

Maryland

Teachers & State Employees

Supplemental Retirement Plans



MSRP

Martin O'Malley

Governor

Anthony G. Brown

Lieutenant Governor

T. Eloise Foster

Chairperson, Board of Trustees

Michael T. Halpin

Board Secretary, Executive Director

Comprehensive Annual Financial Report

457(b), 401(k), 401(a) and 403(b) Plans
Year Ended December 31, 2012



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

Comprehensive Annual Financial Report
For the Calendar Year Ended
December 31, 2012

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, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

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Maryland Supplemental Retirement Plans



Introductory Section





MSRP

*Maryland
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Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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or to Enroll
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or Enroll on-line at
www.MarylandDC.com*

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, 2012. 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 about \$2.8 billion and nearly 38,000 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 effectiveness of the Board's educational campaign is evident. In 2012, asset values increased over 10% from the previous year. Despite the challenges brought on by the nation's struggling economy, over 45% of State employees continue to contribute to the Plans. In fact, positive changes in the economy are evidenced by the strong growth in 2012. We believe asset growth will continue and with expanded educational opportunities, participant growth will ultimately follow.

Beginning in 2010, MSRP has sponsored an annual SAVING\$ Expo to improve the financial well-being of State employees. Until last year, this event has only been held during October in conjunction with *National Save for Retirement Week* and only in two central Maryland locations—at the State Office Complex in Baltimore and in the Senate Office Building in Annapolis. In May of 2012, for the first time, we took an abridged version of the SAVING\$ Expo to Hagerstown in western Maryland and to Easton on the eastern shore. We found a very warm reception from employees in those areas and made a significant impact on hundreds of Expo attendees. In October 2012, we held the third annual SAVING\$ Expo in Annapolis and Baltimore. This last pair of events was a strong success, and future plans include continuing the spring and fall cycle of Expos in future years.

On January 23, 2013, MSRP received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for the December 31, 2011 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



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457 • 401(k) • 403(b) • Match

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S T A F F

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Letter of Transmittal

May 20, 2013

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2012 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, 2012. 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 13.

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 2012 is 75% of eligible employees, with 45% of eligible employees actively making contributions. New enrollments for the year tallied 2,275 participants, which was a modest decrease from the prior year. There was also a 1% decrease in participants receiving distributions, with 3,600 taking payouts as of December 2012.

Economic Outlook and Condition

During the plan year ended December 31, 2012, the value of plan assets increased by 10% from \$2.52 billion to \$2.77 billion. Investment returns were the greatest contributor to this increase. 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 management fees and 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 collected from MSRP 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 on all accounts other than the 401(a) Match Plan and accounts less than \$500.00. The Board reserve balance at the end of December 31, 2012 was \$495,300. The expenses to operate the plans include costs associated with investment consulting, audits, staff and educational activities.

In late 2012, the Plans received \$533,070 in connection with the class action settlement in the Invesco mutual fund litigation described below. This settlement relates to all MSRP Plans. This settlement was added to the Board reserve. The board has approved a Board asset fee "holiday" that will offset the settlement proceeds. The fee holiday is expected to commence May 2013 and, based on current account values, plan participation and contributions and the amount of the settlement proceeds, is expected to be effective through the end of August 2013.

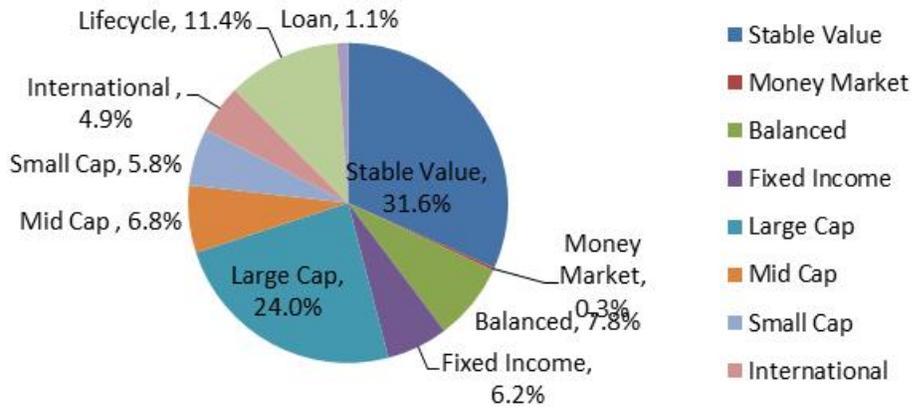
Major Issues and Initiatives

In late 2012, MSRP received a total of \$533,700 as the Plans' portion of the settlement proceeds from the Invesco class action settlement. The class action litigation involved allegation of market-timing, late trading and short-term excessive trading in the Invesco/AIM mutual funds, one e.g. which was the Invesco Dynamics Fund. The Board has approved a Board asset fee "holiday" pursuant to which it will waive the 0.05% asset fee that will offset the settlement proceeds until such time as the settlement proceeds are exhausted. It is expected that the fee reduction will commence April 30, 2013 and be effective until August 2013. The monthly 50 cents charge will not be changed; it will still be deducted from each account of \$500 or more in the 457, 401(k) and 403(b) Plans.

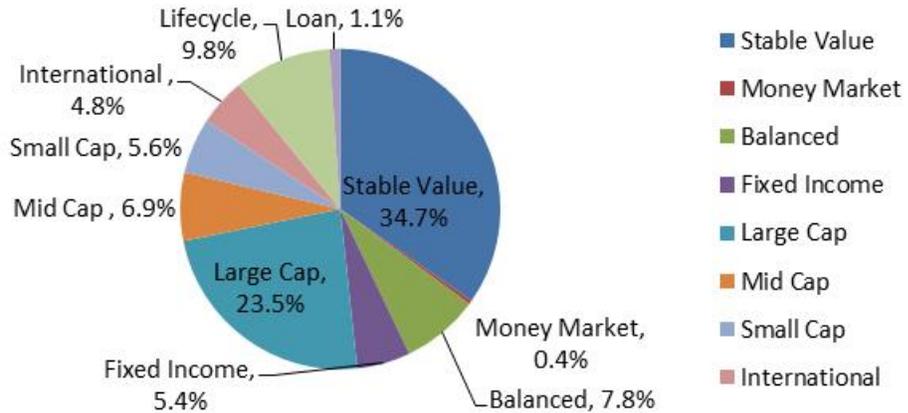
Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants. The investment policy is included in the Investment Section. The following charts show the asset allocation for the Plans as of December 31, 2012 and 2011, respectively. See the investment section of the CAFR for a more detailed analysis and additional information.

Asset Allocation as of December 31, 2012



Asset Allocation as of December 31, 2011



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 Bank of America. Investment advisory and management 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 44.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Maryland Supplemental Retirement Plans for its comprehensive annual financial report for the calendar year ended December 31, 2011. This was the second consecutive year that the Maryland Supplemental Retirement Plans has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted account principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that 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.

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 its unfailing support and higher standards of professionalism in the management of the Plans.

Sincerely,



Michael T. 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 \$2.76 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.

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Secretary, Department of
Budget and Management
State Agency Member



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Treasurer
State Agency Member



Linda L. Tanton, Esq.
Deputy Comptroller
State Agency Member



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Eligible Member



Thomas P. Hickey
Eligible Member



Nathaniel H. Byrd, III
Public Member



Marcia Zercoe
Public Member



Sabrina I. Bass
Eligible 403(b) Member



Christina W. Wyskiel
Public Member



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Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

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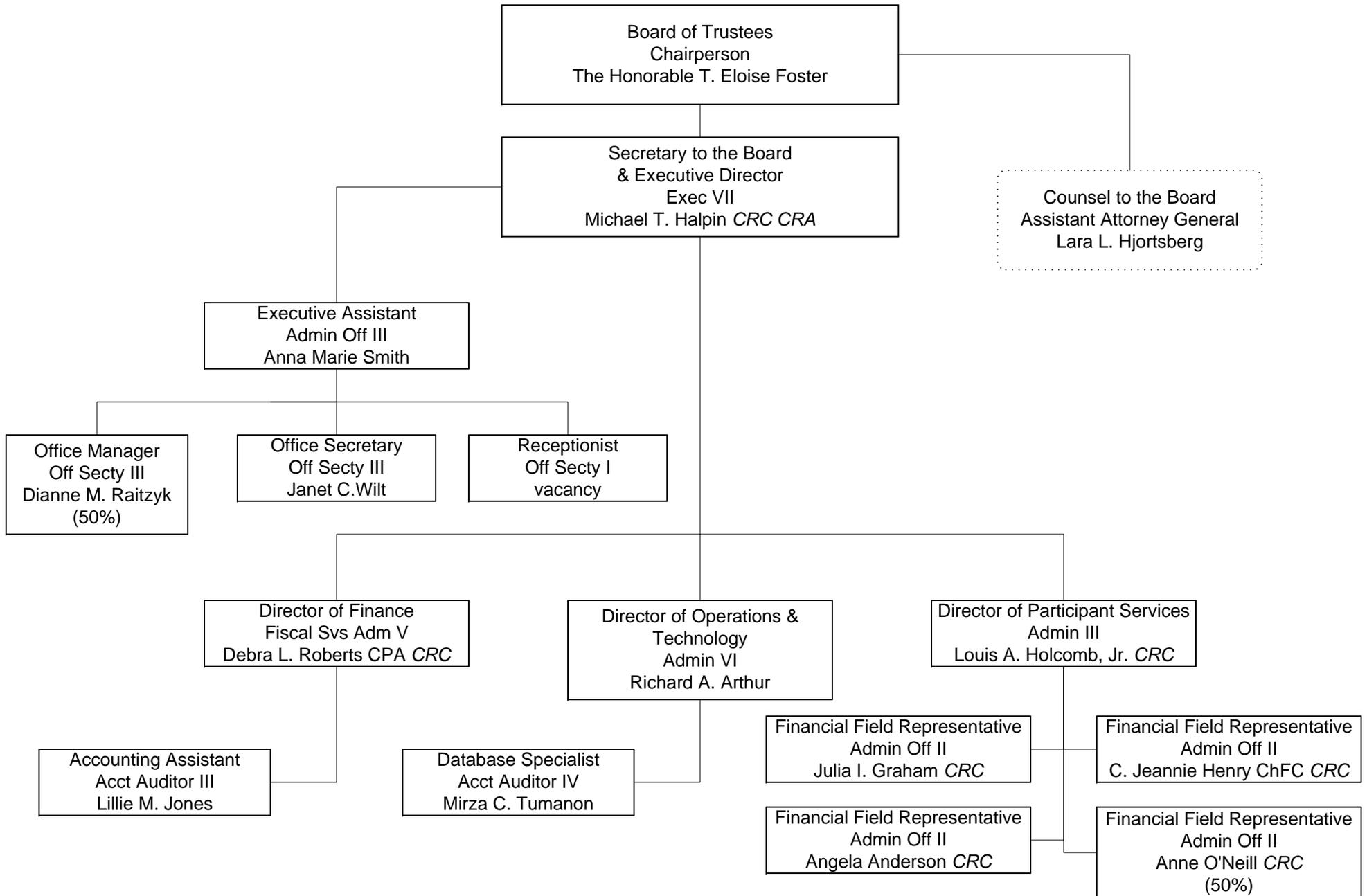
PROFESSIONAL SERVICES

Plan Administration
Nationwide Retirement Solutions, Inc

Independent Investment Consultants
Segal RogersCasey, Inc

Independent Auditors,
SB& Company, LLC

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
December 31, 2012

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

Report on the Financial Statements

We have audited the accompanying basic and combining financial statements of the State of Maryland Teachers and State Employees Supplemental Retirement Plan (MSRP), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise MSRP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

MSRP's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinion

In our opinion, the basic and combining financial statements referred to above present fairly, in all material respects, the respective net assets of MSRP, as of December 31, 2012 and 2011, and the respective changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 audit 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the 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.

The schedule of administrative expenses 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. Such 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 schedule of administrative expenses 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
May 20, 2013

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, 2012 and 2011. The financial statements appear at page 17 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 21.

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 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

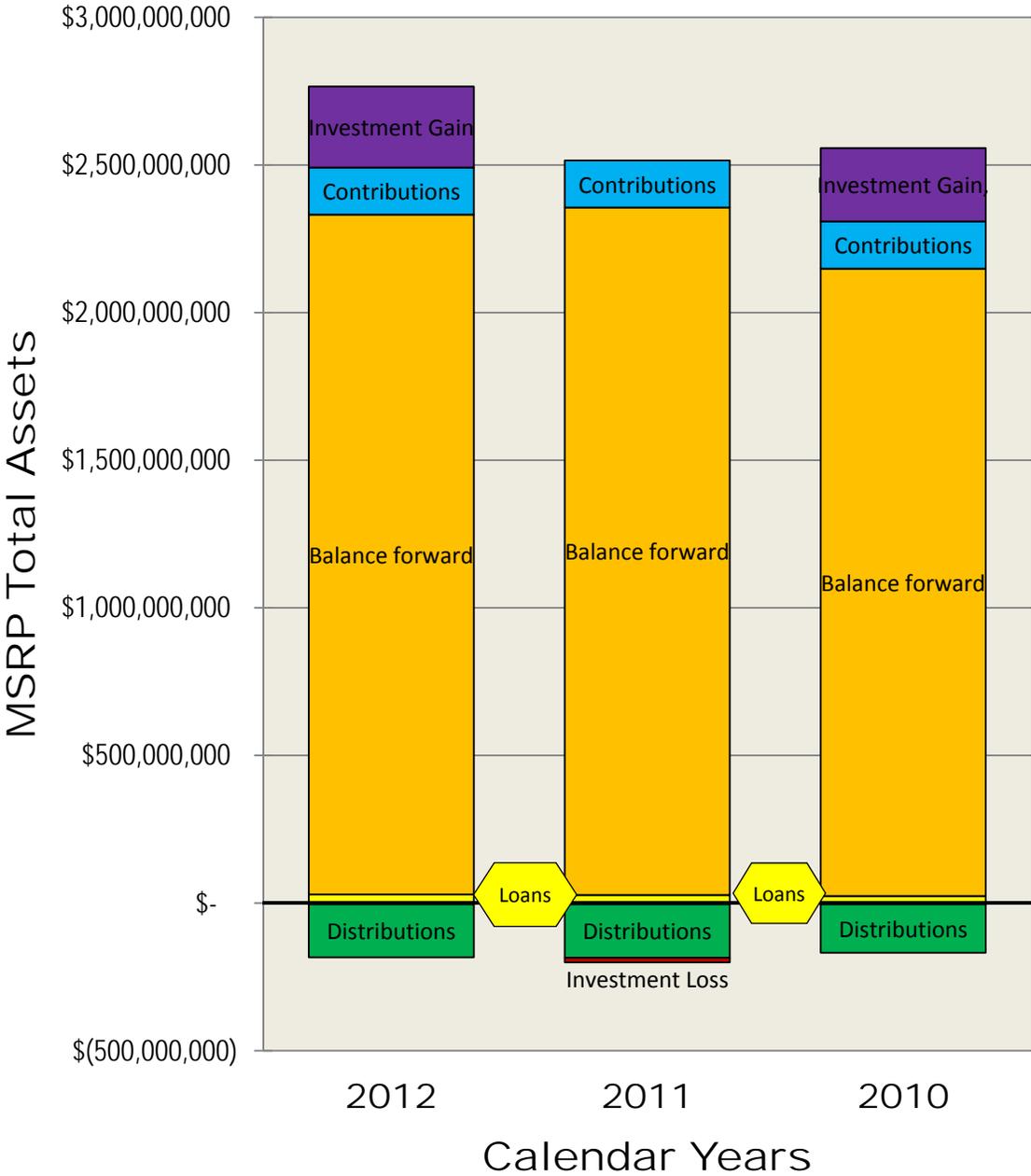
- Net assets available for plan benefits increased by \$249.6 million for the year ended December 31, 2012, from \$2.51 billion as of December 31, 2011 to \$2.76 billion as of December 31, 2012. For the year ended December 31, 2011 net assets available for plan benefits decreased by \$42.9 million, from \$2.56 billion as of December 31, 2010 to \$2.51 billion as of December 31, 2011. Net assets available for plan benefits increased by \$240.2 million for the year ended December 31, 2010, from \$2.32 billion for the year ended December 31, 2009 to \$2.55 billion for the year ended December 31, 2010. The increase for the calendar year 2012 was associated with strong investment performance throughout the year.

- The Plans had a net investment gain of \$275.7 million for the year ended December 31, 2012, a net investment loss of \$17.2 million for the year ended December 31, 2011, and a net investment gain of \$248.3 million for the year ended December 31, 2010.
- Employee contributions have increased slightly from \$158.9 million for the year ended December 31, 2011 to \$159.5 million for the year ended December 31, 2012. In previous periods, employee contributions decreased slightly from \$159.7 million in the year ended December 31, 2010 to \$158.9 million for the year ended December 31, 2011, and decreased before that from \$161.6 million for year ended December 31, 2009 to \$159.7 million for the year ended December 31, 2010. The slight increase in 2012 was due to year-long marketing efforts and the expanded annual SAVINGS EXPO.
- 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 for the year ended December 31, 2008 to \$3.1 million for the year ended December 31, 2009, and then to \$408,000 for the year ended 2010. A small increase from \$400,092 for the year ended December 31, 2011 to \$495,460 for the year ended December 31, 2012 was due primarily to insignificant adjustments to these employer contributions.
- Distributions to participants decreased from \$180.8 million for the year ended December 31, 2011 to \$179.9 million for the year ended December 31, 2012. Distributions increased from \$164.0 million for the year ended December 31, 2010 to \$180.8 million for the year ended December 31, 2011. Distributions to participants also previously increased from \$137.0 million for the year ended December 31, 2009, to \$164.0 million for the year ended December 31, 2010. The most recent decrease in distributions can be associated with rising economic uncertainty.
- Administrative expenses for the Plans are a combination of participant fees paid to the administrator, Nationwide Retirement Solutions (NRS), and fees collected from participants by the Board of Trustees to pay its expense of fiduciary supervision, participant education programs and management. The combined Plan fees for the year ended December 31, 2012 were \$5.6 million as compared to \$5.5 million (year ended December 31, 2011); \$4.0 million (year ended December 31, 2010); and \$3.3 million (year ended December 31, 2009). The NRS fee in each year was 0.14% of assets annually and as such is affected by increases or decreases in assets. The Board fee was 0.05% during this period with the addition of a 50¢ per account per month beginning May 2010. The adoption of the monthly 50¢ per capita fee should have the effect of smoothing Board administrative income in future years, but is only collected from accounts of \$500 or more and excludes the 401(a) Plan. The combined administrative fees for December 31, 2012 decreased from the prior year due to a year-end 14% reduction in third party administrator (NRS) fees.

The 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 2010, 2011, and 2012. 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.

Net Assets Held in trust for Deferred Compensation Benefits			
	2012	2011	2010
ASSETS			
Investments:			
Investment contract pool	\$ 788,299,877	\$ 779,947,367	\$ 747,100,424
Mutual funds	1,838,211,679	1,593,585,579	1,667,908,812
Annuities	94,432,579	99,963,804	105,517,290
Total investments	2,720,944,135	2,473,496,750	2,520,526,526
Cash surrender value of life insurance contracts	3,541,238	3,902,640	3,691,331
Cash	1,094,000	362,432	4,412,999
Receivables:			
Employee contributions	4,581,955	4,622,831	4,161,353
Loans receivable	29,363,151	27,502,196	24,115,479
Other receivable	114,767	103,942	100,739
Net Assets Held in Trust for Deferred Compensation Benefits			
	\$ 2,759,639,246	\$ 2,509,990,791	\$ 2,557,008,427
	2012	2011	2010
ADDITIONS			
Employee contributions	\$ 159,502,470	\$ 158,904,393	\$ 159,654,414
Employer contributions	495,460	400,092	408,268
Variable earnings reimbursements	1,452,326	1,356,029	1,196,681
Investment income:			
Other Addition	731,568	121,104	-
Variable earnings investment income	249,564,340	(41,295,532)	223,420,342
Interest income	23,434,438	23,952,814	23,634,466
Total Additions	435,180,602	143,438,900	408,314,171
DEDUCTIONS			
Distributions to participants	179,865,149	180,811,859	164,036,003
Administrative expenses	5,641,852	5,493,241	3,995,805
Life insurance premiums	25,146	31,438	43,114
Total Deductions	185,532,147	186,336,538	168,074,922
Net (decrease) increase	249,648,455	(42,897,638)	240,239,249
Net assets held in trust for deferred compensation benefits,			
beginning of year	2,509,990,791	2,552,888,429	2,316,769,178
Net Assets Held in Trust for Deferred Compensation Benefits,			
End of Year	\$ 2,759,639,246	\$ 2,509,990,791	\$ 2,557,008,427

MSRP Assets, Loans, Contributions, Distributions, Investment Gains & Losses



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, 2012 and 2011**

ASSETS	2012	2011
Investments:		
Investment contract pool	\$ 788,299,877	\$ 779,947,367
Mutual funds	1,838,211,679	1,593,585,579
Annuities	94,432,579	99,963,804
Total investments	<u>2,720,944,135</u>	<u>2,473,496,750</u>
Cash surrender value of life insurance contracts	3,541,238	3,902,640
Cash	1,094,000	362,432
Receivables:		
Employee contributions	4,581,955	4,622,831
Loans receivable	29,363,151	27,502,196
Other receivable	114,767	103,942
Net Assets Held in Trust for Deferred Compensation Benefits	<u><u>\$ 2,759,639,246</u></u>	<u><u>\$ 2,509,990,791</u></u>

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, 2012**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Investments:					
Investment contract pool	\$ 426,780,616	\$ 325,666,500	\$ 35,852,761	\$ -	\$ 788,299,877
Mutual funds	753,845,653	900,237,298	113,675,273	70,453,455	1,838,211,679
Annuities	94,432,579	-	-	-	94,432,579
Total Investments	1,275,058,848	1,225,903,798	149,528,034	70,453,455	2,720,944,135
Cash surrender value of life insurance contracts	3,541,238	-	-	-	3,541,238
Cash	1,094,000	-	-	-	1,094,000
Receivables:					
Employee contributions	1,952,711	2,534,719	-	94,525	4,581,955
Loans receivable	13,556,281	15,468,770	-	338,100	29,363,151
Other receivable	114,767	-	-	-	114,767
Total Assets Available for Benefits	\$ 1,295,317,845	\$ 1,243,907,287	\$ 149,528,034	\$ 70,886,080	\$ 2,759,639,246

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, 2011**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
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
Total Investments	<u>1,187,567,828</u>	<u>1,082,957,510</u>	<u>139,052,702</u>	<u>63,918,710</u>	<u>2,473,496,750</u>
Cash surrender value of life insurance contracts	3,902,640	-	-	-	3,902,640
Cash	362,432	-	-	-	362,432
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
Total Assets Available for Benefits	<u>\$ 1,206,627,247</u>	<u>\$ 1,099,927,869</u>	<u>\$ 139,052,702</u>	<u>\$ 64,382,973</u>	<u>\$ 2,509,990,791</u>

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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Employee contributions	\$ 159,502,470	\$ 158,904,393
Employer contributions	495,460	400,092
Variable earnings reimbursements	1,452,326	1,356,029
Investment income:		
Variable earnings investment income (loss)	249,564,340	(41,295,532)
Interest income	23,434,438	23,952,814
Other additions	731,568	121,104
Total Additions	<u>435,180,602</u>	<u>143,438,900</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Distributions to participants	179,865,149	180,811,859
Administrative expenses	5,641,852	5,493,241
Life insurance premiums	25,146	31,438
Total Deductions	<u>185,532,147</u>	<u>186,336,538</u>
Net increase (decrease)	249,648,455	(42,897,638)
Net assets held in trust for deferred compensation benefits, beginning of year, as restated	<u>2,509,990,791</u>	<u>2,552,888,429</u>
Net Assets Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 2,759,639,246</u>	<u>\$ 2,509,990,791</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, 2012**

	Deferred Compensation 457 Plan	Savings and Investment Plan 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Employee contributions	\$ 64,509,861	\$ 92,031,387	\$ -	\$ 2,961,222	\$ 159,502,470
Employer contributions	-	-	495,460	-	495,460
Variable earnings reimbursements	639,560	680,729	88,495	43,542	1,452,326
Investment income:					
Variable earnings investment income	102,848,449	122,355,833	16,098,577	8,261,481	249,564,340
Interest income	14,829,597	7,621,732	798,253	184,856	23,434,438
Other additions	731,568	-	-	-	731,568
Total Additions	183,559,035	222,689,681	17,480,785	11,451,101	435,180,602
Deductions:					
Distributions to participants	92,220,468	76,111,030	6,726,228	4,807,423	179,865,149
Administrative expenses	2,622,823	2,599,233	279,225	140,571	5,641,852
Life insurance premiums	25,146	-	-	-	25,146
Total Deductions	94,868,437	78,710,263	7,005,453	4,947,994	185,532,147
Net increase	88,690,598	143,979,418	10,475,332	6,503,107	249,648,455
Net assets held in trust for deferred compensation benefits, beginning of year	1,206,627,247	1,099,927,869	139,052,702	64,382,973	2,509,990,791
Net Assets Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,295,317,845	\$ 1,243,907,287	\$ 149,528,034	\$ 70,886,080	\$ 2,759,639,246

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, 2011**

	Deferred Compensation 457 Plan	Savings and Investment Plan 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
Other additions	121,104	-	-	-	121,104
Total Additions	63,283,905	79,583,291	(1,008,638)	1,580,342	143,438,900
Deductions:					
Distributions to participants	93,841,613	75,308,991	7,188,029	4,473,226	180,811,859
Administrative expenses	2,617,551	2,460,876	276,385	138,429	5,493,241
Life insurance premiums	31,438	-	-	-	31,438
Total Deductions	96,490,602	77,769,867	7,464,414	4,611,655	186,336,538
Net (decrease) increase	(33,206,697)	1,813,424	(8,473,052)	(3,031,313)	(42,897,638)
Net assets held in trust for deferred compensation benefits, beginning of year, as restated					
	1,239,833,944	1,098,114,445	147,525,754	67,414,286	2,552,888,429
Net Assets Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,206,627,247	\$ 1,099,927,869	\$ 139,052,702	\$ 64,382,973	\$ 2,509,990,791

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, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 under IRC Section 401(k); the Match Plan under IRC Section 401(a); and the Tax Sheltered Annuity Plan under IRC Section 403(b) (each “Plan” and collectively, the “Plans”). MSRP had 64,872 participants as of December 31, 2012. 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 “401(a) 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, 2012 and 2011

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 \$17,000, or 100% of their annual compensation, as defined by the IRC. 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 sums 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. Contributions of \$3.2 million were made to the Roth accounts by approximately 1,295 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2012.

Under Title 32 of the State Personnel & Pension Article, the State contributes to each participant's 401(a) Match Plan account an amount equal to the participant's contributions to one of the 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, 2012, 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, 2012 and 2011

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 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, 2012 and 2011

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 accordance 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 457 Plan, the 401(k) Plan, and/or the Match Plan 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, 2012 and 2011**

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, 2012 and 2011**

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, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Fixed Investments - Investment Contract Pool	\$ 426,780,616	\$ 431,552,335
Vanguard Institutional Index Fund - Institutional Plus	114,423,373	101,252,956
Fidelity(R) Puritan Fund	100,581,043	91,732,975
PIMCO Total Return Fund - Institutional Shares	64,881,840	51,831,306
Goldman Sachs Large Cap Value Fund - Institutional Shares	59,199,866	53,534,868
Neuberger Berman Equity Fund® - Partners Fund	-	39,547,260
American Funds - Growth Fund of America	41,891,372	36,196,483
T Rowe Price Small-Cap Stock Fund, Inc.	42,706,681	37,367,335
American Funds - Euro Pacific Growth Fund	49,895,783	45,088,647
T Rowe Price Retirement 2020 Fund	25,531,171	20,257,954
T Rowe Price Mid Cap Value Fund, Inc.	20,609,091	16,901,370
T Rowe Price Retirement 2015 Fund	19,542,157	16,620,059
Vanguard Small Cap Growth Index - Institutional Shares	14,706,295	12,823,089
T Rowe Price Retirement 2025 Fund	17,283,483	13,070,672
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	9,491,975	11,561,620
American Century Equity Growth Fund - Institutional Class	39,726,213	-
T Rowe Price Retirement 2030 Fund	17,149,949	12,704,570
T Rowe Price Retirement 2010 Fund	9,146,500	8,204,792
T Rowe Price Retirement 2035 Fund	10,151,849	7,322,694
Vanguard Total International Stock Index Fund - Investor Shares	6,029,968	5,518,806
T Rowe Price Retirement 2040 Fund	8,760,540	6,046,162
Vanguard Small Cap Value Index Fund - Institutional Shares	4,069,525	3,261,307
T Rowe Price Retirement 2005 Fund	3,180,850	2,763,994
Vanguard Value Index Fund - Institutional Shares	4,793,915	3,755,799
T Rowe Price Retirement Income Fund	4,144,458	3,591,869
T Rowe Price Retirement 2045 Fund	4,602,593	3,130,711
T Rowe Price Retirement 2050 Fund	3,136,064	1,859,755
T Rowe Price Retirement 2055 Fund	709,993	430,343
Vanguard Total Bond Market Index Fund - Signal Shares	-	3,257,377
Vanguard Total Bond Market Index Fund - Institutional Shares	5,303,079	-
Vanguard Mid Cap Index Fund - Institutional Plus Shares	48,609,477	45,055,716
Parnassus Equity Income Fund - Institutional Shares	3,586,550	1,361,200
Total Mutual Funds	753,845,653	656,051,689
Discontinued investment options - Nationwide Fixed Annuities	75,981,480	79,766,261
Nationwide Life annuity payout reserves	13,673,383	14,959,230
Metropolitan Life annuity payout reserves	4,777,716	5,238,313
Total Annuities	94,432,579	99,963,804
Total Investments	\$ 1,275,058,848	\$ 1,187,567,828

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

**Notes to the Financial Statements
December 31, 2012 and 2011**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Fixed Investments - Investment Contract Pool	\$ 325,666,500	\$ 311,642,426
Vanguard Institutional Index Fund - Institutional Plus	162,014,919	143,637,685
Fidelity(R) Puritan Fund	92,918,948	83,207,679
PIMCO Total Return Fund - Institutional Shares	80,358,306	65,706,262
Goldman Sachs Large Cap Value Fund - Institutional Shares	49,059,982	43,740,919
Vanguard Mid Cap Index Fund - Institutional Shares	54,259,309	49,114,974
Neuberger Berman Equity Fund® - Partners Fund	-	39,356,340
American Funds - Growth Fund of America	58,941,193	49,812,366
T. Rowe Price Small-Cap Stock Fund, Inc.	56,363,646	49,028,306
EuroPacific Growth Fund® -Class R6	60,621,099	53,240,533
T Rowe Price Retirement 2020 Fund	40,755,835	31,897,710
T Rowe Price Mid Cap Value Fund, Inc.	22,922,152	19,207,867
T Rowe Price Retirement 2015 Fund	29,145,420	23,261,235
Vanguard Small Cap Growth Index - Institutional Shares	21,354,847	18,543,489
T Rowe Price Retirement 2025 Fund	29,888,288	21,518,540
Vanguard Total International Stock Index Fund - Institutional Shares	6,392,121	5,191,730
Vanguard Total Bond Market Index Fund - Signal™ Shares	-	3,666,981
Vanguard Total Bond Market Index Fund - Institutional Shares	6,750,296	-
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	11,221,483	13,167,154
American Century Equity Growth Fund - Institutional Class	41,337,740	-
T Rowe Price Retirement 2030 Fund	19,858,744	15,466,470
T Rowe Price Retirement 2010 Fund	13,077,526	10,672,333
T Rowe Price Retirement 2035 Fund	11,167,269	8,035,742
T Rowe Price Retirement 2040 Fund	7,652,883	5,591,253
Vanguard Small Cap Value Index Fund - Institutional Shares	4,499,727	3,686,511
T Rowe Price Retirement 2005 Fund	2,434,979	3,195,407
Vanguard Value Index Fund - Institutional Shares	4,281,292	3,447,717
T Rowe Price Retirement Income Fund	3,689,168	2,916,310
T Rowe Price Retirement 2045 Fund	3,147,579	2,250,579
T Rowe Price Retirement 2050 Fund	1,216,164	710,042
T Rowe Price Retirement 2055 Fund	925,874	696,074
Parnassus Equity Income Fund - Institutional Shares	3,980,509	1,346,876
Total Mutual Funds	900,237,298	771,315,084
Total Investments	\$ 1,225,903,798	\$ 1,082,957,510

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

**Notes to the Financial Statements
December 31, 2012 and 2011**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Fixed Investments - Investment Contract Pool	\$ 35,852,761	\$ 36,752,606
Vanguard Institutional Index Fund - Institutional Plus	28,751,714	26,298,941
Fidelity(R) Puritan Fund	12,566,268	11,544,358
PIMCO Total Return Fund - Institutional Shares	5,775,929	5,186,723
Goldman Sachs Large Cap Value Fund - Institutional Shares	7,622,052	6,820,571
Neuberger Berman Equity Fund® - Partners Fund	2,576	6,756,676
American Funds - Growth Fund of America	6,732,370	5,860,377
T. Rowe Price Small-Cap Stock Fund, Inc.	7,066,623	6,334,762
EuroPacific Growth Fund® -Class R6	5,955,599	5,396,151
T Rowe Price Retirement 2020 Fund	3,851,236	3,267,551
T Rowe Price Mid Cap Value Fund, Inc.	1,864,919	1,643,618
T Rowe Price Retirement 2015 Fund	2,556,264	2,186,672
Vanguard Total Bond Market Index Fund - Signal(TM) Shares	-	240,448
Vanguard Total Bond Market Index Fund - Institutional Shares	314,723	-
Vanguard Total International Stock Index Fund - Institutional Shares	285,134	235,669
Vanguard Mid Cap Index Fund - Institutional Plus Shares	7,966,105	7,322,966
Vanguard Small Cap Growth Index - Institutional Shares	2,489,188	2,231,947
T Rowe Price Retirement 2025 Fund	3,130,696	2,614,724
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	728,902	797,883
American Century Equity Growth Fund - Institutional Class	6,973,947	-
T Rowe Price Retirement 2030 Fund	2,824,007	2,333,990
T Rowe Price Retirement 2010 Fund	942,524	838,922
T Rowe Price Retirement 2035 Fund	1,834,691	1,533,430
T Rowe Price Retirement 2040 Fund	1,364,384	1,160,797
Vanguard Small Cap Value Index Fund - Institutional Shares	269,436	235,838
T Rowe Price Retirement 2005 Fund	158,669	146,101
Vanguard Value Index Fund - Institutional Shares	191,059	146,922
T Rowe Price Retirement Income Fund	192,312	193,254
T Rowe Price Retirement 2045 Fund	719,366	625,823
T Rowe Price Retirement 2050 Fund	302,960	253,144
T Rowe Price Retirement 2055 Fund	59,642	47,174
Parnassus Equity Income Fund - Institutional Shares	181,978	44,664
Total Mutual Funds	113,675,273	102,300,096
Total Investments	\$ 149,528,034	\$ 139,052,702

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

**Notes to the Financial Statements
December 31, 2012 and 2011**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Vanguard Institutional Index Fund - Institutional Plus	\$ 9,606,020	\$ 8,541,372
Fidelity(R) Puritan Fund	8,114,617	7,474,295
PIMCO Total Return Fund - Institutional Shares	6,425,668	4,765,603
Goldman Sachs Large Cap Value Fund - Institutional Shares	5,208,550	4,702,052
Neuberger Berman Equity Fund® - Partners Fund	-	2,973,255
American Funds - Growth Fund of America	2,997,233	2,720,545
T. Rowe Price Small-Cap Stock Fund, Inc.	2,125,811	2,264,213
Vanguard Total International Stock Index Fund - Institutional Shares	1,233,485	993,733
Vanguard Total Bond Market Index Fund - Signal™ Shares	-	613,188
Vanguard Total Bond Market Index Fund - Institutional Shares	730,156	-
Vanguard Mid-Cap Index Fund - Institutional Plus Shares	6,355,470	5,675,515
EuroPacific Growth Fund® -Class R6	4,025,358	3,747,194
T Rowe Price Retirement 2020 Fund	862,015	754,565
T Rowe Price Mid Cap Value Fund, Inc.	1,062,195	880,838
T Rowe Price Retirement 2015 Fund	1,623,200	1,135,682
Vanguard Small Cap Growth Index - Institutional Shares	1,612,015	1,618,692
T Rowe Price Retirement 2025 Fund	512,794	470,646
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	1,054,843	1,165,475
American Century Equity Growth Fund - Institutional Class	3,134,320	-
T Rowe Price Retirement 2030 Fund	507,280	406,124
T Rowe Price Retirement 2010 Fund	770,215	689,966
T Rowe Price Retirement 2035 Fund	143,998	97,313
T Rowe Price Retirement 2040 Fund	134,009	73,702
Vanguard Small Cap Value Index Fund - Institutional Shares	654,061	666,454
T Rowe Price Retirement 2005 Fund	1,212,848	824,816
Vanguard Value Index Fund - Institutional Shares	216,510	180,906
Vanguard Prime Money Market Fund - Institutional Shares	5,332,386	5,813,026
T Rowe Price Retirement Income Fund	333,879	236,339
T Rowe Price Retirement 2045 Fund	51,546	30,634
Great West Life Assurance Company	4,226,120	4,261,423
T Rowe Price Retirement 2050 Fund	35,820	4,703
T Rowe Price Retirement 2055 Fund	2,081	168
Parnassus Equity Income Fund - Institutional Shares	148,952	136,273
Total Mutual Funds	\$ 70,453,455	\$ 63,918,710

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

**Notes to the Financial Statements
December 31, 2012 and 2011**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

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, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Fixed Investments - Investment Contract Pool	\$ 788,299,877	\$ 779,947,367
Vanguard Institutional Index Fund - Institutional Plus	314,796,026	279,730,954
Fidelity(R) Puritan Fund	214,180,876	193,959,307
PIMCO Total Return Fund - Institutional Shares	157,441,743	127,489,894
Goldman Sachs Large Cap Value Fund - Institutional Shares	121,090,450	108,798,410
Neuberger Berman Equity Fund® - Partners Fund	2,576	88,633,531
Vanguard Mid Cap Index Fund - Institutional Shares	54,259,309	49,114,974
American Funds - Growth Fund of America	110,562,168	94,589,771
T Rowe Price Small-Cap Stock Fund, Inc.	108,262,761	94,994,616
EuroPacific Growth Fund® -Class R6	70,602,056	62,383,878
American Funds - Euro Pacific Growth Fund	49,895,783	45,088,647
T Rowe Price Retirement 2020 Fund	71,000,257	56,177,780
T Rowe Price Mid Cap Value Fund, Inc.	46,458,357	38,633,693
T Rowe Price Retirement 2015 Fund	52,867,041	43,203,648
Vanguard Small Cap Growth Index - Institutional Shares	40,162,345	35,217,217
T Rowe Price Retirement 2025 Fund	50,815,261	37,674,582
Morgan Stanley Institutional Fund Trust - Mid Cap Growth Portfolio	22,497,203	26,692,132
T Rowe Price Retirement 2030 Fund	40,339,980	30,911,154
T Rowe Price Retirement 2010 Fund	23,936,765	20,406,013
T Rowe Price Retirement 2035 Fund	23,297,807	16,989,179
Vanguard Total International Stock Index Fund - Investor Shares	6,029,968	5,518,806
T Rowe Price Retirement 2040 Fund	17,911,816	12,871,914
Vanguard Small Cap Value Index Fund - Institutional Shares	9,492,749	7,850,110
T Rowe Price Retirement 2005 Fund	6,987,346	6,930,318
Vanguard Value Index Fund - Institutional Shares	9,482,776	7,531,344
Vanguard Prime Money Market Fund - Institutional Shares	5,332,386	5,813,026
T Rowe Price Retirement Income Fund	8,359,817	6,937,772
T Rowe Price Retirement 2045 Fund	8,521,084	6,037,747
Great West Life Assurance Company	4,226,120	4,261,423
T Rowe Price Retirement 2050 Fund	4,691,008	2,827,644
T Rowe Price Retirement 2055 Fund	1,697,590	1,173,759
Vanguard Total International Stock Index Fund - Institutional Shares	7,910,740	6,421,132
Vanguard Total Bond Market Index Fund - Signal™ Shares	-	7,777,994
Vanguard Mid-Cap Index Fund - Institutional Plus Shares	62,931,052	58,054,197
Vanguard Total Bond Market Index Fund - Institutional Shares	13,098,254	-
Parnassus Equity Income Fund - Institutional Shares	7,897,989	2,889,013
American Century Equity Growth Fund - Institutional Class	91,172,220	-
Total Mutual Funds	1,838,211,679	1,593,585,579
Discontinued investment options - Nationwide Fixed Annuities	75,981,480	79,766,261
Nationwide Life annuity payout reserves	13,673,383	14,959,230
Metropolitan Life annuity payout reserves	4,777,716	5,238,313
Total Annuities	94,432,579	99,963,804
Total Investments	\$ 2,720,944,135	\$ 2,473,496,750

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2012 and 2011

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 Nationwide Retirement Solutions, the administrator of the Plans ("NRS") and the Board. The blended gross interest rate was 2.23% as of December 31, 2012, and ranged from 2.14% to 2.34% during the year ended December 31, 2012. 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 contract value as of December 31, 2012 and 2011, was \$788,299,877 and \$779,947,367, respectively. The fair market value as of December 31, 2012 and 2011, was \$821,722,590 and \$806,002,858, respectively, and the wrapper value was \$114,572 and \$728,050, 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 4.05% as of December 31, 2012, which did not change during the year, and was 4.1% as of December 31, 2011.

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 participants' accounts prior to charges for administration expenses charged by NRS and the Board. The gross interest rate paid on contributions to this investment was 4.0% in 2012 and 2011. 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, 2012 and 2011**

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, 2012 and 2011, were as follows:

	December 31, 2012	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 788,299,877	3.1 years
Variable earnings:		
PIMCO Total Return Fund – Institutional Shares	157,441,743	6.1 years
Great-West Fixed Investment Fund	4,226,120	3.5 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	5,332,386	0.15 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, 2012 and 2011**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2011	
	Valuation	Weighted Average Maturity
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	4,261,423	3.1 years
Variable earnings:		
Vanguard® Prime Money Market Fund – Investors Shares	5,813,026	0.2 years

Note: The Investment Contract Pool is only available in the 457, 401(k) and 401(a) Match 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 his/her positions on demand and has responsibility for managing his/her 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 ICP had a reported credit rating of AA for the years ended December 31, 2012 and 2011. 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, or (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, 2012 and 2011

3. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$8,122,004 and \$8,953,280 as of December 31, 2012 and 2011, respectively. Participants in the 457 Plan contributed \$25,146 and \$31,438 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2012 and 2011, 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, and 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, 2013. 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 2012 and 2011, respectively against the mutual fund, ICP and fixed annuity assets.

During 2012 and 2011, 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 participants' accounts. During 2012 and 2011, 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 2012 and 2011.

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, 2012 and 2011, 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 Plans, pursuant to the usual State appropriation process.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2012 and 2011

4. ADMINISTRATIVE EXPENSES (continued)

The cash reserve balance was \$495,300 and \$297,432 as of December 31, 2012 and 2011, 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 and, therefore, the amounts contributed by the State on behalf of the employees participating in Plans 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.

7. PRIOR YEAR RESTATEMENT

During the year ended December 31, 2012, management discovered that certain MSRP expenses that were paid out of an account maintained by State government were not recorded in these statements during some of the prior years. Management has restated the beginning net assets as of January 1, 2011 and the expenses for the year ended December 31, 2011 to record these expenses. As a result of this restatement, net assets as of January 1, 2011 were decreased by approximately \$4 million and expenses for the year ended December 31, 2011 increased by approximately \$1 million.

ADDITIONAL INFORMATION

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

**Schedule of Administrative Expenses
For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Plan Administrator		
Third party administrator fees	\$ 3,992,145	\$ 3,853,241
Plan Sponsor*		
Salaries, wages and fringe benefits	1,035,850	1,070,891
Technical and special fees	25	943
Communications	25,549	18,797
Travel (in-state and out-of-state)	18,966	15,523
Contractual services	214,478	235,772
Supplies and materials	4,769	3,830
Equipment and furnishings	22,442	45,205
Fixed charges	129,760	127,935
Plan Sponsor Expenses	<u>1,451,839</u>	<u>1,518,896</u>
Reserve Addition	<u>197,868</u>	<u>121,104</u>
Plan Sponsor Total	<u><u>1,649,707</u></u>	<u><u>1,640,000</u></u>
Total Administrative Expenses	<u><u>\$ 5,641,852</u></u>	<u><u>\$ 5,493,241</u></u>

*See footnote 4 for more information.

Maryland Supplemental Retirement Plans



Investment Section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2012

Prepared by Segal Rogerscasey

The report below discusses the overall performance of the Plan's investments for the year ended December 31, 2012, as well as the 2012 market environment.

Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Equities	MSCI World (Net of dividends)*	2.49	15.83	15.83	6.93	-1.18	7.51
	Russell 3000	0.25	16.42	16.42	11.20	2.04	7.68
	MSCI EAFE (Net of dividends)	6.57	17.32	17.32	3.56	-3.69	8.21
	MSCI EM (Net of dividends)	5.58	18.22	18.22	4.66	-0.92	16.52
Fixed Income	Barclays Capital Aggregate	0.22	4.22	4.22	6.19	5.95	5.18
	Citigroup Non-U.S. WGBI (Unhedged)	-2.36	1.51	1.51	3.95	5.24	6.38
Other	Commodity Splice**	-4.81	-0.49	-0.49	1.31	-6.65	3.42
	NCREIF NPI	2.54	10.54	10.54	12.63	2.13	8.44
	Thomson Reuters Private Equity***	-0.07	4.74	3.44	10.09	3.01	8.12
	HFRI Fund of Funds Composite	1.76	5.25	5.25	1.61	-1.66	3.68

* World equities includes U.S. and international (non-U.S.) equities.

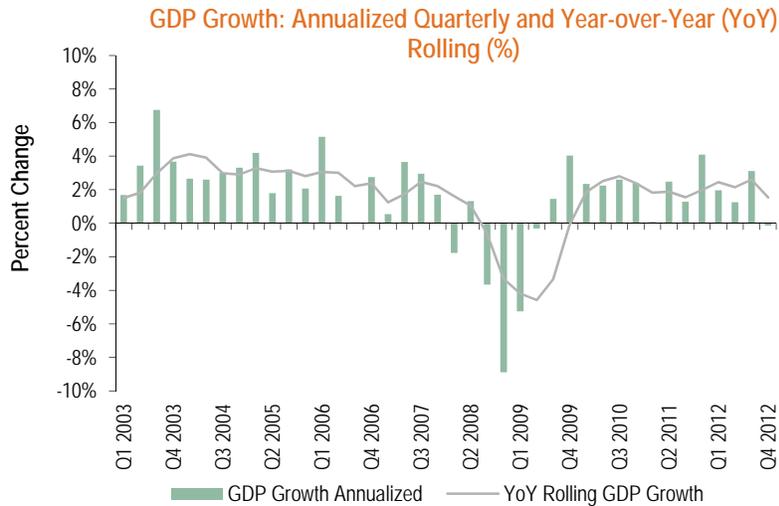
** Commodity Splice, a Segal Rogerscasey index, blends the DJ UBS Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

*** Performance reported as of Q2 2012 because Q3 2012 and Q4 2012 performance data is not yet available.

Sources: eVestment Alliance, Hueler Analytics, Thomson One and Hedge Fund Research, Inc.

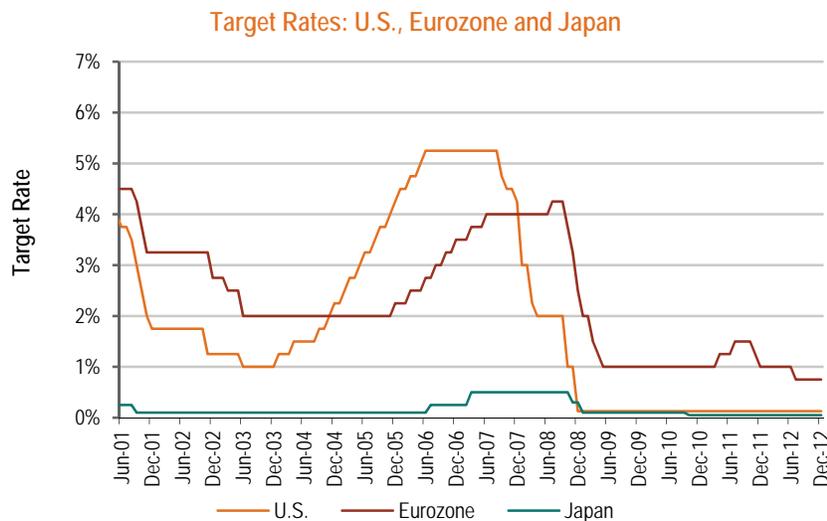
In the fourth quarter of 2012 (Q4), world equity markets benefited from economic stimulus and the anticipated resolution to the U.S. fiscal cliff.¹ On a global scale, value, high quality, and higher-beta stocks outperformed growth-oriented stocks. International equities performed well in light of the European Central Bank (ECB)'s announcement that it would support the bond market. For the year, international equities outperformed domestic equities. Fixed-income markets fluctuated during Q4, as investor sentiment volleyed between risk-on and risk-off. Positives for fixed income included the Federal Reserve (the Fed)'s December announcement that it would continue to purchase agency mortgage-backed securities (MBS) at a rate of \$40 billion per month and longer-term Treasury securities at a rate of \$45 billion per month, and the ECB's plan to make unlimited purchases in eurozone bond markets. Within fixed income, domestic bonds outperformed international bonds. Commodities generally posted losses in the fourth quarter and calendar year. On a broad group basis, grains and agriculture fared the worst, but livestock was among the better performers. Hedge funds ended Q4 strongly, helped by equities' rally at the end of the year, which also boosted the 12-month results. Private equity funds for all regions fell slightly in Q2 2012 (the most recent data available). Private real estate in the U.S. gained during Q4. In public real estate, property stocks rose on a global basis in Q4, reflecting strong core private market transactions as well as the movements of the broader equity market.

¹ The U.S. fiscal cliff refers to the end of a variety of tax cut provisions plus the beginning of certain federal government spending reductions agreed to as part of 2011's debt ceiling compromise.



Source: Bureau of Economic Analysis

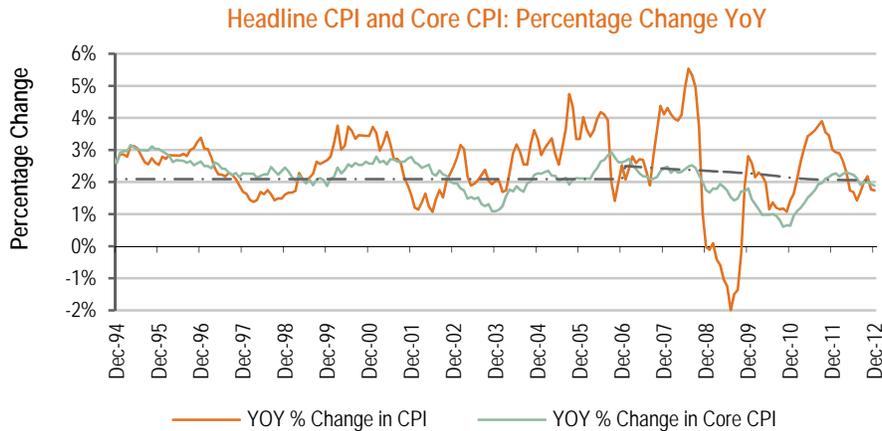
During Q4 2012, gross domestic product (GDP) fell at an annualized rate of 0.1 percent, which was down from approximately 3.1 percent in Q3. The adjacent graph shows annualized GDP growth, along with the year-over-year (YoY) rolling percentage change in GDP. Much of Q4's decline can be attributed to cuts in federal defense spending, decreased state and local government spending and a downturn in exports. Positives included increases in consumers' disposable income due to accelerated dividends and bonus payments, greater non-residential fixed investment, and decreased imports. Q4's decline was the first since 2009. The Bureau of Economic Analysis emphasized that Q4 data is incomplete and will be subject to revisions. Revised data will be released on February 28. *Update: GDP Growth for Q4 2012 was revised up to 0.1 percent (annualized rate) from a decline of 0.1 percent.*



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

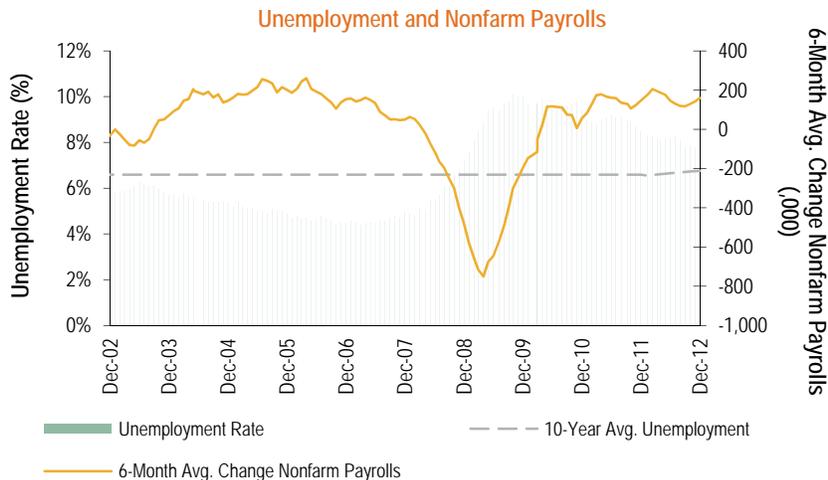
At its December meeting, the Federal Open Market Committee (FOMC) announced that it would continue purchasing agency MBS in the amount of \$40 billion each month and long-term Treasuries in the amount of \$45 billion per month. The FOMC also maintained its exceptionally low target interest rate of 0.0 to 0.25 percent and will do so as long as the unemployment rate is above 6.5 percent. Over the next one or two years, inflation is projected to be no more than 0.5 percent above the Fed's target of 2 percent. The ECB kept its target rate at 0.75

percent. Both economic activity and inflation have been decreasing in the eurozone. As mentioned on page 1, the ECB announced in September that it would make unlimited purchases in struggling eurozone bond markets. The Bank of Japan (BoJ) continued its low interest rate policy maintaining rates at 0.0 to 0.1 percent. The inflation target of 1 percent was unchanged. The Bo J's asset repurchase program was modestly increased from ¥66 trillion to ¥76 trillion (USD \$872 billion) per month due to somewhat worsening economic conditions.



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

The headline Consumer Price Index (CPI)² was down 0.19 percent at the end of Q4 and advanced 1.7 percent on a year-over-year (YoY) basis. Gasoline declined while electricity and natural gas increased. Five out of six major food groupings rose, which caused food to increase for the third month in a row. After rising 0.1 percent in October, the index declined 0.3 percent in November and was unchanged in December. Core CPI, which excludes both food and energy prices, rose 0.1 percent in December, bringing the YoY core CPI to 1.9 percent. Large contributors included shelter, airline fares, tobacco and medical care. Detractors included recreation, household furnishings and operations and used cars and trucks.

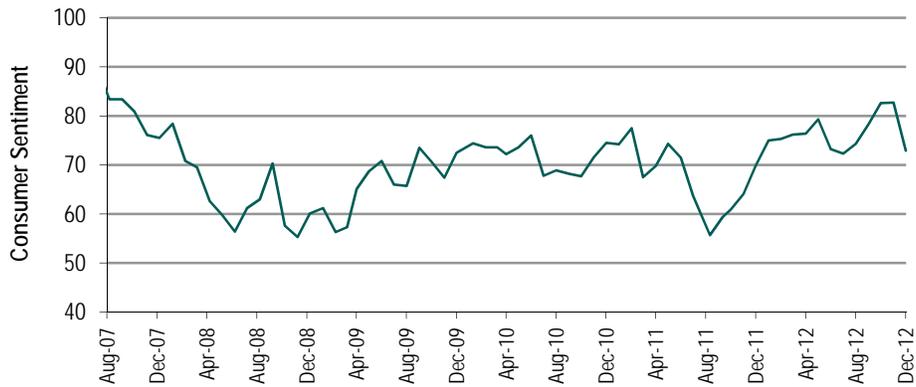


The U.S. labor market was flat during Q4. The unemployment rate, which is represented by the green area in the above graph, was unchanged from Q3 at 7.8 percent. Nonfarm payrolls increased by 453,000 jobs over the

² Headline CPI is the CPI-U, the CPI for all urban consumers

quarter. There were 155,000 jobs added in December, closely following the average of 153,000 for the year. November's gains were revised upward to 161,000 jobs from 146,000 jobs, and October's gains were revised slightly downward by 1,000 jobs to 137,000 jobs. The 6-month average change in nonfarm payrolls is shown in the above graph as an orange line. The private sector added 168,000 jobs during December while government payrolls decreased by 13,000 jobs. The service industries added the most jobs with 109,000 on a net basis, which was well below November's gains. Within service industries, lower retail employment and business service muted overall gains, but unusually higher education and healthcare helped offset losses. Producers of goods added 59,000 jobs, led by a jump of 30,000 construction jobs and an increase of 25,000 manufacturing jobs. The labor-force participation rate ended Q4 unchanged from Q3 at 63.6 percent. The average workweek remained unchanged from Q3 and average hourly earnings increased 0.3 percent in Q4. Labor underutilization remained unchanged from Q3 at 14.4 percent. Median duration of unemployment improved, dropping to 18 weeks from 18.9.

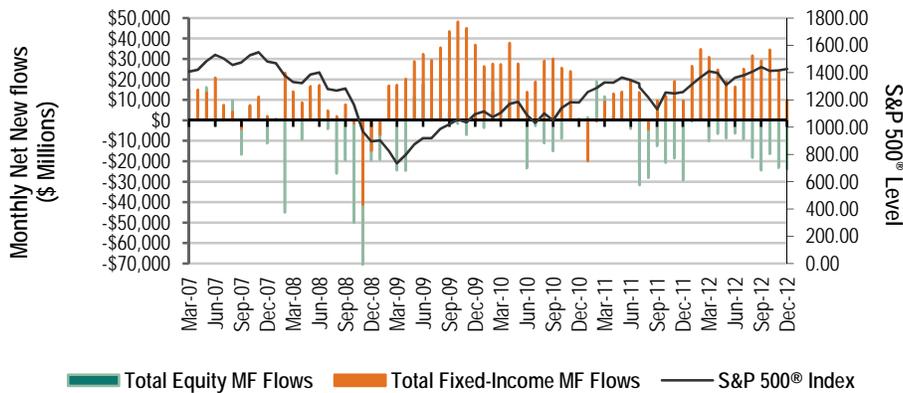
U.S. Consumer Sentiment August 2007 – December 2012



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 individuals' confidence in the stability of their incomes as well as the state of the economy. After rising in Q3, the Index fell 5.4 points to 72.9 in Q4. Consumer confidence declined more than was forecasted in December due to the possibility of higher taxes and government spending cutbacks in 2013. Some positives for consumers were job growth, lower gas prices and stock market gains.

Monthly Mutual Fund Net Flows (\$ Millions) Q4 2012



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

The graph on the prior page shows net flows into equity and fixed-income mutual funds. In Q4, total inflows into mutual funds stood at just \$7.2 billion, the smallest inflows of all quarters in 2012. Equity mutual funds experienced net outflows of \$64.1 billion while fixed-income mutual funds experienced net inflows of \$68.2 billion. Hybrid funds experienced inflows of approximately \$3.1 billion. Investors continued to favor fixed-income mutual funds, which have experienced inflows over 16 consecutive months. Conversely, equity mutual funds have suffered net outflows every month since May 2011, with the exception of February 2012 when \$1.4 billion flowed into equity mutual funds. For 2012 as a whole, equity mutual funds experienced net outflows of \$146.9 billion; \$151.8 billion in outflows from domestic equity mutual funds were countered slightly by \$4.9 billion of net inflows into world equity mutual funds. Fixed-income mutual funds experienced over \$306.0 billion in net inflows in 2012, the majority of which flowed into taxable bond funds.

The domestic fixed income indices generally produced slightly positive results during the fourth quarter, with only government, mortgages and international bonds declining. Spread sectors outperformed U.S. Treasuries in the fourth quarter, led by corporate bonds and commercial mortgage-backed securities. For the year, high yield bonds were the best performing sector of the fixed income market, while government securities were the lowest performing. The international sovereign debt market declined during the fourth quarter of 2012, 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.

Fixed-Income Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
BarCap [®] Aggregate	0.22	4.22	4.22	6.19	5.95	5.18
BarCap [®] Govt/Credit	0.38	4.82	4.82	6.71	6.06	5.25
BarCap [®] Intermediate Govt/Credit	0.35	3.89	3.89	5.19	5.18	4.62
BarCap [®] LT Govt/Credit	0.48	8.82	8.82	13.66	10.17	7.96
BarCap [®] Government	-0.06	2.02	2.02	5.48	5.23	4.66
BarCap [®] Credit	1.05	9.39	9.39	8.74	7.65	6.24
BarCap [®] Inv Grade CMBS	1.29	10.04	10.04	12.28	6.99	5.51
BarCap [®] Mortgage	-0.2	2.59	2.59	4.72	5.67	5.08
BofA ML US High Yield Master II	3.18	15.58	15.58	11.6	10.01	10.39
Citigroup Non-U.S. WGBI** (Unhedged)	-2.36	1.51	1.51	3.95	5.24	6.38
Citigroup 3-Month T-Bill	0.02	0.07	0.07	0.09	0.45	1.69
Hueller Stable Value	0.52	2.26	2.26	2.69	3.15	3.89

Equity Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
S&P 500 [®]	-0.38	16.00	16.00	10.87	1.66	7.10
Russell 1000	0.12	16.42	16.42	11.12	1.92	7.52
Russell 1000 Growth	-1.32	15.26	15.26	11.35	3.12	7.52
Russell 1000 Value	1.52	17.51	17.51	10.86	0.59	7.38
Russell 2000	1.85	16.35	16.35	12.25	3.56	9.72
Russell 2000 Growth	0.45	14.59	14.59	12.82	3.49	9.80
Russell 2000 Value	3.22	18.05	18.05	11.57	3.55	9.50
Russell 3000	0.25	16.42	16.42	11.20	2.04	7.68
MSCI World	2.49	15.83	15.83	6.93	-1.18	7.51
MSCI EAFE	6.57	17.32	17.32	3.56	-3.69	8.21
MSCI EM (All)	5.58	18.22	18.22	4.66	-0.92	16.52

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

During the fourth quarter of 2012, small cap stocks outpaced large cap stocks and value equity outperformed growth equity. Despite the negative performance of large cap growth stocks and the broad based S&P 500 Index, the domestic equity indices produced strong results for 2012 with returns ranging from 14.6% to 18.1%. The international equity markets recovered nicely in the fourth quarter to finish the year ahead of domestic equity markets. 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 have reverted close to historical norms.

Plan Summary Report
 For period ended December 31, 2012
 Prepared by Segal Rogerscasey

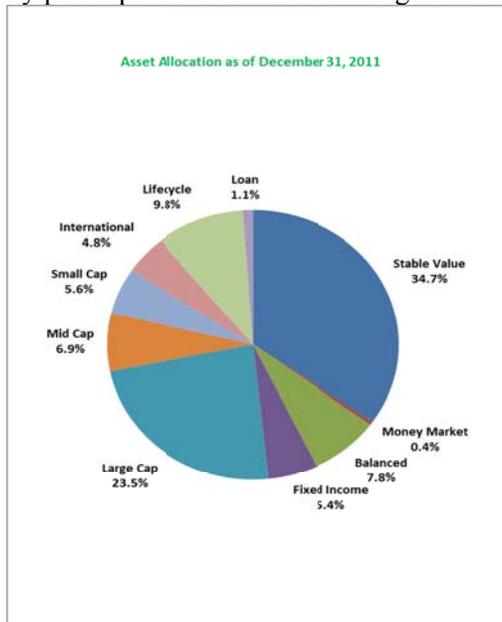
Assets of the Maryland Teachers & State Employees Supplemental Retirement Plans (the Plans) totaled \$2.759 billion as of December 31, 2012. This reflected an increase of \$43 million from the prior calendar year-end. During 2012, the Plans received \$171.3 million in contributions and paid \$187.1 million in distributions to participants, which accounted for a \$15.8 million decrease in Plan assets that was offset by investment performance. In terms of overall asset allocation, the assets were invested as follows: 31.6% stable value, 24.0% large cap equity, 11.4% lifecycle, 7.8% balanced, 6.8% mid cap equity, 6.2% fixed income, 5.8% small cap equity, 4.9% international equity, 0.3% money market, and the remaining 1.1% was in loans. The single most popular investment option was the Investment Contract Pool, which comprised 29% of Plan assets.

The 457 Plan comprises the largest portion of the Plan, with \$1.271 billion in assets as of December 31, 2012. As of year-end, participants' assets were invested 39.6% stable value, 31.7% domestic equity, 9.7% lifecycle, 7.9% balanced, 5.1% fixed income, 4.4% international equity, and 1.1% loans. The largest allocation was to the Investment Contract Pool with 33.6% of participant assets.

Assets in the 401(k) Plan were valued at \$1.243 million as of December 31, 2012, which comprised 45.5% of the Plan. As of year-end, participants' assets were invested 26.2% stable value, 39.6% domestic equity, 13.1% lifecycle, 7.5% balanced, 6.5% fixed income, 5.4% international equity, and 1.2% loans. The largest single fund allocation was the Investment Contract Pool with 26.2% of participant assets.

As of December 31, 2012, the 401(a) Plan was valued at \$149 million, which accounted for 5.5% of total Plan assets. Like the 457 and 401(k) Plans, the Investment Contract Pool was the most popular investment option with 24.0% of participant assets. As of year-end, participants' assets were invested 24.0% stable value, 47.5% domestic equity, 12.0% lifecycle, 8.4% balanced, 3.9% fixed income, and 4.2% international equity.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$71 million in assets. As of year-end, participants' assets were invested 48.4% domestic equity, 13.3% money market, 11.5% balanced, 9.1% fixed income, 8.8% lifecycle, 7.5% international equity, and 0.4% in loans. The single largest option in the 403(b) Plan, by participant assets was the Vanguard Institutional Index Fund at 13.6%.



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%
Subtotal	60%

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%
Total Assets	\$ 2,482,673,275	100%

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 Plan 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 Plan’s 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 \$788.3 million as of December 31, 2012. This investment option is not available in the 403(b) Plan. For the calendar year 2012, the ICP produced an annual return of 2.21%, 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, 2012, the value of the option was \$77.0 million. The quarterly crediting rates exceeded the treasury index during 2012.

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, 2012, 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 \$0.2 million

Vanguard Prime Money Market: Another option only offered in the 403(b) Plan, this option has approximately \$5.3 million in assets as of December 31, 2012. 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 0.8% 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 \$13.1 million as of December 31, 2012.

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 \$9.4 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, 2012, \$316.9 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 \$117.2 million as of December 31, 2012.

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 \$9.5 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, 2012, \$40.2 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 \$13.9 million of as the calendar year-end.

Active Options

PIMCO Total Return Fund: This actively managed core fixed income option was valued at \$157.4 million as of December 31, 2012, comprising assets of participants from each of the four Plans. The fund outperformed the Barclays Capital Aggregate Bond Index across all annualized periods. In fact, the fund ranked in the top decile over the 1, 5, 7 and 10-year periods. As of year-end, there were \$127.5 million in participant assets invested in this fund.

Fidelity Puritan Fund: As of December 31, 2012, \$214.2 million of participant assets were invested in the Plan's balanced option. The Fidelity Puritan Fund outpaced its blended benchmark, and ranked above the median of the balanced mutual fund universe during 2012. The fund matched the performance of the index during the trailing 3-year period. During the 7 and 10-year periods, the fund ranked in the top quartile of its peer group. There were \$194.0 million of participant assets in this fund as of December 31, 2012.

Goldman Sachs Large Cap Value Fund: The Plans' actively managed large cap value option outperformed the Russell 1000 Value Index and was one of the best performing large cap value mutual funds during 2012, outperforming 96% of peers. However, the fund trailed the index during the trailing 3-year period. As of December 31, 2012, participant assets invested in this fund were valued at \$121.1 million.

American Century Equity Growth Fund: For the calendar year 2012, the actively managed large cap core equity option significantly outperformed the S&P 500 Index. The fund outpaced its benchmark and the median of its peer universe during the trailing 3, 5, and 10-year periods. Participant assets invested in this fund were valued at \$91.2 million as of December 31, 2012.

Parnassus Equity Income Instl: The large cap blend equity, socially responsible option, slightly underperformed the S&P 500 Index during 2012, but performed better than the median of the large cap core equity mutual fund universe. The fund significantly outpaced the market index and the median of its peer universe during the trailing 5-year period. As of December 31, 2012, there were \$7.9 million in participant balances.

American Funds Growth Fund of America: For the trailing 1-year period, the Plans' actively managed large cap growth option significantly outperformed its benchmark and the median return of the large cap growth equity mutual fund universe. The fund also underperformed the Russell 1000 Growth Index during the trailing 3- and 5-year periods, although it performed above the median. There were \$110.6 million in participant assets invested in this fund as of year-end.

T. Rowe Price MidCap Value: The Plans' actively managed mid cap value equity fund outpaced the Russell Mid Cap Value Index and the median of the mid cap value equity mutual fund universe during the trailing 1-year. Similarly, the fund exceeded the performance of the index during the trailing 5, 7 and 10-year periods and ranked in the top quartile of its peer group. As of year-end, participant assets invested in this fund were valued at \$46.6 million.

Morgan Stanley Instl Trust: For the calendar year 2012, the fund underperformed the Russell Mid Cap Growth Index and the median of the mid cap growth mutual fund universe. During the annualized 5, 7 and 10-year periods, the fund ranked in the top quartile among its peer group. The participant balances in the fund totaled \$22.5 million as of December 31, 2012.

T Rowe Price Small Cap Stock: The Plans' actively managed small cap blend equity fund performed above the relevant market index and median of its peer universe during the 1, 3, 5, 7 and 10-year annualized periods. As of December 31, 2012, participant assets invested in this fund were valued at \$108.3 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period, the Plans' actively managed international equity fund outpaced the performance of the MSCI ACWI ex-US Index and the median of the international large cap equity mutual fund universe. Similarly, during the 3 and 5-year annualized periods, 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 Plans' assets invested in this fund was \$120.5 million.

T Rowe Price Retirement Funds: The T Rowe Price Retirement Funds are the Plans' lifecycle option. Participants had invested \$310.4 million in the 12 lifecycle funds as of December 31, 2012. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as retirement date approaches. For 2012, the most conservative fund earned 10.6%, while the most aggressive fund, which would be for participants with retirement approximately 40 years out, the fund earned 17.6%. On an annualized 5-year basis, the funds for participants that are in or are close to retirement produced returns of approximately 3.4-4.1%, whereas, funds for those younger employees earned 2.4%. The following table illustrates the broad asset allocation of each of the specific funds as of December 31, 2012.

	Domestic Fixed	Domestic Equity	Int'l Equity	Int'l Fixed	Other
T Rowe Price Rtmt Income	46.9%	28.8%	12.7%	9.9%	1.8%
T Rowe Price Rtmt 2005	41.9%	30.6%	13.6%	12.1%	1.9%
T Rowe Price Rtmt 2010	35.9%	35.4%	16.1%	10.7%	2.0%
T Rowe Price Rtmt 2015	27.8%	41.8%	19.3%	8.9%	2.3%
T Rowe Price Rtmt 2020	21.2%	47.1%	22.0%	7.4%	2.3%
T Rowe Price Rtmt 2025	15.2%	52.0%	24.7%	5.6%	2.6%
T Rowe Price Rtmt 2030	10.7%	55.9%	26.7%	4.2%	2.6%
T Rowe Price Rtmt 2035	7.2%	58.9%	28.3%	2.8%	2.8%
T Rowe Price Rtmt 2040	5.5%	60.5%	29.2%	2.2%	2.7%
T Rowe Price Rtmt 2045	5.5%	60.6%	29.2%	2.2%	2.6%
T Rowe Price Rtmt 2050	5.5%	60.4%	29.1%	2.1%	2.9%
T Rowe Price Rtmt 2055	5.5%	60.3%	28.8%	2.2%	3.2%

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Exhibit A
Maryland Teachers State Employees Supplemental Retirement Plans

Investment Performance and Fees as of December 31, 2012

	1	Year	1	3	5	Expense
	Quarter	To	Year	Years	Years	Ratio
	1	Date	1	3	5	Ratio
Maryland Investment Contract Pool	0.01	0.02	0.02	0.02	0.03	N/A
Hueler Stable Value	0.52	2.27	2.27	2.69	3.15	N/A
Nationwide Fixed Account	0.01	N/A	N/A	N/A	N/A	N/A
BofA Merrill Lynch 1-3 Year Treasury	0.07	0.43	0.43	1.44	2.32	N/A
Vanguard Prime Money Mkt Instl	0.03	0.11	0.11	0.15	0.80	0.09
90 Day U.S. Treasury Bill	0.03	0.08	0.08	0.10	0.51	
Vanguard Total Bond Mkt Inst	0.13	4.18	4.18	6.15	5.95	0.07
Barclays Aggregate	0.21	4.21	4.21	6.19	5.95	
IM U.S. Broad Market Core Fixed Income (MF) Median	0.67	6.79	6.79	6.93	6.02	
Vanguard Total Bond Mkt Inst Rank	88	87	87	77	54	
Vanguard Value Index Instl	0.88	15.20	15.20	10.09	0.49	0.08
MSCI US Prime Market Value	0.89	15.22	15.22	10.14	0.44	
IM U.S. Large Cap Value Equity (MF) Median	1.28	15.61	15.61	8.64	-0.08	
Vanguard Value Index Instl Rank	65	57	57	17	36	
Vanguard Instl Index Plus	-0.37	16.00	16.00	10.88	1.72	0.02
S&P 500	-0.38	16.00	16.00	10.87	1.66	
IM U.S. Large Cap Core Equity (MF) Median	0.14	15.34	15.34	9.05	0.89	
Vanguard Instl Index Plus Rank	69	39	39	14	27	
Vanguard MidCap Index Instl Plus	2.83	16.03	16.03	N/A	N/A	0.06
MSCI US Mid Cap 450 Index	2.85	16.05	16.05	12.68	3.19	
IM U.S. Mid Cap Core Equity (MF) Median	2.86	15.96	15.96	10.79	1.43	
Vanguard MidCap Index Instl Plus Rank	53	48	48	N/A	N/A	
Vanguard Small Cap Value Index Instl	3.67	18.78	18.78	12.54	4.84	0.19
MSCI US Small Cap Value	3.62	18.78	18.78	12.52	4.74	
IM U.S. Small Cap Value Equity (MF) Median	3.71	16.79	16.79	11.59	4.47	
Vanguard Small Cap Value Index Instl Rank	52	30	30	31	40	
Vanguard Small Cap Growth Index Instl	1.95	17.68	17.68	14.97	5.35	0.08
MSCI US Small Cap Growth	1.91	17.57	17.57	14.81	5.17	
IM U.S. Small Cap Growth Equity (MF) Median	-0.60	12.48	12.48	12.29	2.06	
Vanguard Small Cap Growth Index Instl Rank	8	6	6	12	11	
Vanguard Total Intl Stock Instl	6.69	18.28	18.28	N/A	N/A	0.13
MSCI AC World ex USA	5.89	17.39	17.39	4.33	-2.44	
IM International Large Cap Core Equity (MF) Median	7.22	18.34	18.34	3.61	-3.52	
Vanguard Total Intl Stock Instl Rank	61	51	51	N/A	N/A	
PIMCO Total Return Instl	1.16	10.35	10.35	7.76	8.36	0.46
Barclays Aggregate	0.21	4.21	4.21	6.19	5.95	
IM U.S. Broad Market Core Fixed Income (MF) Median	0.67	6.79	6.79	6.93	6.02	
PIMCO Total Return Instl Rank	17	5	5	22	5	
Fidelity Puritan Fund	0.15	13.79	13.79	9.32	3.23	0.59
60% S&P 500 / 40% BC Agg	-0.14	11.31	11.31	9.32	3.81	
IM All Balanced (MF) Median	1.40	11.70	11.70	7.58	2.10	
Fidelity Puritan Fund Rank	89	27	27	10	26	

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

Exhibit A
Maryland Teachers State Employees Supplemental Retirement Plans

	1	Year	1	3	5	Expense
	Quarter	To	Year	Years	Years	Ratio
	Date	Date	Date	Date	Date	Date
Goldman Sachs Large Cap Value Instl	1.99	19.62	19.62	7.61	-0.34	0.79
Russell 1000 Value Index	1.52	17.51	17.51	10.86	0.59	
IM U.S. Large Cap Value Equity (MF) Median	1.28	15.61	15.61	8.64	-0.08	
Goldman Sachs Large Cap Value Instl Rank	25	4	4	72	58	
American Century Equity Growth	0.39	16.54	16.54	11.84	1.93	0.48
S&P 500	-0.38	16.00	16.00	10.87	1.66	
IM U.S. Large Cap Core Equity (MF) Median	0.14	15.34	15.34	9.05	0.89	
American Century Equity Growth Rank	39	28	28	6	22	
Parnassus Equity Income Instl	1.25	15.64	15.64	9.25	5.38	0.70
S&P 500	-0.38	16.00	16.00	10.87	1.66	
IM U.S. Large Cap Core Equity (MF) Median	0.14	15.34	15.34	9.05	0.89	
Parnassus Equity Income Instl Rank	19	45	45	45	2	
American Funds Growth Fund of American R6	2.38	20.98	20.98	9.18	N/A	0.34
American Funds Gro;R-5 (RGAFX)	2.36	20.92	20.92	9.12	1.39	0.39
Russell 1000 Growth Index	-1.32	15.26	15.26	11.35	3.12	
IM U.S. Large Cap Growth Equity (MF) Median	-1.30	14.95	14.95	9.01	1.30	
American Funds Growth Fund of American R6 Rank	5	4	4	46	N/A	
T Rowe Price MidCap Value	2.35	19.63	19.63	9.86	4.94	0.81
Russell Midcap Value Index	3.93	18.51	18.51	13.39	3.79	
IM U.S. Mid Cap Value Equity (MF) Median	3.56	16.49	16.49	11.16	3.00	
T Rowe Price MidCap Value Rank	85	9	9	77	16	
Morgan Stanley Instl Trust	2.02	9.49	9.49	10.67	2.76	0.71
Russell Midcap Growth Index	1.69	15.81	15.81	12.91	3.23	
IM U.S. Mid Cap Growth Equity (MF) Median	0.95	13.29	13.29	10.83	1.14	
Morgan Stanley Instl Trust Rank	17	88	88	54	25	
T Rowe Price Small Cap Stock	1.76	18.01	18.01	16.04	7.59	0.92
Russell 2000 Index	1.85	16.35	16.35	12.25	3.56	
IM U.S. Small Cap Core Equity (MF) Median	2.08	15.08	15.08	11.85	3.17	
T Rowe Price Small Cap Stock Rank	61	19	19	4	2	
American Funds EuroPacific Growth R6	5.65	19.64	19.64	4.42	N/A	0.50
American Funds EuPc;R-5 (RERFX)	5.63	19.57	19.57	4.37	-1.10	0.55
MSCI AC World ex USA	5.89	17.39	17.39	4.33	-2.44	
IM International Large Cap Core Equity (MF) Median	7.22	18.34	18.34	3.61	-3.52	
American Funds EuroPacific Growth R6 Rank	84	27	27	24	N/A	
T Rowe Price Rtmt Income	1.15	10.06	10.06	7.12	4.13	0.57
T. Rowe Price Retirement Income Fund	0.97	8.81	8.81	6.37	3.04	
IM Mixed-Asset Target Alloc Consv (MF) Median	1.07	9.49	9.49	7.01	4.00	
T Rowe Price Rtmt Income Rank	43	37	37	47	44	
T Rowe Price Rtmt 2005	1.30	11.35	11.35	7.99	4.05	0.59
T. Rowe Price Retirement 2005	0.99	9.52	9.52	7.31	3.17	
IM Mixed-Asset Target 2010 (MF) Median	1.24	9.83	9.83	7.23	2.53	
T Rowe Price Rtmt 2005 Rank	46	23	23	21	8	

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

Exhibit A
Maryland Teachers State Employees Supplemental Retirement Plans

	1	Year	1	3	5	Expense
	Quarter	To	Year	Years	Years	Ratio
	Date	Year	Year	Years	Years	Ratio
T. Rowe Price Retire 2010	1.37	12.44	12.44	8.41	3.62	0.61
T. Rowe Price Retirement 2010	1.12	10.61	10.61	7.86	2.89	
IM Mixed-Asset Target 2010 (MF) Median	1.24	9.83	9.83	7.23	2.53	
T. Rowe Price Retire 2010 Rank	40	4	4	7	16	
T. Rowe Price Retire 2015	1.61	13.81	13.81	8.88	3.42	0.66
T. Rowe Price Retirement 2015	1.27	11.94	11.94	8.40	2.68	
IM Mixed-Asset Target 2015 (MF) Median	1.40	10.68	10.68	7.58	2.15	
T. Rowe Price Retire 2015 Rank	29	1	1	1	12	
T. Rowe Price Retire 2020	1.77	15.01	15.01	9.24	3.08	0.70
T. Rowe Price Retirement 2020	1.40	13.04	13.04	8.83	2.38	
IM Mixed-Asset Target 2020 (MF) Median	1.37	11.57	11.57	7.94	1.98	
T. Rowe Price Retire 2020 Rank	29	1	1	7	10	
T. Rowe Price Retire 2025	2.00	16.00	16.00	9.44	2.75	0.73
T. Rowe Price Retirement 2025	1.51	14.00	14.00	9.09	2.10	
IM Mixed-Asset Target 2025 (MF) Median	1.74	13.00	13.00	8.23	1.49	
T. Rowe Price Retire 2025 Rank	35	1	1	3	10	
T. Rowe Price Retire 2030	2.07	16.82	16.82	9.66	2.51	0.75
T. Rowe Price Retirement 2030	1.63	14.85	14.85	9.34	1.86	
IM Mixed-Asset Target 2030 (MF) Median	1.83	13.71	13.71	8.09	1.02	
T. Rowe Price Retire 2030 Rank	38	2	2	7	7	
T. Rowe Price Retire 2035	2.19	17.35	17.35	9.72	2.34	0.77
T. Rowe Price Retirement 2035	1.71	15.45	15.45	9.44	1.73	
IM Mixed-Asset Target 2035 (MF) Median	2.04	14.74	14.74	8.39	0.85	
T. Rowe Price Retire 2035 Rank	42	4	4	1	9	
T. Rowe Price Retire 2040	2.24	17.55	17.55	9.74	2.37	0.78
T. Rowe Price Retirement 2040	1.75	15.66	15.66	9.49	1.76	
IM Mixed-Asset Target 2040 (MF) Median	2.03	14.91	14.91	8.28	0.54	
T. Rowe Price Retire 2040 Rank	33	3	3	8	5	
T. Rowe Price Retire 2045	2.31	17.62	17.62	9.75	2.38	0.78
T. Rowe Price Retirement 2045	1.75	15.66	15.66	9.49	1.76	
IM Mixed-Asset Target 2045 (MF) Median	2.20	15.33	15.33	8.38	0.61	
T. Rowe Price Retire 2045 Rank	45	4	4	2	5	
T. Rowe Price Retire 2050	2.29	17.55	17.55	9.76	2.37	0.78
T. Rowe Price Retirement 2050 Index	1.75	15.66	15.66	9.49	1.76	
IM Mixed-Asset Target 2050+ (MF) Median	2.19	15.46	15.46	8.23	0.37	
T. Rowe Price Retire 2050 Rank	44	5	5	6	4	
T. Rowe Price Retire 2055	2.27	17.60	17.60	9.79	2.36	0.78
T. Rowe Price Retirement 2055 Index	1.75	15.66	15.66	9.49	1.76	
IM Mixed-Asset Target 2050+ (MF) Median	2.19	15.46	15.46	8.23	0.37	
T. Rowe Price Retire 2055 Rank	46	4	4	6	6	

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, 2012

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 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 website, 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 insurance companies, banks, 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	\$788,929,310
Average Credit Quality (See Profile) ¹	AA
Average Duration	2.84
Previous monthly crediting rate (annualized)	2.25%
Inception Date	1987
Manager ²	DB Advisors

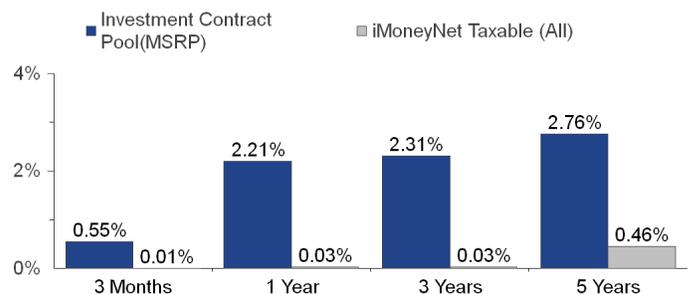
Sector Allocations^{3,5}

Asset Backed	2.5%
CMBS	4.0%
Corporate	22.5%
Govt Related	2.5%
Mortgage	28.8%
STIF	8.8%
Traditional GIC	4.1%
US Agency	8.5%
US Treasury	22.3%
Wrapper Exposure	-4.0%

Credit Profile^{3,4}

STIF/A-1	13.5%
AAA	34.3%
AA+	24.8%
AA	1.4%
AA-	3.9%
A+	3.6%
A	2.2%
A-	3.5%
BBB+	3.3%
BBB	4.9%
BBB-	2.8%
NR	0.7%
BB+ & Below	0.9%

Performance⁶



¹ Represents the weighted average credit quality.

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

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

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

⁵ 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.

⁶ 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, 2012

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 is approximately 0.50%, 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 0.14%, annualized.

The ICP typically invests in the following investments: (1) Short term cash investments for general account liquidity; (2) General Account Investment Contracts ("GICs" or "BICs"), which are issued by insurance companies or banks and maintain a constant principal valuation while earning interest; (3) Separate Account GICs, and (4) Synthetic GICs. Separate Account GICs and Synthetic GICs both allow for principal stability while earning interest. The key difference between GICs, and Synthetic GICs or Separate Account GICs, is that Synthetic GICs and Separate Account GICs have an associated fixed income portfolio managed by a fixed income advisor for the benefit of the ICP. The fixed income portfolio generates investment income to pay interest, and is combined with a benefit responsive investment contract issued by an insurance company, bank, or other high-quality financial institution, to 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 MSRP.maryland.gov. 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.

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@maryland.gov. Or you may call the Nationwide Retirement Solutions Team MSRP Customer Service Center at 1-800-545-4730.

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

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

⁹ Fixed income portfolios managed by these advisors are associated with Separate Account GICs and Wrapper contracts issued to the ICP.

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

ICP Investments^{7,8}

Short Term Investment Funds (STIF)

BONY STIF	A-1	P-1	F1	5.3%
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General Account GIC

Jackson National Life Insurance Co.	AA	A1	AA	0.6%
Principal Life Insurance Company	A+	Aa3	AA-	1.2%
Prudential Insurance Co. of America	AA-	A2	A+	2.3%

Synthetic GICs / Wrapper Issuers

Monumental Life Insurance Co.	AA-	A1	AA-	-1.1%
Prudential Insurance Co. of America	AA-	A2	A+	-1.5%

Separate Account GICs

Massachusetts Mutual Life Insurance Co.	AA+	Aa2	AA+	28.0%
Metropolitan Life Insurance Co.	AA-	Aa3	NR	14.8%

Fixed income portfolios^{8,9}

Babson	28.7%
Earnest Partners	15.6%
J.P. Morgan Investment Management Inc.	21.8%
PIMCO	28.5%

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, 2012 to December 31, 2012



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. 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 0.14% 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 '13	Dec '12	Nov '12						
283	Investment Contract Pool	2.28%	2.25%	2.20%						
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		0.11%	0.15%	0.80%	1.99%	3.80%	10/03/1989	0.09%
	Current Yield: 0.09%									
	Citigroup 3-month T-bill			0.07%	0.09%	0.45%	1.69%			
VRU	Bonds									
654	PIMCO Total Return Fund Inst ^(a)	Intermediate-Term Bond		10.37%	7.76%	8.34%	6.82%	8.36%	05/11/1987	0.46%
	Intermediate Term Bond Index									
	Barclays Capital US Aggregate Bond			4.21%	6.19%	5.95%	5.18%			
786	Vanguard Total Bond Market Index Inst	Intermediate-Term Bond		4.18%	6.16%	5.96%	5.22%	6.14%	09/18/1995	0.07%
	Intermediate Term Bond Index									
	Barclays Capital Intermediate Government Bond			1.73%	4.25%	4.51%	4.10%			
VRU	Balanced									
199	Fidelity Puritan Fund ^(b)	Moderate Allocation		13.79%	9.32%	3.23%	7.16%	10.97%	04/16/1947	0.59%
	Balanced Index									
	60% S&P 500/40% Barclays Capital Aggregate Bond			11.31%	9.32%	3.81%	6.62%			
VRU	Large-Cap Stocks									
740	Vanguard Instl Index Fund Plus	Large Blend		16.00%	10.88%	1.72%	7.14%	4.87%	07/07/1997	0.02%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			16.00%	10.87%	1.66%	7.10%			
856	Parnassus Equity Income Fund Inst ^(b)	Large Blend		15.64%	9.26%	5.38%	8.28%	9.86%	08/31/1992	0.70%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			16.00%	10.87%	1.66%	7.10%			
959	American Century Equity Growth Inst	Large Blend		16.54%	11.84%	1.93%	7.64%	8.93%	05/09/1991	0.48%
	Large Cap Blend Index									
	Standard & Poor's 500 Index			16.00%	10.87%	1.66%	7.10%			
834	American Funds Growth Fund of America R6	Large Growth		20.98%	9.18%	1.43%	8.60%	13.73%	11/30/1973	0.34%
	Large Cap Growth Index									
	Russell 1000 Growth			15.26%	11.35%	3.12%	7.52%			
776	Goldman Sachs Large Cap Value Inst ^(b)	Large Value		19.62%	7.61%	-0.34%	6.81%	4.54%	12/15/1999	0.77%
	Large Cap Value Index									
	Russell 1000 Value			17.51%	10.86%	0.59%	7.38%			
844	Vanguard Value Index Fund Inst	Large Value		15.20%	10.09%	0.49%	7.49%	3.87%	07/02/1998	0.08%
	Large Cap Value Index									
	CRSP Large Cap Value			N/A	N/A	N/A	N/A			
VRU	Mid-Cap Stocks									
899	Vanguard Midcap Index Inst Plus	Mid Cap Blend		16.04%	N/A	N/A	N/A	7.59%	12/09/2010	0.06%
	Mid Cap Blend Index									
	S&P 400 Midcap Index			17.88%	13.62%	5.15%	10.53%			
846	Morgan Stanley Institutional Fund Trust Inst	Mid Cap Growth		9.49%	10.67%	2.76%	12.30%	12.46%	03/30/1990	0.70%
	Mid Cap Growth Index									
	Russell Midcap Growth			15.81%	12.91%	3.23%	10.32%			
802	T. Rowe Price Midcap Value ^(b)	Mid Cap Value		19.63%	9.86%	4.94%	10.76%	11.00%	06/28/1996	0.81%
	Mid Cap Value Index									
	Russell Midcap Value			18.51%	13.39%	3.79%	10.63%			

VRU	Variable Investment Option	Morningstar Category	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception	Inception Date	Gross Expense Ratio
VRU Small-Cap Stocks									
526	T. Rowe Price Small Cap Stock Fund ^(b)	Small Cap Growth	18.01%	16.04%	7.59%	10.54%	12.93%	06/01/1956	0.92%
	Small Cap Blend Index								
	Russell 2000 Blend		16.35%	12.25%	3.56%	9.72%			
726	Vanguard Small Cap Growth Index Fund	Small Cap Growth	17.68%	14.97%	5.35%	11.20%	7.72%	05/24/2000	0.08%
	Small Cap Growth Index								
	CRSP US Small Cap Growth		N/A	N/A	N/A	N/A			
839	Vanguard Small Cap Value Index Fund Inst	Small Cap Value	18.71%	12.52%	4.83%	9.78%	9.11%	12/07/1999	0.19%
	Small Cap Value Index								
	CRSP US Small Cap Value		N/A	N/A	N/A	N/A			
VRU International Stocks									
835	American Funds Euro Pacific Growth R6	Foreign Large Blend	19.64%	4.42%	-1.07%	10.38%	11.73%	04/16/1984	0.50%
	International Index								
	FTSE Developed ex North America		17.98%	3.93%	-3.26%	N/A			
883	Vanguard Total International Stock Index Inst	Foreign Large Blend	18.28%	N/A	N/A	N/A	3.90%	11/29/2010	0.13%
	International Index								
	FTSE Global All Cap ex US		17.92%	4.71%	-2.11%	10.88%			
VRU Retirement Funds*									
724	T. Rowe Price Retirement Income Fund ^(b)	Retirement Income	10.06%	7.12%	4.13%	6.49%	6.78%	09/30/2002	0.57%
	Combined Index Portfolio Income		8.83%	6.40%	3.05%	5.65%			
715	T. Rowe Price Retirement 2005 Fund ^(b)	Target-Date 2000-2010	11.35%	7.99%	4.05%	N/A	5.77%	02/27/2004	0.59%
	Combined Index Portfolio 2005		9.54%	7.31%	3.17%	N/A			
716	T. Rowe Price Retirement 2010 Fund ^(b)	Target-Date 2000-2010	12.44%	8.41%	3.62%	7.70%	8.13%	09/30/2002	0.61%
	Combined Index Portfolio 2010		10.60%	7.85%	2.88%	7.05%			
717	T. Rowe Price Retirement 2015 Fund ^(b)	Target Date 2011-2015	13.81%	8.88%	3.42%	N/A	5.94%	02/27/2004	0.66%
	Combined Index Portfolio 2015		11.95%	8.41%	2.69%	N/A			
718	T. Rowe Price Retirement 2020 Fund ^(b)	Target Date 2016-2020	15.01%	9.24%	3.08%	8.17%	8.73%	09/30/2002	0.70%
	Combined Index Portfolio 2020		13.03%	8.82%	2.38%	7.48%			
719	T. Rowe Price Retirement 2025 Fund ^(b)	Target Date 2021-2025	16.00%	9.44%	2.75%	N/A	5.97%	02/27/2004	0.73%
	Combined Index Portfolio 2025		14.02%	9.10%	2.11%	N/A			
720	T. Rowe Price Retirement 2030 Fund ^(b)	Target Date 2026-2030	16.82%	9.66%	2.51%	8.46%	9.06%	09/30/2002	0.75%
	Combined Index Portfolio 2030		14.83%	9.34%	1.86%	7.89%			
721	T. Rowe Price Retirement 2035 Fund ^(b)	Target Date 2031-2035	17.35%	9.72%	2.34%	N/A	5.90%	02/27/2004	0.77%
	Combined Index Portfolio 2035		15.46%	9.44%	1.73%	N/A			
722	T. Rowe Price Retirement 2040 Fund ^(b)	Target Date 2036-2040	17.55%	9.74%	2.37%	8.39%	9.02%	09/30/2002	0.78%
	Combined Index Portfolio 2040		15.66%	9.49%	1.76%	7.84%			
723	T. Rowe Price Retirement 2045 Fund ^(b)	Target Date 2041-2045	17.62%	9.75%	2.38%	N/A	5.76%	05/31/2005	0.78%
	Combined Index Portfolio 2045		15.66%	9.49%	1.76%	N/A			
728	T. Rowe Price Retirement 2050 Fund ^(b)	Target Date 2046-2050	17.55%	9.76%	2.37%	N/A	3.10%	12/29/2006	0.78%
	Combined Index Portfolio 2050		15.66%	9.49%	1.76%	N/A			
729	T. Rowe Price Retirement 2055 Fund ^(b)	Target Date 2051+	17.60%	9.79%	2.36%	N/A	3.09%	12/29/2006	0.78%
	Combined Index Portfolio 2055		15.66%	9.49%	1.76%	N/A			

^(a) **Voluntary fee waiver that can be changed at anytime.**

^(b) **Part of the MSRP Mutual Fund Savings (reimbursement) Program.**

Fund expense ratio data provided by Morningstar®. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Although data is gathered from reliable sources, data accuracy and completeness cannot be guaranteed.

**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 13	4th Qtr 12	3rd Qtr 12	2nd Qtr 12
3.95%	4.05%	4.05%	4.05%

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 0.14%. No account will be charged more than \$2,000 in 2013. 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 2013 minimum guaranteed yield is 3.50%. 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 13	4th Qtr 12	3rd Qtr 12
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 0.14%. 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.maryland.gov

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

Nationwide Retirement Solutions, Inc. (NRS) is the administrator for MSRP. Registered representatives of NISC (Nationwide Investment Services Corporation, member FINRA), an affiliate of NRS, provide educational and enrollment services on behalf of MSRP. Financial Integrity Resources Management, LLC (the FIRM) may provide education and marketing support services on behalf of NRS. Its Retirement Consultants are registered representatives of FSC Securities Corporation (FSC), member FINRA, SIPC. FSC and the FIRM are not affiliated with MSRP, NRS or NISC.

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: Target Maturity Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Target Maturity Funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

Target Maturity Funds are designed for people who plan to withdrawal funds during or near a specific year. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

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



Maryland
Teachers & State Employees
Supplemental Retirement Plans

457 • 401(k) • 403(b) • Match

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Plan Statistics and 10 Year Changes in Plan Net Assets

The Board of Trustees is required by mandate to oversee the administration of the plans, including retaining professional consultants, advisors, and independent auditors to ensure compliance with federal and state regulations. The accompanying report provides details of fees charged to cover administrative expenses for the Board's staff.

The ten year income and expenditure report delineates revenues and expenditures by category and provides a net of the change in cash reserves for each year. The reserve balance is maintained with the State Treasurer's office and is not subject to accrued interest.

The Ten Year Net Change in Plan Assets is an overview analytical analysis of the changes in plan net assets over a ten year period. It shows the impact of increases and decreases in plan investments annually.

The Plan Statistic Report provides details on any change in the number of participants deferring, loans, and systematic withdrawal summarized by plan. The final details of the report include the total outstanding loan balances by plan and number of loans at the end of any calendar year.

TEN-YEAR HISTORY OF BOARD INCOME AND EXPENSES

	Calendar Years										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total Revenues	\$ 1,649,707	\$ 1,640,000	\$ 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
Expenditures											
Salaries, Wages and Fringe Benefits	1,035,850	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
Technical & Special fees	25	943	4,401	2,740	(646)	3,973	1,179	8,616	12,386	7,945	12,079
Communications	25,549	18,797	22,451	23,482	35,056	17,795	8,851	29,931	10,131	18,698	12,759
Travel	18,966	15,523	12,243	13,372	18,799	21,974	21,955	11,822	24,229	25,737	26,883
Contractual Services	214,478	235,772	233,543	232,603	238,632	214,459	217,410	248,172	214,838	221,068	240,977
Supplies and Materials	4,769	3,830	4,935	13,451	7,188	(2,855)	13,365	14,545	13,878	14,595	27,645
Equipment/Furnishings	22,442	45,205	5,183	7,099	309	11,726	-	14,393	2,962	3,794	200
Fixed Charges	129,760	127,935	124,314	121,180	112,299	111,056	103,646	105,499	101,016	103,327	97,192
Total Expenditures	1,451,839	1,518,896	1,485,263	1,476,267	1,397,010	1,328,543	1,320,681	1,347,100	1,405,994	1,474,898	1,523,844
Revenue Less Expenditures	197,868	121,104	(82,277)	(166,537)	(224,360)	(116,776)	(197,790)	46,992	551,156	606,949	(91,538)
Adjustment (timing differences)	-	-	17,036	87,052	(153,218)	113,537	11,679	(46,838)	54,106	(14,213)	(130,018)
Reserve Balance	\$ 495,300	\$ 297,432	\$ 176,328	\$ 241,569	\$ 321,054	\$ 698,632	\$ 701,871	\$ 887,982	\$ 887,828	\$ 282,566	\$ (310,170)

TEN-YEAR HISTORY OF CHANGES IN NET ASSETS BY PLAN

457	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ADDITIONS											
Employee/Employer Contributions	\$ 64,509,861	\$ 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	118,637,778	(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	183,147,639	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)
DEDUCTIONS											
Distributions to participants	92,220,468	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	964,038	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	345,319	31,438	43,114	48,280	(465,585)	162,604	125,259	181,705	272,195	26,230	15,871
Total deductions	93,529,825	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
NET CHANGE IN NET ASSETS	\$ 89,617,814	\$ (32,024,053)	\$ 88,011,904	\$ 152,689,084	\$ (290,204,991)	\$ 34,442,401	\$ 88,041,034	\$ 42,827,998	\$ 65,346,458	\$ 137,476,469	\$ (124,672,758)

401(k)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ADDITIONS											
Employee/Employer Contributions	\$ 92,031,387	\$ 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	130,658,294	(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	222,689,681	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
DEDUCTIONS											
Distributions to participants	76,111,030	75,308,991	67,881,768	54,331,835	62,995,066	56,946,200	47,009,239	37,809,148	29,311,067	27,629,302	20,090,766
Administrative Expenses	2,599,233	2,460,876	2,151,134	1,786,479	1,978,213	2,836,711	2,426,168	2,242,160	2,172,564	1,873,474	1,532,256
Total deductions	78,710,263	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
NET CHANGE IN NET ASSETS	\$ 143,979,418	\$ 1,813,424	\$ 135,851,193	\$ 201,267,519	\$ (253,691,399)	\$ 85,048,761	\$ 127,582,609	\$ 92,345,735	\$ 115,055,460	\$ 159,623,427	\$ (2,642,450)

403(b)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ADDITIONS											
Employee Contributions	\$ 2,961,222	\$ 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	8,489,879	(1,302,670)	7,996,306	12,210,999	(23,380,777)	4,223,649	7,952,482	4,174,477	6,359,796	12,375,662	(8,952,248)
Total Additions	11,451,101	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)
DEDUCTIONS											
Distributions to participants	4,807,423	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	140,571	138,429	128,769	109,711	136,773	215,582	203,564	208,233	219,399	199,478	204,470
Total deductions	4,947,994	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
NET CHANGE IN NET ASSETS	\$ 6,503,107	\$ (3,031,313)	\$ 5,940,628	\$ 11,826,372	\$ (24,750,479)	\$ (173,542)	\$ 5,234,338	\$ 2,013,404	\$ 4,361,227	\$ 11,324,874	\$ (10,274,071)

401 (a)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ADDITIONS											
Net Investment Income	\$ 16,985,325	\$ (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	495,460	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	17,480,785	(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
DEDUCTIONS											
Distributions to participants	6,726,228	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	279,225	138,429	261,262	229,579	268,020	370,113	289,206	253,155	262,268	229,989	184,949
Total Deductions	7,005,453	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
NET CHANGE IN NET ASSETS	\$ 10,475,332	\$ (5,620,293)	\$ 10,438,524	\$ 23,733,409	\$ (29,691,156)	\$ 21,497,482	\$ 25,662,688	\$ 9,747,351	\$ 5,042,467	\$ 15,385,515	\$ 9,682,389
TOTAL CHANGE IN NET ASSETS	\$ 250,575,671	\$ (38,862,235)	\$ 240,242,249	\$ 389,516,384	\$ (598,338,025)	\$ 140,815,102	\$ 246,520,669	\$ 146,934,488	\$ 189,805,612	\$ 323,810,285	\$ (127,906,890)

2012 PLAN STATISTICS

2012 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,086
TOTAL Participants	64,872
Average Combined Plan Assets by Participant	\$47,483
Participants with Multiplan Deferrals	7,084
TOTAL Deferring Participants	37,747
Average Annual Deferrals per Participant	\$4,609
Participants with Multiplan Payouts	3399
TOTAL Participants with Systematic Payouts	3,676

457(b) DEFERRED COMPENSATION PLAN

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Participants	29,440	29,512	29,803
Net New Enrollments	-72	-291	-497
Deferring Participants	16,456	16,501	16,900
Annuitants	1	1	1
Systematic Payouts	2,363	2,342	1,927

401(k) SAVINGS & INVESTMENT PLAN

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Participants	34,524	35,100	35,829
Net New Enrollments	-567	-729	-874
Deferring Participants	20,898	21,639	22,826
Annuitants	3	3	3
Systematic Payouts	1,218	1,059	641

403(b) TAX DEFERRED ANNUITY PLAN

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Participants	908	930	959
Net New Enrollments	-22	-29	-29
Deferring Participants	393	397	415
Annuitants	0	0	0
Systematic Payouts	95	90	49

401(a) MATCH PLAN

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Participants	38,424	40,085	41,965

**457(b) PLAN
SUMMARY**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Participant Accounts	29,440	29,512	29,803	30,274	30,715	30,411	29,487	28,614	27,777	28,294
Deferring Participants	16,456	16,501	16,900	17,541	18,457	18,243	17,444	16,701	16,314	16,461
Total Net Assets	\$ 1,301,548,013	\$ 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	\$ 64,509,861	\$ 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	\$ 639,560	\$ 609,104	\$ 585,014	\$	\$ 727,509	\$ 1,071,061	\$ 1,218,067	\$ 1,320,784	\$ 1,093,117	\$ 1,031,594
Reimbursements	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Plan Administration Fees*	\$ (1,459,315)	\$ (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	9,100	2,076	720	1,306	995	1,109	800	969	756	302
Loan Amount	\$ 13,556,281	\$ 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

**401(k) PLAN
SUMMARY**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Participant Accounts	34,524	34,524	35,829	36,703	37,375	37,366	36,709	36,147	35,400	35,867
Deferring Participants	21,359	20,898	22,826	24,255	25,930	26,375	26,220	26,006	25,680	28,422
Total Net Assets	\$ 1,243,907,287	\$ 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	\$ 92,031,387	\$ 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	\$	\$	\$	\$ 164,656,429	\$ (285,649,155)	\$ 48,776,621	\$ 87,263,402	\$ 45,139,069	\$ 61,227,785	\$ 102,909,184
Withdrawals	\$ 129,977,565	\$ (11,369,467)	\$ 113,860,920	\$	\$	\$	\$	\$	\$	\$
Mutual Fund	\$ (76,111,030)	\$ (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)
Reimbursements	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795	\$ 1,032,238	\$ 1,325,748	\$ 1,014,160	\$ 915,010	\$ 665,007	\$ 686,974
Plan Administration Fees*	2,599,233	(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	9,100	2,596	916	1,770	1,425	1,546	1,236	1,442	1,140	1,093
Loan Amount	\$15,468,770	\$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

403(b) PLAN SUMMARY

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Participant Accounts	908	930	959	988	980	926	938	982	1,023	1,242
Deferring Participants	393	397	415	439	429	368	348	374	379	446
Total Net Assets	\$ 70,886,080	\$ 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	\$ 2,961,222	\$ 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	\$ 8,446,337	\$ (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	\$ (4,807,423)	\$ (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	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786	\$ 122,270	\$ 167,454	\$ 126,326	\$ 147,405	\$ 122,028	\$ 83,478
Plan Administration Fees*	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)	\$ (136,773)	\$ (215,582)	\$ (203,564)	\$ (208,233)	\$ (219,399)	\$ (199,478)
Number of Loans	66	25	14	12	5	7	6	8	9	8
Loan Amount	\$338,100	\$370,236	\$286,301	\$176,447	\$127,838	\$156,384	\$177,425	\$153,475	\$182,283	\$228,243

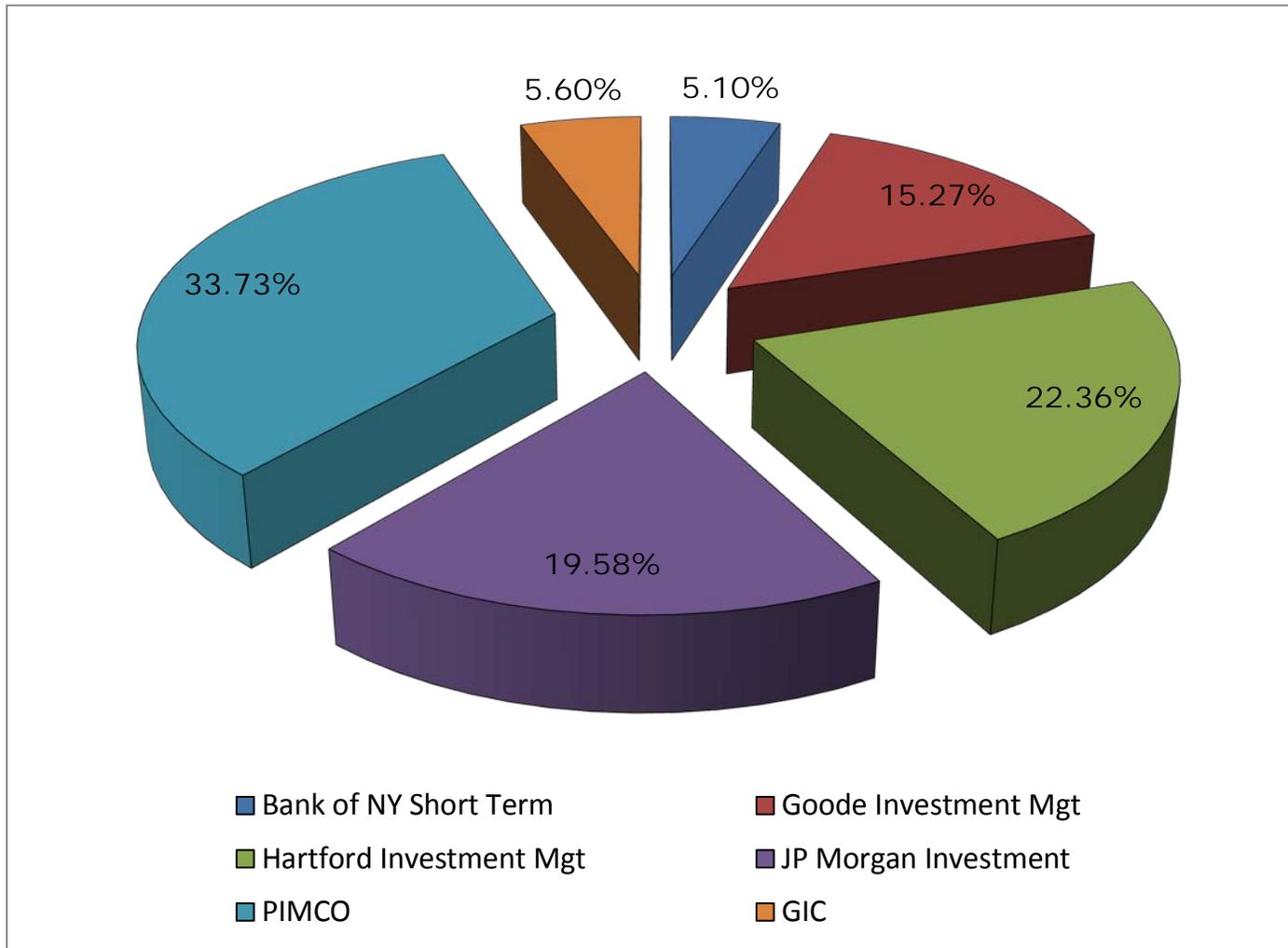
401(a) PLAN SUMMARY

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Participant Accounts	38,424	40,085	41,965	44,705	44,705	44,119	42,596	41,746	37,452	38,525
Deferring Participants	—	—	—	—	—	—	—	—	—	—
Total Net Assets	\$ 149,528,034	\$ 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	\$ 495,460	\$ 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	\$ 16,896,830	\$ (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	\$ (6,230,768)	\$ (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	\$ 88,495	\$ 85,866	\$ 85,338	\$ 122,620	\$ 159,786	\$ 175,209	\$ 135,911	\$ 118,206	\$ 88,561	\$ 172,182
Plan Administration Fees	\$ (279,225)	\$ (276,385)	\$ (261,262)	\$ (240,875)	\$ (268,020)	\$ (370,113)	\$ (289,206)	\$ (253,155)	\$ (262,268)	\$ (229,989)
Number of Loans	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

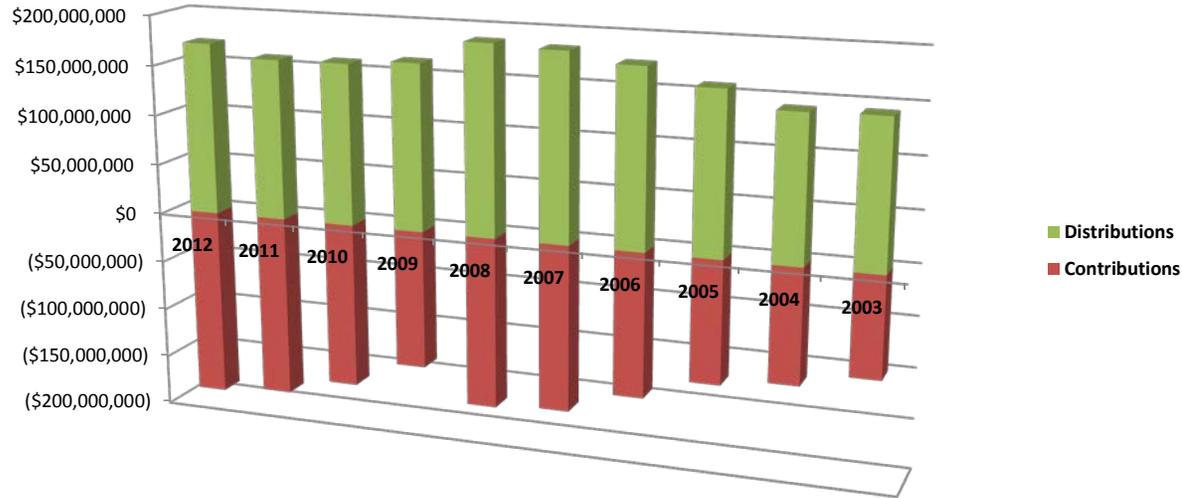
Loan Amount	n/a									
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* Includes
additional special
one time only fee

STABLE VALUE MANAGER DIVERSIFICATION



TEN-YEAR HISTORY OF ALL PLANS CONTRIBUTIONS vs DISTRIBUTIONS



Calendar Year	Distributions	Contributions
2012	\$ (187,071,381)	\$ 171,283,400
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

Maryland Supplemental Retirement Plans

Other Statistical Section



Pre-tax Plans comparison chart

	Traditional 457(b) Deferred Compensation Plan	Traditional 401(k) Savings & Investment Plan	403(b) Tax Deferred Annuity Plan
Who's eligible to participate?	All regular and contractual State employees		State educational institution employees
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan		
Are payroll deductions pretax?	Yes (but not for FICA)		
What's the minimum I may contribute?	\$5 per biweekly pay		
What's the maximum I may contribute?	\$17,500 in Calendar Year 2013 (may be adjusted in future years for inflation) ¹		
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 in Calendar Year 2013. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ¹	Age 50 or older bonus: \$5,500 deferral in Calendar Year 2013	
May I contribute to more than one Plan at the same time?	Yes - but with the following limitations:	<ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr 	
How often may I change my contribution amount?	Unlimited		
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ²		
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds (lifecyle funds)		Vanguard Money Market Mutual Funds Targeted Retirement Funds (lifecyle funds)
May I roll over money from other retirement accounts into my Maryland Supplemental Retirement account? ³	Yes - from a governmental 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account		
May I roll over my supplemental retirement account to another type of retirement account, like an IRA?	Yes - to a 457(b), 403(b), 401(k) or IRA, upon leaving State service	Yes - to a 457(b), 403(b), 401(k) or IRA, upon leaving State service or obtaining age 59½	
May I withdraw money from my account while employed?	Yes, but only at age 70½ or older, or qualify for an unforeseeable emergency withdrawal	Yes, but only at age 59½ or older, or qualify for a hardship withdrawal	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information	
May I change my withdrawal option, amount or frequency once I start payout?	Yes, excluding purchased annuities		
Must I elect my payout date when I leave State employment?	No - payouts not required until 70½ and separated from service		
Is there a loan provision and a hardship/emergency provision?	Yes/Yes		

NOTE: 401(a) Match Plan: 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.

¹ Source: IRS Announces Pension Plan Limits for 2013, www.irs.gov

² In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These 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. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

³ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁴ Withdrawals are taxed as ordinary income.

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.

Target Maturity Funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the Target Maturity Funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.

Target Maturity Funds are designed for people who plan to withdrawal funds during or near a specific year. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

Fund prospectuses can be obtained by calling 1-800-545-4730. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.



800-545-4730



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After-tax Plans comparison chart

	Roth 457(b) Deferred Compensation Plan	Roth 401(k) Investment Plan
Who's eligible to participate?	All regular and contractual State employees	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension Plan	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$17,500 in Calendar Year 2013 (may be adjusted in future years for inflation) ¹	
May I "catch-up" in a later year?	Age 50 or older bonus: \$5,500 in Calendar Year 2013. Special 457(b) Catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ¹	Age 50 or older bonus: \$5,500 deferral in Calendar Year 2013
May I contribute to more than one Plan at the same time?	Yes - but with the following limitations: <ul style="list-style-type: none"> • \$17,500 457(b) and/or Roth 457(b) + \$17,500 401(k) and/or Roth 401(k) = \$35,000/yr • \$17,500 457(b) and/or Roth 457(b) + \$17,500 403(b) = \$35,000/yr • \$17,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$17,500 = \$35,000/yr 	
How often may I change my contribution amount?	Unlimited	
What are the costs to participate?	0.14% of your account value a year, no more than \$2,000, and 50 cents per month per account. ²	
What are the current investment options?	Investment Contract Pool Mutual Funds Targeted Retirement Funds (lifecycle funds)	
May I roll over money to or from other retirement accounts into my Maryland Supplemental Retirement account? ³	Yes - but only a direct rollover from another Roth 457(b) account.	Yes - but only a direct rollover from another Roth 401(k) account.
Will my distributions be taxed?	Qualified distributions are not subject to federal or Maryland income tax. If not a qualified distribution, investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty. ⁴	
When may I begin withdrawals from my account without a penalty? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or age 59½ regardless of employment. Other exceptions may apply. Consult your tax or legal advisor for more information
May I change my withdrawal option, amount or frequency once I start my payout?	Yes, excluding purchased annuities	
Must I elect my payout date when I leave State employment?	No - payouts not required until 70½ and separated from service	
Is there a loan provision and a hardship/emergency provision?	Yes/Yes	

NOTE: 401(a) Match Plan: 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.

¹ Source: IRS Announces Pension Plan Limits for 2013, www.irs.gov

² In addition, each of the mutual funds offered by the plan has fund expenses that are netted directly from the mutual fund's daily price. These 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. NOTE: some mutual funds pay reimbursements that offset fees, see our "Mutual Fund Savings" pamphlet and your account statement for more information.

³ As you make decisions about rolling over assets especially qualified retirement plans and IRAs, keep in mind that each type of account has different rules about fees, when you can access your funds, surrender charges and tax penalties.

⁴ Generally, a Roth 401(k) account distribution is a qualified distribution if 1) the Roth 401(k) account has been in existence for a five-year period (the five-year period begins January 1 of the year a participant first makes a Roth contribution into the plan, and 2) a participant is age 59½, or has died or become disabled under IRC section 72(m)(7). Distributions made prior to these requirements being met are non-qualified distributions, and earnings could be taxable.

Fund prospectuses can be obtained by calling 1-800-545-4730. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read prospectuses carefully before investing.

This information is of a general and informational nature and is NOT INTENDED TO CONSTITUTE LEGAL OR INVESTMENT ADVICE.

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Nationwide Retirement Solutions and Nationwide Life Insurance Company (collectively "Nationwide") have endorsement relationships with the National Association of Counties and the International Association of Fire Fighters-Financial Corporation. More information about the endorsement relationships may be found online at www.nrsforu.com.

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MSRP Contribution Limits

For Calendar year 2013

PLAN	2013 LIMIT
457(b) Deferred Compensation Plan	Up to 100% of compensation, but not more than \$17,500
403(b) Tax Sheltered Annuity Plan	Up to 100% of compensation, but not more than \$17,500
401(k) Savings & Investment Plan	Up to 100% of compensation, but not more than \$17,500
When participating in both the 457 plan and the 401(k) plan [or 403(b)], one may contribute \$17,500 a year to each plan for a potential combined contribution of \$35,000.	

CATCH-UP PROVISION	2013 LIMIT
Regular Catch-Up	The limit on regular catch-up contributions in the 457(b) plan is double the \$17,500 regular deferral limit, or \$35,000 in 2013.
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 2013. The maximum amount of these additional contributions will be indexed and may increase with inflation, as frequently as yearly, in \$500 increments.

Calendar Year 2013	Maximum Deferral Limit	Deferral Limit plus Age 50 Catch-Up	Special 457(b) Catch-Up Deferral Limit
	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	\$17,500	\$23,000	\$35,000
401(k) plan or 403(b) plan	\$17,500	\$23,000	\$23,000 (Use Age 50 Catch-Up)
TOTAL	\$35,000	\$46,000	\$58,000

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.

-

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.

¹ Source: Nationwide Retirement Solutions, Inc. Administrator Report

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Teachers & State Employees
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