rank	9	46	46	1	21	
<b>T. Rowe Price Retire 2040</b>	<b>9.24</b>	<b>-3.49</b>	<b>-3.49</b>	<b>16.07</b>	<b>0.42</b>	<b>0.76</b>
T. Rowe Price Retirement 2040	9.09	-1.46	-1.46	13.43	0.14	
IM Mixed-Asset Target 2040 (MF) Median	8.19	-3.94	-3.94	12.89	-1.28	
T. Rowe Price Retire 2040 Rank	10	40	40	3	5	
<b>T. Rowe Price Retire 2045</b>	<b>9.12</b>	<b>-3.47</b>	<b>-3.47</b>	<b>16.06</b>	<b>0.43</b>	<b>0.76</b>
T. Rowe Price Retirement 2045	9.09	-1.46	-1.46	13.43	0.14	
IM Mixed-Asset Target 2045 (MF) Median	8.80	-4.03	-4.03	12.77	-1.56	
T. Rowe Price Retire 2045 Rank	27	34	34	1	21	
<b>T. Rowe Price Retire 2050</b>	<b>9.19</b>	<b>-3.36</b>	<b>-3.36</b>	<b>16.05</b>	<b>0.43</b>	<b>0.76</b>
T. Rowe Price Retirement 2050 Index	9.09	-1.46	-1.46	13.43	0.14	
IM Mixed-Asset Target 2050+ (MF) Median	8.70	-4.49	-4.49	12.78	-1.72	
T. Rowe Price Retire 2050 Rank	23	20	20	4	1	
<b>T. Rowe Price Retire 2055</b>	<b>9.12</b>	<b>-3.35</b>	<b>-3.35</b>	<b>16.07</b>	<b>0.41</b>	<b>0.76</b>
T. Rowe Price Retirement 2055 Index	9.09	-1.46	-1.46	13.43	0.14	
IM Mixed-Asset Target 2050+ (MF) Median	8.70	-4.49	-4.49	12.78	-1.72	
T. Rowe Price Retire 2055 Rank	29	20	20	3	4	

Returns for periods greater than one year are annualized.  
Returns are expressed as percentages.



# Maryland Teachers & State Employees Supplemental Retirement Plans

William Donald Schaefer Tower ~ 6 Saint Paul Street ~ Suite 200 ~ Baltimore, Maryland 21202-1608  
Phone 410-767-8740 or 1-800-543-5605 Fax 410-659-0349

## Investment Contract Pool Separate Account Report as of December 31, 2011

### Objective

The MSRP Investment Contract Pool ("ICP") seeks to preserve principal value and provide a relatively stable rate of return comparable to intermediate fixed-income yields over two to five years.

Note: While this ICP Report is constructed on a quarterly basis, the monthly crediting rate is reported on the [www.MarylandDC.com](http://www.MarylandDC.com) homepage.

### Risks

This investment is not FDIC insured or guaranteed by the federal or state government. Like all investments the ICP has risks and may not meet its investment objectives, including the objective of a constant principal value. A detailed description of these risks is contained in the ICP overview document, available on the MSRP web site, or on request. Investors should also note that the ICP is not a money market fund and has different risk characteristics than a money market fund.

### Investment Overview

The ICP invests in a diversified portfolio of stable value contracts issued by banks, insurance companies, and other financial institutions, and a variety of fixed income instruments including U.S. Government and agency securities, mortgage-backed securities, asset-backed securities, and corporate bonds. Investors earn the average return received under all contracts in effect at any point in time. The ICP's return is affected by the general level of interest rates as well as by cash flows, including those from employer and employee contributions, withdrawals, and transfers into and out of the ICP. The average duration of the ICP's investments will be approximately two to four years. The average credit quality of the ICP's investments will generally be AA (or its equivalent), although individual securities or contracts purchased for the ICP may have a lower credit quality rating.

### ICP Characteristics

Assets	\$780,099,811
Average Credit Quality (See Profile) <sup>1</sup>	AA-
Average Duration	2.65
Previous monthly crediting rate (annualized)	2.38%
Inception Date	1987
Manager	DB Advisors

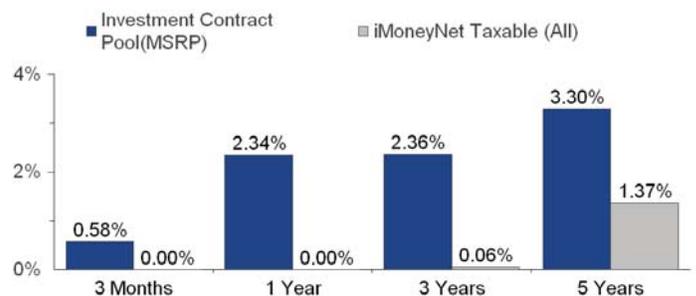
### Sector Allocations<sup>3,5</sup>

Asset Backed	2.4%
CMBS	2.8%
Corporate	28.0%
Govt Related	3.6%
Mortgage	24.4%
STIF	9.3%
Traditional GIC	5.3%
US Agency	3.2%
US Treasury	24.2%
Wrapper Exposure	-3.2%

### Credit Profile<sup>3,4</sup>

STIF/A-1	7.2%
AAA	33.4%
AA+	27.1%
AA	2.5%
AA-	5.3%
A+	2.1%
A	5.6%
A-	5.7%
BBB+	4.5%
BBB	4.2%
BBB-	1.8%
BB+ & Below	0.6%

### Performance<sup>6</sup>



<sup>1</sup> Represents the weighted average credit quality.

<sup>2</sup> Prior to July 2006 ING Stable Value Product Group, a division of ING Life Insurance and Annuity Company provided management services.

<sup>3</sup> Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding.

<sup>4</sup> As rated by Standard & Poor's or equivalent by any other rating services.

<sup>5</sup> CMBS means Commercial Mortgage Backed Securities. Wrapper exposure represents the difference between the book value of the wrapper contracts and the market value of the underlying fixed income securities as a percentage of the book value of the entire Fund. A positive wrapper exposure denotes that the Fund's book value exceeds the market value of the underlying assets and the issuer of the wrapper contract has a potential liability to the Fund. A

negative wrapper exposure means that the market value of the underlying assets exceeds the book value of the wrapper and the Fund may have a potential liability to the contract issuer.

<sup>6</sup> Performance shown is net of Investment Management fees. Past performance is not indicative of future results. Figures greater than one year are annualized. The returns herein are not necessarily indicative of the returns that may be achieved over the longer term. There is no assurance that comparable returns will be achieved in the future or that the ICP's investment objective will be achieved. The results portrayed reflect the reinvestment of dividends and other earnings. The iMoneyNet Inc. Money Fund Report Averages is a service of iMoneyNet Inc. (formerly the IBC Financial Data Inc.) and are averages for categories of similar money market funds. Investors cannot invest in an average.



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# Investment Contract Pool

## Separate Account Report as of December 31, 2011

### Strategy Overview

Assets in the Investment Contract Pool are held in trust for the benefit of participants of the MSRP. Participant investments made in the ICP are credited with a daily blended interest rate. Periodically an anticipated monthly or quarterly rate is declared, but not guaranteed. This quoted rate is net of all fees and expenses directly related to the ICP. This average annual expense fee will vary, but typically is approximately 0.35%, annualized. This fee does not include the monthly account fee of fifty-cents or the monthly asset fee assessed on all participants by the Maryland Board of Trustees ("Board") and Nationwide Retirement Solutions, which will total 0.19%, annualized.

The ICP typically invests in the following investments:

(1) Short term cash investments for general account liquidity; (2) Stable value pooled funds, which are stable value commingled bank trusts; (3) General Account Investment Contracts ("GICs" or "BICs"), which are issued by insurance companies or banks and maintain a constant principal valuation while earning interest; and (4) Synthetic GICs, which also allow for principal stability while earning interest. The key difference is that Synthetic GICs are the result of fixed income portfolios owned by the ICP and managed by independent fixed income managers, which generate investment income to pay interest, combined with wrapper contracts issued by insurance companies, banks, and other high-quality financial institutions, which help maintain the principal stability of the ICP.

### ICP Investment Policy

The ICP is managed according to a detailed investment policy established by the Board, which is available upon request.

### Further Information

For information about the Maryland Supplemental Retirement Plans, investment option booklets, and other general information or to arrange educational seminars, please go to the MSRP website at [www.msrp.state.md.us](http://www.msrp.state.md.us). For additional information about the Plans, financial planning calculators, performance information, mutual fund prospectuses, Plan forms, and to enroll or access an account, please log on to the Nationwide Retirement Solutions MSRP participant website at [www.MarylandDC.com](http://www.MarylandDC.com).

You may also call the MSRP at 410-767-8740 / 1-800-543-5605 (office hours: Monday thru Friday, 8:30 a.m. to 5:00 p.m.) or e-mail us at [info@msrp.state.md.us](mailto:info@msrp.state.md.us). Or you may call the Nationwide Retirement Solutions Team MSRP Customer Service Center at 1-800-545-4730.

<sup>7</sup> Ratings are Standard and Poor's Rating Service, Moody's Investor Services, and Fitch, or its equivalent as determined by the manager, respectively.

<sup>8</sup> Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding.

<sup>9</sup> Fixed income portfolios managed by these fixed income advisors are combined with benefit responsive wrapper contracts to form Synthetic GICs.

NOT FDIC INSURED | MAY LOSE VALUE  
NO BANK GUARANTEE | NOT A DEPOSIT  
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

### ICP Investments <sup>7,8</sup>

#### Short Term Investment Funds (STIF)

BONY STIF	A-1	P-1	F1	6.9%
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#### General Account GIC

Jackson National Life Insurance Co.	AA	A1	AA	1.2%
Principal Life Insurance Company	A	Aa3	AA-	1.2%
Prudential Insurance Co. of America	AA-	A2	A+	2.9%

#### Synthetic GICs / Wrapper Issuers

Bank of America, N.A.	A	A2	A	-0.9%
Monumental Life Insurance Co.	AA-	A1	AA-	-0.7%
Natixis Financial Products LLC	A+	Aa3	A+	-0.7%
Royal Bank of Canada	AA-	Aa1	AA	-0.8%

### Fixed income portfolios within Synthetic GICs <sup>8,9</sup>

Goode Investment Management	15.3%
Hartford Investment Management Company(HIMCO)	22.4%
J.P. Morgan Investment Management Inc.	19.6%
PIMCO	33.7%

The MSRP Investment Contract Pool is not a mutual fund, therefore there is no prospectus. It is a separately managed account, which may utilize collective investment trusts as part of its investment strategy. Unit price, yield, and return may vary.

The comments, opinions and estimates contained herein are based on or derived from publicly available information from sources that we believe to be reliable. We do not guarantee their accuracy. This material is for informational purposes only and sets forth our views as of this date. The underlying assumptions and these views are subject to change without notice.

# Maryland Teachers & State Employees Supplemental Retirement Plans

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## Investment Performance Report October 1, 2011 to December 31, 2011



MSRP

The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's units or shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted.

Performance data current to the most recent month-end may be obtained by visiting: [MarylandDC.com](http://MarylandDC.com). Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The underlying fund prospectuses contain this and other information about the investment company. Prospectuses are available by calling 1-800-545-4730. Read carefully before investing.

Gross expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. For more information about gross expense ratios, read the fund's prospectus. The rates of return do not reflect a maximum deduction of a 0.19% annual plan asset fee, which, if reflected, would reduce the performance shown. No account will be charged more than \$2,000 for the year. The rates for the Investment Contract Pool are after the deduction of any carrier charges. Please see other important disclosures at the end of this report.

VRU	Fixed Investment Option	Jan '12	Dec '11	Nov '11						
283	Investment Contract Pool	2.33%	2.38%	2.36%						
VRU	Variable Investment Option	Morningstar Category		1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
VRU	Short-Term Investments									
725	Vanguard Prime Money Market Fund Inst	Money Market		0.14%	0.34%	1.83%	2.17%	3.97%	10/03/1989	0.09%
	Current Yield: 0.09%									
	Citigroup 3-month T-bill			0.08%	0.12%	1.36%	1.85%			
VRU	Bonds									
654	PIMCO Total Return Fund Inst	Intermediate-Term Bond		4.16%	8.87%	8.09%	6.80%	8.28%	05/11/1987	0.46% <sup>†</sup>
	Intermediate Term Bond Index									
	Barclays Capital US Aggregate Bond			7.84%	6.77%	6.50%	5.78%			
782	Vanguard Total Bond Market Index Sgnl	Intermediate-Term Bond		7.69%	6.76%	6.49%	N/A	6.51%	09/01/2006	0.11%
	Intermediate Term Bond Index									
	Barclays Capital Intermediate Government Bond			6.08%	3.54%	5.86%	4.89%			
VRU	Balanced									
199	Fidelity Puritan Fund <sup>(a)</sup>	Moderate Allocation		0.67%	13.30%	1.81%	4.92%	10.93%	04/16/1947	0.60%
	Balanced Index									
	60% S&P 500/40% Barclays Capital Aggregate Bond			4.69%	11.60%	2.84%	4.40%			
VRU	Large-Cap Stocks									
375	Neuberger Berman Partners Fund Inst <sup>(a)</sup>	Large Blend		-11.10%	17.11%	-3.15%	3.33%	12.47%	01/17/1975	0.69%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			2.11%	14.11%	-0.25%	2.92%			
740	Vanguard Instl Index Fund Plus	Large Blend		2.12%	14.18%	-0.20%	2.97%	4.15%	07/07/1997	0.02%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			2.11%	14.11%	-0.25%	2.92%			
856	Parnassus Equity Income Fund Fund Inst <sup>(a)</sup>	Large Blend		3.40%	13.30%	5.15%	6.32%	9.58%	08/31/1992	0.75%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			2.11%	14.11%	-0.25%	2.92%			
834	American Funds Growth Fund of America R6	Large Growth		-4.53%	13.22%	-0.25%	3.97%	13.54%	11/30/1973	0.33%
	Large Cap Growth Index									
	Russell 1000 Growth			2.64%	18.02%	2.50%	2.60%			
776	Goldman Sachs Large Cap Value Inst <sup>(a)</sup>	Large Value		-7.45%	9.27%	-3.11%	3.58%	3.38%	12/15/1999	0.77%
	Large Cap Value Index									
	Russell 1000 Value			0.39%	11.55%	-2.64%	3.89%			
844	Vanguard Value Index Fund Inst	Large Value		1.17%	11.54%	-2.27%	3.54%	3.07%	07/02/1998	0.08%
	Large Cap Value Index									
	MSCI US Prime Market Value Index			-1.54%	8.35%	-5.16%	0.94%			
VRU	Mid-Cap Stocks									
899	Vanguard Midcap Index Inst Plus	Mid Cap Blend		-1.73%	N/A	N/A	N/A	0.19%	12/09/2010	0.06%
	Mid Cap Blend Index									
	S&P 400 Midcap Index			1.73%	19.57%	3.32%	7.04%			
846	Morgan Stanley Institutional Fund Trust Inst	Mid Cap Growth		-6.89%	25.63%	5.15%	7.27%	12.61%	03/30/1990	0.69%
	Mid Cap Growth Index									
	Russell Midcap Growth			-1.65%	22.06%	2.44%	5.29%			
802	T. Rowe Price Midcap Value <sup>(a)</sup>	Mid Cap Value		-4.82%	17.59%	1.36%	7.96%	10.47%	06/28/1996	0.81%
	Mid Cap Value Index									
	Russell Midcap Value			-1.38%	18.19%	0.04%	7.67%			

VRU	Variable Investment Option	Morningstar Category	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
<b>VRU Small-Cap Stocks</b>									
526	<b>T. Rowe Price Small Cap Stock Fund</b> <sup>(a)</sup>	Small Blend	-0.09%	22.39%	3.72%	7.07%	12.84%	06/01/1956	0.92%
	Small Cap Blend Index								
	Russell 2000 Blend		-4.18%	15.63%	0.15%	5.62%			
726	<b>Vanguard Small Cap Growth Index Fund</b>	Small Cap Growth	-1.40%	22.43%	3.90%	7.61%	6.91%	05/24/2000	0.08%
	Small Cap Growth Index								
	MSCI US Small Cap Growth		-1.90%	21.79%	3.36%	5.76%			
839	<b>Vanguard Small Cap Value Index Fund Inst</b>	Small Cap Value	-3.97%	16.19%	-0.14%	6.30%	8.35%	12/07/1999	0.19%
	Small Cap Value Index								
	MSCI US Small Cap Value		-6.22%	13.27%	-2.65%	5.10%			
<b>VRU International Stocks</b>									
835	<b>American Funds Euro Pacific Growth R6</b>	Foreign Large Blend	-13.31%	9.91%	-1.13%	6.88%	11.46%	04/16/1984	0.50%
	International Index								
	MSCI EAFE (Net)		-12.14%	7.65%	-4.72%	4.67%			
883	<b>Vanguard Total International Stock Index Inst</b>	Foreign Large Blend	-14.51%	N/A	N/A	N/A	-7.80%	11/29/2010	0.15%
	International Index								
	MSCI All Country World Ex US		-13.71%	10.70%	-2.92%	6.31%			
<b>VRU Retirement Funds*</b>									
724	<b>T. Rowe Price Retirement Income Fund</b> <sup>(a)</sup>	Retirement Income	1.43%	10.88%	3.37%	N/A	6.44%	09/30/2002	0.56%
	Combined Index Portfolio Income		1.81%	8.09%	2.57%	N/A			
715	<b>T. Rowe Price Retirement 2005 Fund</b> <sup>(a)</sup>	Target-Date 2000-2010	1.43%	12.10%	3.16%	N/A	5.08%	02/27/2004	0.58%
	Combined Index Portfolio 2005		2.38%	9.67%	2.64%	N/A			
716	<b>T. Rowe Price Retirement 2010 Fund</b> <sup>(a)</sup>	Target-Date 2000-2010	0.54%	13.18%	2.53%	N/A	7.68%	09/30/2002	0.61%
	Combined Index Portfolio 2010		1.80%	10.71%	2.17%	N/A			
717	<b>T. Rowe Price Retirement 2015 Fund</b> <sup>(a)</sup>	Target Date 2011-2015	-0.32%	14.21%	2.11%	N/A	4.98%	02/27/2004	0.65%
	Combined Index Portfolio 2015		1.11%	11.59%	1.73%	N/A			
718	<b>T. Rowe Price Retirement 2020 Fund</b> <sup>(a)</sup>	Target Date 2016-2020	-1.20%	15.01%	1.55%	N/A	8.07%	09/30/2002	0.69%
	Combined Index Portfolio 2020		0.47%	12.29%	1.23%	N/A			
719	<b>T. Rowe Price Retirement 2025 Fund</b> <sup>(a)</sup>	Target Date 2021-2025	-2.06%	15.48%	1.06%	N/A	4.76%	02/27/2004	0.72%
	Combined Index Portfolio 2025		-0.20%	12.83%	0.78%	N/A			
720	<b>T. Rowe Price Retirement 2030 Fund</b> <sup>(a)</sup>	Target Date 2026-2030	-2.70%	15.92%	0.69%	N/A	8.26%	09/30/2002	0.74%
	Combined Index Portfolio 2030		-0.80%	13.20%	0.40%	N/A			
721	<b>T. Rowe Price Retirement 2035 Fund</b> <sup>(a)</sup>	Target Date 2031-2035	-3.26%	16.10%	0.43%	N/A	4.53%	02/27/2004	0.76%
	Combined Index Portfolio 2035		-1.36%	13.44%	0.15%	N/A			
722	<b>T. Rowe Price Retirement 2040 Fund</b> <sup>(a)</sup>	Target Date 2036-2040	-3.49%	16.07%	0.42%	N/A	8.14%	09/30/2002	0.76%
	Combined Index Portfolio 2040		-1.46%	13.43%	0.14%	N/A			
723	<b>T. Rowe Price Retirement 2045 Fund</b> <sup>(a)</sup>	Target Date 2041-2045	-3.47%	16.06%	0.43%	N/A	4.07%	05/31/2005	0.76%
	Combined Index Portfolio 2045		-1.46%	13.43%	0.14%	N/A			
728	<b>T. Rowe Price Retirement 2050 Fund</b> <sup>(a)</sup>	Target Date 2050+	-3.36%	16.05%	0.43%	N/A	0.43%	12/29/2006	0.76%
	Combined Index Portfolio 2050		-1.46%	13.43%	0.14%	N/A			
729	<b>T. Rowe Price Retirement 2055 Fund</b> <sup>(a)</sup>	Target Date 2050+	3.35%	16.07%	0.41%	N/A	0.41%	12/29/2006	0.76%
	Combined Index Portfolio 2055		-1.46%	13.43%	0.14%	N/A			

† **Voluntary fee waiver that can be changed at anytime.**

<sup>(a)</sup> **Part of the MSRP Mutual Fund Savings (reimbursement) Program.**

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**Nationwide Fixed Annuity [457(b) plan only]  
Average Quarterly Annualized Crediting**

This option is closed to deferrals and transfers from other investment options.

1st Qtr 12	4th Qtr 11	3rd Qtr 11	2nd Qtr 11
4.05%	4.10%	4.10%	4.10%

Note: The above yields were supplied by Nationwide Retirement Solutions. They are a weighted average of all money held in this investment option, which consists of seven separate pools. The yields do not reflect the deduction of the annual asset fee. The annual asset fee is 0.19%. No account will be charged more than \$2,000 in 2011. The actual yield credited to your account may be higher or lower than the yield reflected above. The Nationwide Fixed Group Annuity is issued by Nationwide Life Insurance Company, Columbus, OH. Contract #Life 2183. The 2011 minimum guaranteed yield is 3.60%. Guarantees and protections are subject to the claims paying ability of Nationwide Life Insurance Company.

**Great West Certificates [403(b) plan only]  
Quarterly Effective Gross Annual Rates**

This option is closed to deferrals and transfers from other investment options.

	1st Qtr 12	4th Qtr 11	3rd Qtr 11
Dig Fund	4.00%	4.00%	4.00%
36-Mo. Certificate	4.00%	4.00%	4.00%
60-Mo. Certificate	4.00%	4.00%	4.00%
84-Mo. Certificate	4.00%	4.00%	4.00%

Note: The rates do not reflect the deduction of the annual asset fee. The annual asset fee is 0.19%. No account will be charged more than \$2,000 for the year.

## Contact us

### Enrollment and Information Hotline

1-800-545-4730.

For information about the match, to enroll in the 457(b), 401(k) and 403(b) plans, or to change your contribution amount

### Nationwide Retirement Solutions Web Site MarylandDC.com

For information about the 457(b), 401(k), 403(b), and 401(a) plans, to enroll, to change your contribution amount, to get 24-hour account information, to make investment option exchanges and allocation changes

### Nationwide Retirement Solutions Baltimore Office (443) 886-9402 or 1-800-966-6355

To enroll in the 457(b), 401(k) and 403(b) plans, to change your deferral amount, for mutual fund prospectuses or annual reports, for investment option booklets, or to arrange a meeting with a representative

### Nationwide Retirement Solutions Customer Service Center 1-800-545-4730

For account information, to make investment option exchanges and allocation changes, to change address, name or beneficiary, for payout calculations in the 457(b), 401(k) and 403(b) and 401(a) plans, and for financial hardship inquiries

### Maryland Teachers & State Employees Supplemental Retirement Agency Automated Performance Line & "Question/Suggestion Box-By-Phone"

410-767-8740 or 1-800-543-5605

For information about the Maryland Supplemental Retirement Plans, for investment option booklets, to arrange educational seminars and for other general information

### MSRP Web Site msrp.state.md.us

For the latest MSRP news, information available on the Board of Trustees and staff, newsletters, investment options booklets, legislation updates, and more

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## RISK DISCLOSURES

**Money market funds: Investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

The money market current yield is the annualized historical yield for the 7-day period ending on the last day of the calendar quarter. Yield quotation more closely reflects the current earnings of the money market fund than the total return quotation.

**T. Rowe Price Retirement Income Funds:** It's important to remember that no strategy can assure a profit or prevent a loss in a declining market. The principal value of the fund(s) is not guaranteed at any time, including the target date.

**International/emerging markets funds:** Investing internationally involves risks not associated with investing solely in the U.S., such as currency fluctuation, political risk, differences in accounting and the limited availability of information.

**Small company funds:** Stocks of small or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

**Bond funds:** Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.

Some mutual funds may impose a short term trade fee. Please read the underlying prospectuses carefully.

### IMPORTANT DISCLOSURES

**Investment Contract Pool** available for 457(b), 401(k) and 401(a) plans only.

**Vanguard Prime Money Market Fund** available for 403(b) plan only.

Investing involves market risk, including the possible loss of principal.

Inception Date is the date the underlying fund was established. Some mutual funds may impose a short term trade fee. Some funds may be subject to a trade restriction policy. Please read the underlying prospectus carefully.

**Market indices have been provided for comparison purposes only; they are unmanaged and no fees and expenses have been reflected here. Individuals cannot invest directly in an index.**

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# Maryland Supplemental Retirement Plans

Statistical Section

**TEN-YEAR HISTORY OF BOARD INCOME AND EXPENSES**

	Calendar Years										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Total Revenues</b>	\$ 1,365,003	\$ 1,402,986	\$ 1,309,730	\$ 1,172,650	\$ 1,211,767	\$ 1,122,891	\$ 1,394,092	\$ 1,957,150	\$ 2,081,847	\$ 1,432,306	\$ 1,140,436
<b>Expenditures</b>											
Salaries, Wages and Fringe Benefits	1,070,891	1,078,193	1,062,340	985,373	950,415	954,275	914,122	1,026,554	1,079,734	1,106,109	1,025,819
Technical & Special fees	943	4,401	2,740	(646)	3,973	1,179	8,616	12,386	7,945	12,079	13,553
Communications	18,797	22,451	23,482	35,056	17,795	8,851	29,931	10,131	18,698	12,759	40,029
Travel	15,523	12,243	13,372	18,799	21,974	21,955	11,822	24,229	25,737	26,883	41,543
Contractual Services	235,772	233,543	232,603	238,632	214,459	217,410	248,172	214,838	221,068	240,977	216,680
Supplies and Materials	3,830	4,935	13,451	7,188	(2,855)	13,365	14,545	13,878	14,595	27,645	11,531
Equipment/Furnishings	45,205	5,183	7,099	309	11,726	-	14,393	2,962	3,794	200	768
Fixed Charges	127,935	124,314	121,180	112,299	111,056	103,646	105,499	101,016	103,327	97,192	91,761
<b>Total Expenditures</b>	<u>1,518,896</u>	<u>1,485,263</u>	<u>1,476,267</u>	<u>1,397,010</u>	<u>1,328,543</u>	<u>1,320,681</u>	<u>1,347,100</u>	<u>1,405,994</u>	<u>1,474,898</u>	<u>1,523,844</u>	<u>1,441,684</u>
<b>Revenue Less Expenditures</b>	(153,893)	(82,277)	(166,537)	(224,360)	(116,776)	(197,790)	46,992	551,156	606,949	(91,538)	(301,248)
Adjustment (timing differences)	219,134	17,036	87,052	(153,218)	113,537	11,679	(46,838)	54,106	(14,213)	(130,018)	73,199
<b>Reserve Balance</b>	<u>\$ 241,569</u>	<u>\$ 176,328</u>	<u>\$ 241,569</u>	<u>\$ 321,054</u>	<u>\$ 698,632</u>	<u>\$ 701,871</u>	<u>\$ 887,982</u>	<u>\$ 887,828</u>	<u>\$ 282,566</u>	<u>\$ (310,170)</u>	<u>\$ (88,614)</u>

## TEN-YEAR HISTORY OF CHANGES IN NET ASSETS BY PLAN

457	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>ADDITIONS</b>										
Employee/Employer Contributions	\$ 65,686,279	\$ 64,768,004	\$ 66,191,009	\$ 68,108,751	\$ 66,712,955	\$ 65,689,386	\$ 57,805,559	\$ 55,252,547	\$ 53,138,993	45,324,247
Other additions	-	-	2,325,229	-	-	-	-	-	-	-
Net Investment Income	(2,523,478)	109,470,384	159,555,701	(260,016,053)	67,691,161	112,440,453	63,843,266	89,897,596	153,033,770	(79,044,181)
Total Additions	63,162,801	174,238,388	228,071,939	(191,907,302)	134,404,116	178,129,839	121,648,825	145,150,143	206,172,763	(33,719,934)
<b>DEDUCTIONS</b>										
Distributions to participants	93,841,613	84,728,730	74,127,807	97,490,302	96,221,412	86,526,003	75,307,660	76,922,437	65,777,380	87,450,755
Administrative Expenses	1,313,803	1,454,640	1,206,768	1,272,972	3,577,699	3,437,543	3,331,462	2,609,053	2,892,684	3,486,198
Life Insurance premiums - Net of Cash surrender Value	31,438	43,114	48,280	(465,585)	162,604	125,259	181,705	272,195	26,230	15,871
Total deductions	95,186,854	86,226,484	75,382,855	98,297,689	99,961,715	90,088,805	78,820,827	79,803,685	68,696,294	90,952,824
<b>NET CHANGE IN NET ASSETS</b>	<b>\$ (32,024,053)</b>	<b>\$ 88,011,904</b>	<b>\$ 152,689,084</b>	<b>\$ (290,204,991)</b>	<b>\$ 34,442,401</b>	<b>\$ 88,041,034</b>	<b>\$ 42,827,998</b>	<b>\$ 65,346,458</b>	<b>\$ 137,476,469</b>	<b>\$ (124,672,758)</b>

401(k)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>ADDITIONS</b>										
Employee/Employer Contributions	\$ 90,335,102	\$ 91,618,867	\$ 91,902,236	\$ 95,898,797	\$ 94,729,303	\$ 88,740,454	\$ 86,342,964	\$ 84,646,299	\$ 85,530,045	79,159,908
Other	-	-	1,165,287	-	-	-	-	-	-	-
Net Investment Income	(10,751,811)	114,265,228	164,318,310	(284,616,917)	50,102,369	88,277,562	46,054,079	61,892,792	103,596,158	(60,179,336)
Total Additions	79,583,291	205,884,095	257,385,833	(188,718,120)	144,831,672	177,018,016	132,397,043	146,539,091	189,126,203	18,980,572
<b>DEDUCTIONS</b>										
Distributions to participants	75,308,991	67,881,768	54,331,835	62,995,066	56,846,200	47,009,239	37,809,148	29,311,067	27,629,302	20,090,766
Administrative Expenses	2,460,876	2,151,134	1,786,479	1,978,213	2,836,711	2,426,188	2,242,160	2,172,564	1,873,474	1,532,256
Total deductions	77,769,867	70,032,902	56,118,314	64,973,279	59,782,911	49,435,407	40,051,308	31,483,631	29,502,776	21,623,022
<b>NET CHANGE IN NET ASSETS</b>	<b>\$ 1,813,424</b>	<b>\$ 135,851,193</b>	<b>\$ 201,267,519</b>	<b>\$ (253,691,399)</b>	<b>\$ 85,048,761</b>	<b>\$ 127,582,609</b>	<b>\$ 92,345,735</b>	<b>\$ 115,055,460</b>	<b>\$ 159,623,427</b>	<b>\$ (2,642,450)</b>

403(b)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>ADDITIONS</b>										
Employee Contributions	\$ 2,883,012	\$ 3,270,543	\$ 3,476,879	\$ 3,041,867	\$ 2,791,581	\$ 2,771,994	\$ 2,895,313	\$ 2,637,312	\$ 2,661,956	3,120,051
Other	-	-	258,315	-	-	-	-	-	-	-
Net Investment Income	(1,302,670)	7,996,306	12,210,989	(23,380,777)	4,223,649	7,952,482	4,174,477	6,359,796	12,375,662	(8,952,248)
Total Additions	1,580,342	11,266,849	15,946,193	(20,338,910)	7,015,230	10,724,476	7,069,790	8,997,108	15,037,618	(5,832,197)
<b>DEDUCTIONS</b>										
Distributions to participants	4,473,226	5,197,452	4,010,110	4,274,796	6,973,190	5,286,574	4,848,153	4,416,482	3,513,266	4,237,404
Administrative Expenses	138,429	128,769	109,711	136,773	215,582	203,564	208,233	219,399	199,478	204,470
Total deductions	4,611,655	5,326,221	4,119,821	4,411,569	7,188,772	5,490,138	5,056,386	4,635,881	3,712,744	4,441,874
<b>NET CHANGE IN NET ASSETS</b>	<b>\$ (3,031,313)</b>	<b>\$ 5,940,628</b>	<b>\$ 11,826,372</b>	<b>\$ (24,750,479)</b>	<b>\$ (173,542)</b>	<b>\$ 5,234,338</b>	<b>\$ 2,013,404</b>	<b>\$ 4,361,227</b>	<b>\$ 11,324,874</b>	<b>\$ (10,274,071)</b>

401 (a)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>ADDITIONS</b>										
Net Investment Income	\$ (1,408,730)	\$ 16,519,571	\$ 25,425,962	\$ (45,402,727)	\$ 5,899,490	\$ 11,609,187	\$ 918,511	\$ 7,492,132	\$ 14,916,075	\$ 638,593
Other	-	-	-	-	-	-	-	-	-	-
Employer/Employee Contributions	400,092	408,268	3,102,359	20,839,626	20,722,388	17,986,400	11,891,617	19,092	2,486,316	10,276,727
Total Assets	(1,008,638)	16,927,839	28,528,321	(24,563,101)	26,621,878	29,595,587	12,810,128	7,511,224	17,402,391	10,915,320
<b>DEDUCTIONS</b>										
Distributions to participants	4,473,226	6,228,053	4,565,333	4,860,035	4,754,283	3,643,693	2,809,622	2,206,489	1,786,887	1,047,982
Administrative expenses	138,429	261,262	229,579	268,020	370,113	289,206	253,155	262,268	229,989	184,949
Total Deductions	4,611,655	6,489,315	4,794,912	5,128,055	5,124,396	3,932,899	3,062,777	2,468,757	2,016,876	1,232,931
<b>NET CHANGE IN NET ASSETS</b>	<b>\$ (5,620,293)</b>	<b>\$ 10,438,524</b>	<b>\$ 23,733,409</b>	<b>\$ (29,691,156)</b>	<b>\$ 21,497,482</b>	<b>\$ 25,662,688</b>	<b>\$ 9,747,351</b>	<b>\$ 5,042,467</b>	<b>\$ 15,385,515</b>	<b>\$ 9,682,389</b>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>\$ (38,862,235)</b>	<b>\$ 240,242,249</b>	<b>\$ 389,516,384</b>	<b>\$ (598,338,025)</b>	<b>\$ 140,815,102</b>	<b>\$ 246,520,669</b>	<b>\$ 146,934,488</b>	<b>\$ 189,805,612</b>	<b>\$ 323,810,285</b>	<b>\$ (127,906,890)</b>

# 2011 PLAN STATISTICS

## 2011 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,065
TOTAL Participants	65,542
Average Combined Plan Assets by Participant	\$42,601
Participants with Multiplan Deferrals	4,134
TOTAL Deferring Participants	38,537
Average Annual Deferrals per Participant	\$4,302
Participants with Multiplan Payouts	3249
TOTAL Participants with Systematic Payouts	3,491

## 457(b) DEFERRED COMPENSATION PLAN

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participants	29,512	29,803	30,724
Net New Enrollments	-291	-497	-441
Deferring Participants	16,501	16,900	17,541
Annuitants	1	1	1
Systematic Payouts	2,342	1,927	2,080

## 401(k) SAVINGS & INVESTMENT PLAN

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participants	35,100	35,829	36,703
Net New Enrollments	-729	-874	-672
Deferring Participants	21,639	22,826	24,255
Annuitants	3	3	3
Systematic Payouts	1,059	598	641

## 403(b) TAX DEFERRED ANNUITY PLAN

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participants	930	959	988
Net New Enrollments	-29	-29	39
Deferring Participants	397	415	439
Annuitants	0	0	0
Systematic Payouts	90	49	55

## 401(a) MATCH PLAN

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participants	40,085	41,965	43,804

	<u>457(b) PLAN SUMMARY</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
Participant Accounts	29,512	29,803	30,274	30,715	30,411	29,487	28,614	27,777	28,294	
Deferring Participants	16,501	16,900	17,541	18,457	18,243	17,444	16,701	16,314	16,461	
Total Net Assets	\$ 1,211,930,199	\$ 1,243,954,252	\$ 1,149,848,838	\$ 1,003,253,263	\$ 1,293,458,255	\$ 1,259,015,854	\$ 1,170,974,820	\$ 1,128,146,822	\$ 1,062,800,364	
Contributions	\$ 65,686,280	\$ 64,768,004	\$ 66,882,242	\$ 68,108,751	\$ 66,712,955	\$ 65,689,386	\$ 57,805,559	\$ 55,252,547	\$ 53,138,993	
Investment Return	\$ (3,379,195)	\$ 109,232,806	\$ 158,389,808	\$ (261,087,114)	\$ 66,180,893	\$ 111,222,386	\$ 62,425,619	\$ 88,629,416	\$ 152,088,972	
Withdrawals	\$ (93,841,613)	\$ (84,728,730)	\$ (73,512,296)	\$ (97,490,302)	\$ (96,221,412)	\$ (86,526,003)	\$ (75,307,660)	\$ (76,922,437)	\$ (65,777,380)	
Mutual Fund Reimbursements	\$ 609,104	\$ 585,014	\$ 727,509	\$ 1,071,061	\$ 1,510,268	\$ 1,218,067	\$ 1,320,784	\$ 1,093,117	\$ 1,031,594	
Plan Administration Fees*	\$ (1,313,804)	\$ (1,214,695)	\$ (1,206,768)	\$ (1,272,972)	\$ (3,577,699)	\$ (3,437,543)	\$ (3,331,462)	\$ (2,609,053)	\$ (2,892,684)	
Number of Loans	2,076	720	1,306	995	1,109	800	969	756	302	
Loan Amount	\$ 12,748,866	\$ 11,166,303	\$ 9,384,994	\$ 8,015,882	\$ 9,006,867	\$ 7,704,419	\$ 6,507,222	\$ 5,135,942	\$ 2,284,823	

	<u>401(k) PLAN SUMMARY</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
Participant Accounts	35,100	35,829	36,703	37,375	37,366	36,709	36,147	35,400	35,867	
Deferring Participants	21,639	22,826	24,255	25,930	26,375	26,220	26,006	25,680	28,422	
Total Net Assets	\$ 1,098,305,956	\$ 1,098,114,445	\$ 959,041,449	\$ 760,995,733	\$ 1,014,687,132	\$ 929,638,371	\$ 802,055,762	\$ 709,710,027	\$ 594,654,567	
Contributions	\$ 90,335,102	\$ 91,618,867	\$ 93,712,324	\$ 95,898,797	\$ 94,729,303	\$ 88,740,454	\$ 86,342,964	\$ 84,646,299	\$ 85,530,045	
Investment Return	\$ (11,369,467)	\$ 113,860,920	\$ 164,656,429	\$ (285,649,155)	\$ 48,776,621	\$ 87,263,402	\$ 45,139,069	\$ 61,227,785	\$ 102,909,184	
Withdrawals	\$ (75,308,991)	\$ (67,881,768)	\$ (56,731,898)	\$ (62,995,066)	\$ (56,946,200)	\$ (47,009,239)	\$ (37,809,148)	\$ (29,311,067)	\$ (27,629,302)	
Mutual Fund Reimbursements	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748	\$ 1,014,160	\$ 915,010	\$ 665,007	\$ 686,974	
Plan Administration Fees*	(2,460,876)	(2,151,134)	(1,896,894)	(1,978,213)	(2,836,711)	(2,426,168)	(2,242,160)	(2,172,564)	(1,873,474)	
Number of Loans	2,596	916	1,770	1,425	1,546	1,236	1,442	1,140	1,093	
Loan Amount	\$14,383,094	\$12,663,185	\$10,059,136	\$9,048,410	\$9,746,492	\$8,449,537	\$7,139,280	\$6,033,616	\$4,950,601	

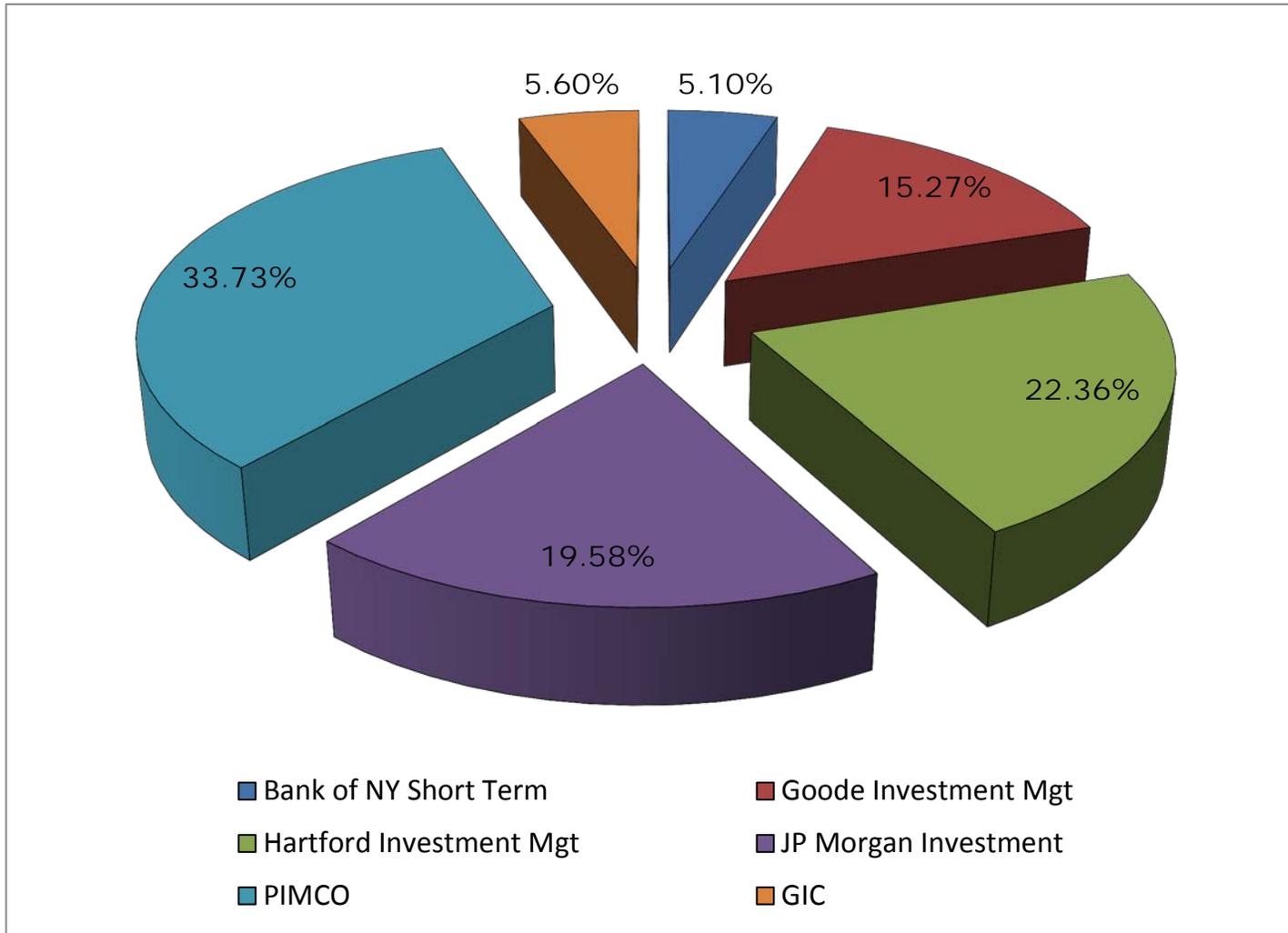
	<u>403(b) PLAN SUMMARY</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
Participant Accounts	930	959	988	980	926	938	982	1,023	1,242	
Deferring Participants	397	415	439	429	368	348	374	379	446	
Total Net Assets	\$ 64,382,973	\$ 67,104,804	\$ 61,021,200	\$ 49,647,286	\$ 74,397,765	\$ 74,571,307	\$ 69,336,969	\$ 67,323,565	\$ 62,962,338	
Contributions	\$ 2,883,012	\$ 3,270,543	\$ 3,513,294	\$ 3,041,867	\$ 2,791,581	\$ 2,771,994	\$ 2,895,313	\$ 2,637,312	\$ 2,661,956	
Investment Return	\$ (4,482,823)	\$ 7,956,407	\$ 12,017,496	\$ (23,503,047)	\$ 4,056,195	\$ 7,826,156	\$ 4,027,072	\$ 6,237,768	\$ 12,292,184	
Withdrawals	\$ (4,473,226)	\$ (5,197,452)	\$ (4,010,110)	\$ (4,274,796)	\$ (6,973,190)	\$ (5,286,574)	\$ (4,848,153)	\$ (4,416,482)	\$ (3,513,266)	
Mutual Fund Reimbursements	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270	\$ 167,454	\$ 126,326	\$ 147,405	\$ 122,028	\$ 83,478	
Administration Fees*	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)	\$ (215,582)	\$ (203,564)	\$ (208,233)	\$ (219,399)	\$ (199,478)	
Number of Loans	25	14	12	5	7	6	8	9	8	
Loan Amount	\$370,236	\$286,301	\$176,447	\$127,838	\$156,384	\$177,425	\$153,475	\$182,283	\$228,243	

	<u>401(a) PLAN SUMMARY</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
Participant Accounts	40085	41965	44,705	44,705	44,119	42,596	41,746	37,452	38,525	
Deferring Participants	—	—	—	—	—	—	—	—	—	
Total Net Assets	\$ 139,052,702	\$ 147,525,754	\$ 137,121,923	\$ 113,353,821	\$ 143,044,977	\$ 121,547,495	\$ 95,884,720	\$ 81,823,548	\$ 76,781,081	
Contributions	\$ 400,092	\$ 408,268	\$ 3,493,268	\$ 15,979,591	\$ 20,722,388	\$ 17,986,400	\$ 11,891,617	\$ 19,092	\$ 2,486,316	
Investment Return	\$ (1,494,596)	\$ 10,279,384	\$ 4,958,663	\$ (45,562,513)	\$ 5,724,281	\$ 11,473,276	\$ 5,114,213	\$ 7,403,571	\$ 14,743,893	
Withdrawals	\$ (7,188,029)	\$ (6,228,053)	\$ (4,565,333)	\$ (4,860,035)	\$ (4,754,283)	\$ (3,643,693)	\$ (2,809,622)	\$ (2,206,489)	\$ (1,786,887)	

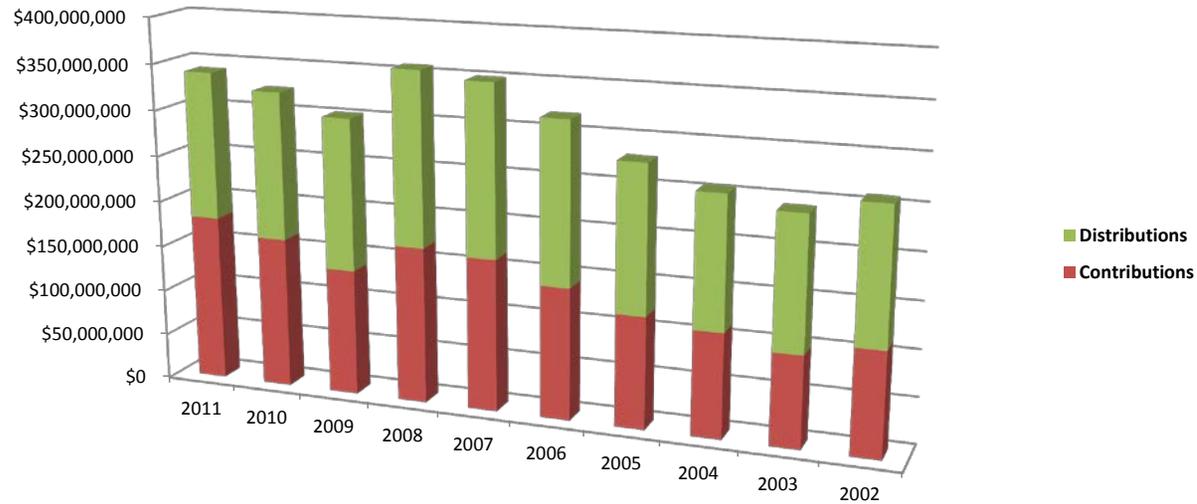
Mutual Fund																		
Reimbursements	\$	85,866	\$	85,338	\$	122,620	\$	159,786	\$	175,209	\$	135,911	\$	118,206	\$	88,561	\$	172,182
Administration Fees	\$	(276,385)	\$	(261,262)	\$	(240,875)	\$	(268,020)	\$	(370,113)	\$	(289,206)	\$	(253,155)	\$	(262,268)	\$	(229,989)
Number of Loans		n/a																
Loan Amount		n/a																

\* Includes additional special one time only fee

## STABLE VALUE MANAGER DIVERSIFICATION



### TEN-YEAR HISTORY OF ALL PLANS CONTRIBUTIONS vs DISTRIBUTIONS



Calendar Year	Distributions	Contributions
2011	\$ 180,811,859	\$ 159,304,485
2010	\$ 164,036,003	\$ 160,065,682
2009	\$ 137,035,085	\$ 164,672,483
2008	\$ 169,620,199	\$ 187,889,041
2007	\$ 164,895,085	\$ 184,956,227
2006	\$ 142,465,509	\$ 175,188,234
2005	\$ 120,774,583	\$ 158,935,453
2004	\$ 112,856,475	\$ 142,555,250
2003	\$ 98,706,835	\$ 143,817,310
2002	\$ 112,826,907	\$ 145,988,581

# Maryland Supplemental Retirement Plans

Other Statistical Information Section

# MSRP Contribution Limits

For Calendar year 2012

<b>PLAN</b>	<b>2012 LIMIT</b>
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$17,000
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$17,000
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$17,000
When participating in <i>both</i> the 457(b) plan and the 401(k) plan [or 403(b)], one may contribute \$17,000 a year to each plan for a potential combined contribution of \$34,000.	

<b>CATCH-UP PROVISION</b>	<b>2012 LIMIT</b>
Regular Catch-Up	The limit on regular catch-up contributions in the 457(b) plan is double the \$17,000 regular deferral limit, or \$34,000 in 2012.
Catch-Up for Age 50 and Over	Employees over 50 can make catch-up contributions to the 457(b), 403(b) and 401(k) plans over and above the 401(k) and other limits. The amount of these contributions is \$5,500 per plan in 2012 (unchanged from the year 2011). The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.

<b>Calendar Year 2012</b>	<b>Maximum Deferral Limit</b>	<b>Deferral Limit plus Age 50 Catch-Up</b>	<b>Special 457(b) Catch-Up Deferral Limit</b>
	If you're <i>less than age 50</i> this year, you may defer as much as...	If you're <i>at least age 50</i> this year, you may defer as much as...	If you have <i>three years before the year you will retire</i> , you may defer as much as...
457(b) plan	\$17,000	\$22,500	\$34,000
401(k) plan or 403(b) plan	\$17,000	\$22,500	\$22,500 (Use Age 50 Catch-Up)
<b>TOTAL</b>	<b>\$34,000</b>	<b>\$45,000</b>	<b>\$56,500</b>

# ***GLOSSARY***

## ***Rates of Returns***

**Rates of Returns.** The rates of returns are net of the fund's annual operating expenses. They are before the deduction of plan administration asset fees.

## ***Betas***

**Five-Year Beta.** The beta coefficient is a statistical measure of a stocks relative volatility (or risk). For comparative purposes, the Fund's beta are measured relative to the S&P 500 Index, a measure of broad market activity. The Standard & Poors 500 Index (S&P 500) has a beta coefficient of 1.00. A stock with a higher beta is more volatile than the S&P 500. A stock with a lower beta is less volatile than the S&P 500.

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## ***Indices***

**91-Day Treasury Bill.** A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of three months. Exempt from state and local taxes.

**50% S&P/50% Lehman Bros. Aggregate Bond.** This is the 50% S&P 500 and 50% Lehman Brothers Aggregate Bond Index. The Standard & Poor's 500 Index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighed index, with each stock's weight proportionate to its market value. The Lehman Brothers Aggregate Bond Index is a mix of government, corporate, mortgage-backed, asset-backed, and Yankee bonds.

**MSCI EAFE Index.** The Morgan Stanley Capital International (MSCI) Europe, Australia, and the Far East (EAFE) Index is an international equity index. It consists of 1,030 securities from the following 20 countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

**Russell 2000 Index.** This index is a small-capitalization index that consists of the 2,000 smallest stocks in the Russell 3000 Index, representing 10% of the total U.S. equity market.

**60% S&P/40% Lehman Bros. Aggregate Bond.** This is the 60% S&P 500 and 40% Lehman Brothers Aggregate Bond Index. The Standard & Poor's 500 Index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group presentation. It is a market weighted index, with each stock's weight proportionate to its market size. The Lehman Brothers Aggregate Bond Index is a mix of government, corporate, mortgage-backed, asset-backed, and Yankee bonds.

## ***GLOSSARY(continued)***

**Standard & Poor's 500 Index.** This index is a broad-based measurement of stock market conditions, as 70% of U.S. equity is tracked by the S&P 500. The index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighed index, with each stock's weight proportionate to its market value.

**S&P BARRA Growth Index and S&P BARRA Value Index.** These indices take the stocks in the S&P 500 and portion them into equal halves based on their price-to-book ratios.

**Lehman Bros. Intermediate Gov't Bond Index.** Includes Government Index Issues with a time to maturity between 1 and 10 years.

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### **Medians**

**Fixed Income – Short Term. Median.** This universe includes funds defined by Morningstar as Short-Term Bond. Short-Term Bond funds have an average duration of more than one but less than 3.5 years or an average effective maturity of more than one but less than four years.

**Foreign Equity Non-U.S. Median.** This universe includes funds defined by Morningstar as Foreign Stock funds which have no more than 10% of stocks invested in the United States. The median return represents the mid point of this universe.

**Large Cap Blend Median.** This universe includes funds defined by Morningstar as Large Blend. Large Blend funds invest in a combination of Large Cap Growth and Large Cap Value stocks. The return represents the mid point of this universe. Market caps greater than \$10 billion are considered large cap.

**Managed Balanced Median.** This universe includes funds defined by Morningstar as Balanced, which includes funds with stock holdings of greater than 20% but less than 70% of the portfolio. The return represents the mid-point of this universe.

**Mid Cap Growth Median.** This universe includes funds defined by Morningstar as Mid-Cap Growth. Mid-Cap Growth funds primarily invest in stocks of mid-sized companies which are growing at faster than average rates. The return represents the mid point of this universe. Market caps greater than or equal to \$2 billion but less than or equal to \$10 billion are considered mid-cap funds.

## ***GLOSSARY(continued)***

**Small Cap Core Median.** This universe includes funds defined by Morningstar as Small Blend. Small Blend funds invest in a combination of Small-Cap Growth and Small-Cap Value stocks. The return represents the mid point of this universe. All funds with market caps less than \$2 billion are considered small-cap funds.

# ***PARTICIPANT DATA DEFINITIONS***

**Participants.** Those who have an account value, including those who are receiving systematic withdrawals and those who have recently enrolled in the plans and are awaiting their first deferral.

**Deferring Participants.** Those participating employees who made a contribution to the plan by payroll deduction at the end of the reporting period.

**Net New Enrollments.** The net change of State employee participants from year to year. New enrollments and restarted contributors are reduced by retirement and transfer withdrawals, death claims and other full distributions.

**Annuitants.** Participants who are receiving withdrawals from purchased annuity contracts.

**Systematic Payouts.** Participants who are receiving withdrawals from the plans with remaining balances invested in the plan(s).

**Average Deferrals per Participant.** Calculated by dividing the dollar value of "TOTAL Deferrals" in all plans combined by the number of "TOTAL Deferring Participants" at year-end.

**Average Combined Plan Assets by Participants.** Calculated by dividing the dollar value of Plan Assets in all plans by the number of "TOTAL Participants" in all plans.

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<sup>1</sup> Source: Nationwide Retirement Solutions, Inc. Administrator Report

# Maryland Supplemental Retirement Plan Comparison Chart CY2011

Questions:	457(b) Deferred Compensation Plan	401(k) Savings & Investment Plan	403(b) Annuity Plan
Who is eligible to participate?	All State employees		State educational institution employees
Who is eligible for the State match?	All State employees in the Employees Alternate Contributory Pension Selection Plan		
Are payroll deductions pre-tax?	Yes (but not for FICA)		
What is the minimum I may contribute?	\$5 per biweekly pay		
What is the maximum contribution?	\$16,500 (may be adjusted in future years for inflation) effective 1/1/09		
May I "catch-up" in a later year?*	Age 50 or older \$5,500 bonus deferral or special 457 Catch-up	Age 50 or older bonus \$5,500 deferral	
How often may I change my contribution amount?	Unlimited.		
What are the cost to participate?*	0.19% of your account value, no more than \$2,000 effective 1/1/08, and 50¢ per month per account over \$500. (Note: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.)		
What are the current investment options?	Fixed- Investment Contract Pool	Variable Mutual Funds	Variable Mutual Funds
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account?	Yes- from a 457, 401(k), 403(b)/thrift savings plan or traditional IRA into your supplemental retirement account		
May I roll over my supplemental retirement accounts to another type of retirement account, like an IRA?	Yes- to a 457, 403(b), 401(k) or IRA, upon leaving State service or when eligible distribution is allowed		
May I withdraw money from my account while employed?	Yes, but only if you are 70 ½ or older, or qualify for an unforeseen emergency withdrawal	Yes, but only if you are 59 ½ or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without penalty?***	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at age 59 ½	
May I change my withdrawal options once I start my payout?	Yes		
Is there a loan provision and a hardship/emergency provision?	Yes/Yes		
<b>401(a) Match Plan:</b> The withdrawal rules are the same for the 401(a) and 401(k) plans except that in the 401(a) plan, distributions are not permitted until separation from State service. Your cost for your match plan account is the same as for your other plan account(s), but there is no 50¢ per month charge.			

\*Contact a Team MSRP representative for details and limitations

\*\*In addition, each of the mutual funds offered by the plan has fund expenses that will vary based upon the mutual fund selected. Also, some mutual funds may impose a short-term trade fee. Please read the underlying prospectuses carefully.

\*\*\*Withdrawals are taxed as ordinary income. The IRS early withdrawal penalty is 10% for 401(k), 403(b) and the 401(a) Match plan.

# Maryland Supplemental Retirement Plan Comparison Chart CY2011

## LIMITATIONS ON ELECTIVE DEFERRALS TO MULTIPLE PLANS

	Maximum Deferral Limit	Deferral Limit plus Age 50 Catch-up	Special 457 Catch-up Deferral Limit
<b>Calendar Year 2011</b>	If you're <i>less than age 50</i> this year, you may defer as much as . . .	If you're <i>at least age 50</i> this year, you may defer as much as . . .	If you have <i>three years before the year you will retire</i> , you may defer as much as . . .
457(b) plan	\$16,500	\$22,000	\$33,000
401(k) plan / 403(b) plan	\$16,500	\$22,000	\$22,000 (use Age 50 Catch-up)
<b>TOTAL</b>	<b>\$33,000</b>	<b>\$44,000</b>	<b>\$55,000</b>

Contact a Team MSRP representative for details and limitations



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(1/2011)



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