

MSRP Board of Trustees
William Donald Schaefer Tower, Suite 200

2018 Comprehensive Annual Financial Report

Maryland Teachers & State Employees Supplemental
Retirement Plans





**Comprehensive Annual Financial Report of the
Maryland Teachers & State Employees Supplemental Retirement Plans**
-Pension Trust Fund of the State of Maryland

For the Calendar Years Ended
December 31, 2018 and 2017

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

Lawrence Hogan, Jr., Governor
Boyd Rutherford, Lt. Governor
T. Eloise Foster, Chairperson, Board of Trustees
Michael Halpin, Executive Director
Debra Roberts, Director of Finance



Government Finance Officers Association

**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, 2017

Christopher P. Morill

Executive Director/CEO

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Maryland Supplemental Retirement Plans

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



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Maryland

*Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Technology & Operations Director

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Visit the MSRP Board website at
www.MSRP.state.md.us

Call About the Plans
or to Enroll
1-800-545-4730
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, 2018. It is our ninth year using this expanded report format. We believe this format continues to deliver quality information and demonstrates that the Plans are worthy of our participants' confidence.

MSRP has been recognized nationally for its robust and innovative communication program. Most recently, National Association of Government Defined Contribution Administrators (NADCA) awarded MSRP the 2018 Leadership Awards in Technology and Social Media. MSRP works together with its plan administrator, Nationwide Retirement Solutions, to carry the retirement savings message to all State employees. Our county-by-county campaign to challenges employees to consider how they select their investment options, and in 2018, MSRP introduced an "A-B-C" campaign offering employees three distinct methods of investment option selection:

- **A – Do-It-Yourself** – participants design their own investment strategy by choosing from investment options from the Plans' investment menu;
- **B – One and Done** – participants select a Target Date Fund based on a projected date of retirement; and
- **C – Go Pro** – participants use the ProAccount® managed account service for an additional fee, which is a professionally managed service which allocates participant assets based on age and risk tolerance and provides monitoring and periodic rebalancing based on participant-provided information.

The introduction of this messaging campaign has resulted in a healthy reconsideration of investment options by many participants.

On January 7, 2019, MSRP received its eighth consecutive "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association for its Comprehensive Annual Financial Report for the year ended December 31, 2017. MRSP intends to continue to pursue this recognition each year, as it signifies the sound administration of the Plans. We also believe that this uninterrupted commitment to high quality, clear and comprehensive annual financial reporting regarding the Plans encourages State employees to prepare for their retirement with the Maryland Supplemental Retirement Plans.

Sincerely,

T. Eloise Foster, Chairperson



MSRP

*Maryland
Teachers & State Employees
Supplemental Retirement Plans*

457 • 401(k) • 403(b) • Match

BOARD OF TRUSTEES

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Letter of Transmittal

June 21, 2019

Honorable Chairperson and Members of the Board of Trustees:

It is our pleasure to present the 2018 Comprehensive Annual Financial Report (“CAFR”) of the Maryland Teachers and State Employees Supplemental Retirement Plans (the “Plans”). The Plans consist of four separate defined contribution plans: the 457(b), 401(k), 403(b) and 401(a) Match Plans. 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 CAFR, 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, has issued an unmodified (“clean”) opinion on the Plans’ financial statements for the calendar year ended December 31, 2018. The independent public accountants’ report is located at the front of the Financial Section of this CAFR.

For financial reporting purposes, the Plans follow generally accepted accounting principles as set forth by the Government Accounting Standards Board. In addition to this letter of transmittal, additional narrative, overview, and analysis can be found in the Management’s Discussion and Analysis in the Financial Section of the CAFR.

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 this objective.

At the end of 2018, the Plans’ participation rate was 71% of eligible employees, with 44% of eligible employees actively making contributions to the Plans. These rates have remained steady from the prior year. New enrollments for the year totaled 3,995, representing a 15% decrease from the prior year. There was an 8% increase in participants taking distributions from the Plans, with 5,740 taking payouts as of December 31, 2018, reflecting a rising average of the participant population.

Economic Outlook and Condition

The value of Plan assets decreased by \$222 million, or 6% to \$3.74 billion at December 31, 2018; down from \$3.96 billion at December 31, 2017. Employee contributions into the Plans decreased by \$3.28 million, or 2%, to \$164.0 million for the year ended December 31, 2018, from \$167.3 million for the year ended December 31, 2017. U.S. and international investment returns netted an overall decrease of 8.46% for the year ended December 31, 2018, reflecting a 20% decrease for the 4th quarter of 2018. Any investment gains realized during the 1st through 3rd quarters of 2018 were offset by the net negative change in market values during the 4th quarter of the year.

A comparative analysis of rates of return of MSRP investments and their respective benchmarks is presented in the Investment Section of this CAFR, along with schedules of management fees and information relevant to evaluation of asset quality.

Revenues and Expenses – Board & Staff

The resources necessary to oversee and manage the Plans are funded by fees collected from MSRP participant accounts. The Board collects a share of participant fee which is comprised of a 0.05% asset fee and a monthly \$0.50 per account fee charged to all accounts over \$500 other than accounts in the 401(a) Match Plan. Expenses to operate the Plans include costs associated with investment consulting, audits, staff, and educational activities. MSRP maintains a reserve balance to accommodate fluctuations and timing differences between revenues and expenses. The Board reserve balance at the end of December 31, 2018 was \$427,461.

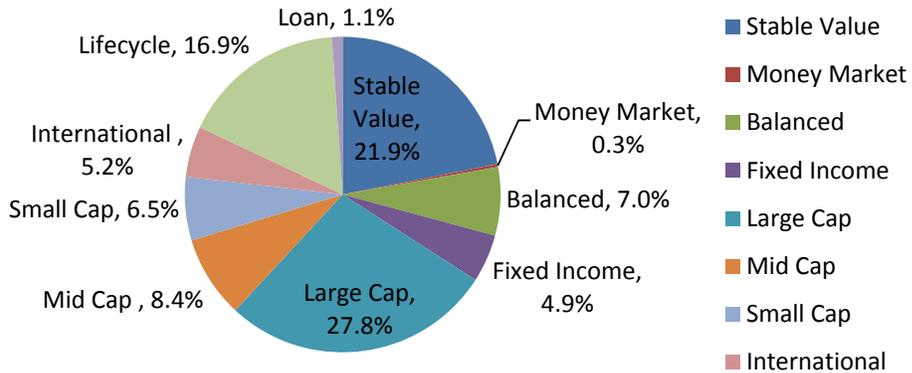
Major Issues and Initiatives

In 2017, the Board authorized an optional managed account service for participants. The ProAccount® program is provided by registered investment advisor affiliate of Nationwide Retirement Solutions, the current plan administrator and record keeper for the Plans, for an additional charge to an electing participant's account and may be cancelled by an electing participant at any time. As of December 31, 2018, the Pro Account had over 3,000 enrolled participants, representing over \$200 million in net assets.

Investments

The Plans are long-term retirement savings vehicles and are intended as a source of retirement income for voluntary participants. A summary of the Statement of Investment Policy for the Plans is included in the Investment Section of this CAFR. The following charts set forth the asset allocation for the Plans as of December 31, 2018 and 2017, respectively. See the Investment Section of the CAFR for a more detailed analysis and additional information.

Asset Allocation as of December 31, 2018



Asset Allocation as of December 31, 2017

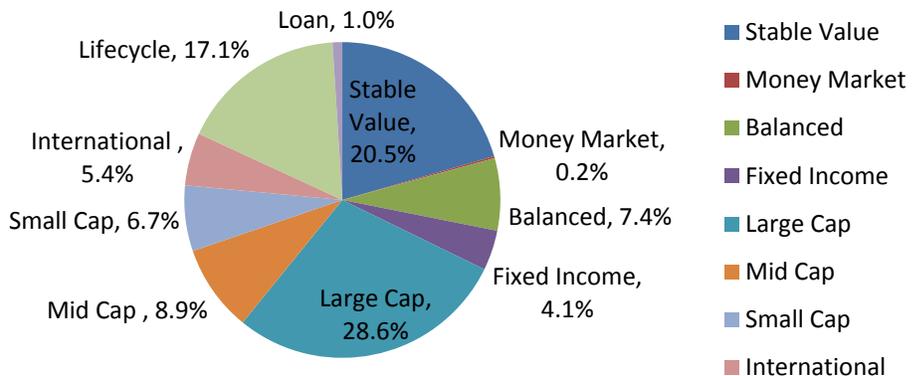


Figure 1: % may be greater or less than 100% due to rounding

Professional Services

The Board contracts for the services of various independent consulting, investment advisory, and financial professionals to assist it in carrying out its responsibility to manage the Plans. Nationwide Retirement Solutions performs plan administration and record keeping services. SB & Company, LLC, an independent auditing firm, conducts annual audits of the Plans. Wells Fargo Bank, N.A. is the mutual fund custodian of record for the 403(b) Plan. Galliard Capital Management performs investment advisory and management services for the investment contract pool. Segal Marco Advisors is the investment advisor and general pension consultant for the Plans.

The independent public accountant's report on the basic financial statements is included in the Financial Section of this CAFR. The Investment Advisor's Report prepared by Segal Marco Advisors is included in the Investment Section beginning on page _.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSRP for its Comprehensive Annual Financial Report for the calendar year ended December 31, 2017. This was the eighth consecutive year that MSRP has achieved this prestigious award. In order to be awarded a Certificate of Achievement, an agency must publish an easily-readable and efficiently-organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year. We believe that our 2018 CAFR continues to meet the Certificate of Achievement Program's requirements, and we will be submitting it to the GFOA to determine its eligibility for another Certificate of Achievement.

Acknowledgements

Preparation of this CAFR would not have been possible without the dedicated and efficient service of the entire MSRP staff. We express our appreciation to all staff that assisted and contributed to the preparation of this CAFR. Credit must also be given to the Board for its unfailing support and high standards of professionalism in the management of the Plans.

Sincerely,



Michael T. Halpin, CRA, CRC
Executive Director



Debra L. Roberts, MBA, 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 \$3.38 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 a staggered four-year term. The Governor selects three members from any of the following departments, agencies or boards: the Department of Budget and Management, the Department of Education, the Comptroller of the Treasury, the State Treasurer's Office, the Maryland State Retirement and Pension Systems or the Maryland Higher Education Commission. Three other members are eligible to participate in one or more of the plans, and at least one is eligible for the 403(b) plan. Three additional members represent the general public and are not eligible to participate in the plans. At least one of these members has experience with defined contribution and salary reduction plans.

MSRP Board of Trustees



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Secretary, Department of
Budget and Management
State Agency Member



Nancy K. Kopp
Treasurer
State Agency Member

Johnathan R. West
DBM
State Agency Member

Vacant
Eligible Member

Vacant
Eligible Member

Thomas M. Brandt, Jr.
Public Member

Lynn Dubin, Esq.
Public Member

Vacant
Eligible 403(b) Member

John D. Lewis
Public Member



**MARYLAND Teachers & State
Employees
SUPPLEMENTAL
RETIREMENT
PLANS**

MAJOR PROFESSIONAL SERVICES

Plan Administration
Nationwide

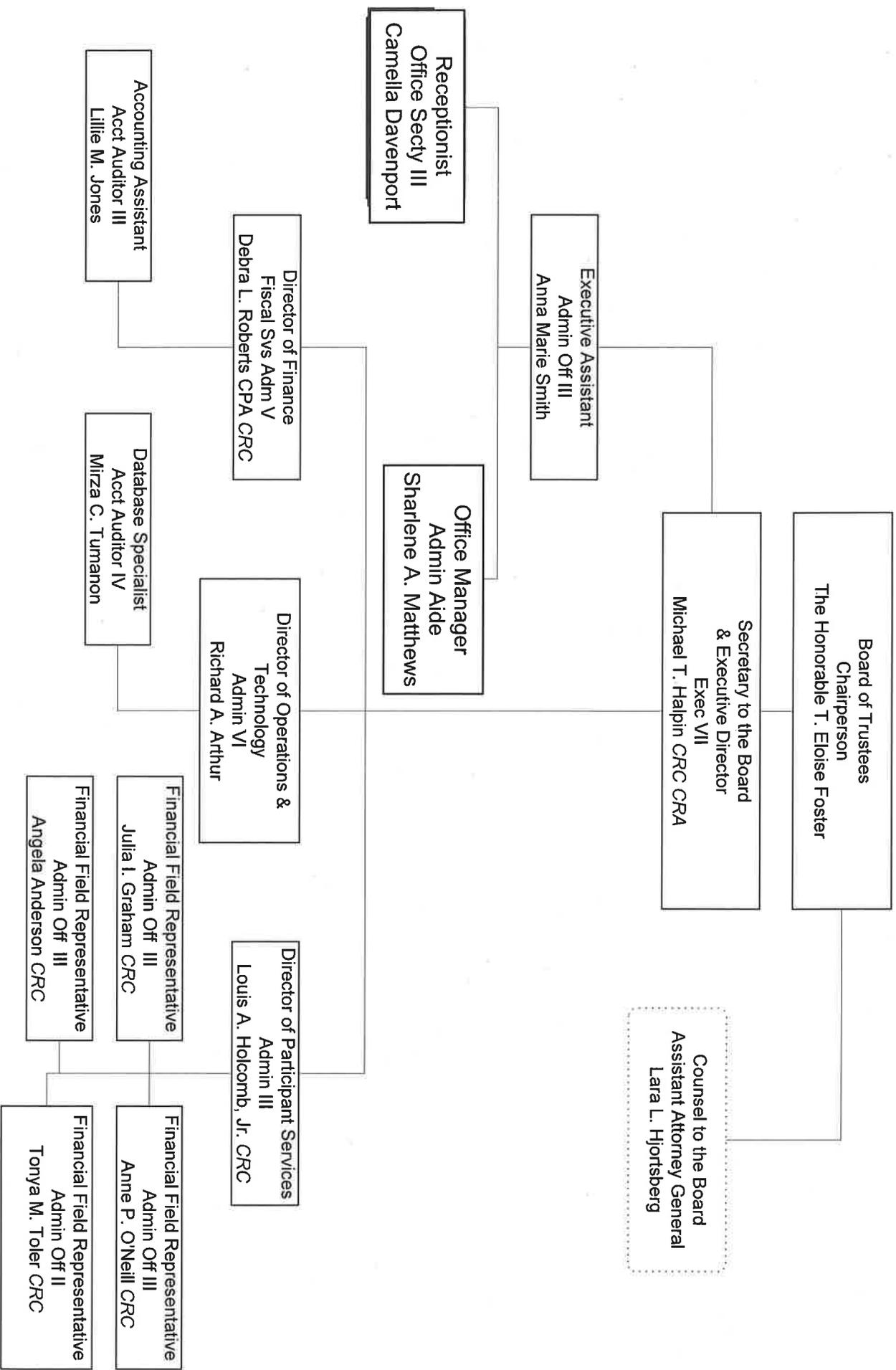
Independent Investment Consultants
Segal Marco Advisors

Stable Value Solutions
Galliard Capital Management, Inc.

Independent Public Accountants
SB& Company, LLC

2018

Maryland Teachers & State Employees Supplemental Retirement Plans



Approved:
February 1, 2017

Michael J. Stapp



MSRP

Maryland Supplemental Retirement Plans

Financial section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

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 Plans (MSRP), which comprise the statements of net position held in trust for deferred compensation benefits as of December 31, 2018 and 2017, the related statements of changes in net position held in trust for deferred compensation benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Opinions

In our opinion, the basic and combining financial statements referred to above present fairly, in all material respects, the respective net position held in trust for deferred compensation benefits of MSRP, as of December 31, 2018 and 2017, and the respective changes in its net position held in trust for deferred compensation benefits 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, introductory section, investment section, statistical section, and other supplementary information are presented for purposes of additional analysis and are 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
June 21, 2019

SB + Company, LLC

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (MSRP) has prepared this narrative as an explanatory supplement to the audited financial statements of the Plans for the years ended December 31, 2018 and 2017. The financial statements appear at page 19 of this report. This narrative should be read in conjunction with the financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements for MSRP are prepared in accordance with accounting principles generally accepted in the United States as interpreted and applied for governmental defined contribution 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 Position, together with related note disclosures where necessary or appropriate to explain a particular item or its context. Each Plan — the 457(b), 401(k), 403(b), and 401(a) Match Plan — has a separate, stand-alone financial statement. A combined statement that consolidates the assets and transactions of all four Plans appears on page 21 of this report.

The Statement of Changes in Net Position is intended to show the major categories of additions to the Plans from participant contributions and investment earnings and deductions from the Plans for administrative expenses 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 position available for plan benefits decreased by \$222 million or 6% for the year ended December 31, 2018 from \$3.96 billion at December 31, 2017, to \$3.74 billion at December 31, 2018. Net position available for plan benefits increased by \$432.7 million or 12% to \$3.96 billion at of December 31, 2017, from \$3.53 billion at of December 31,

2016. Equity market value declines during the 4th quarter of the year, attributable to high volatility and global growth concerns a slight decrease in participant contributions contributed to the small decrease in Plan assets in 2018.

- Employee contributions into the Plans decreased by \$3.28 million, or 1.96%, to \$164.0 million for the year ended December 31, 2018 from \$167.3 million for the year ended of December 31, 2017. Employee contributions for the year ended December 31, 2017 increased to \$167.3 million from \$155.6 million at December 31, 2016.
- Although the funding for the State Match program in 2009, employer contributions have been virtually eliminated as a source of contributions to the Plans for the majority of the state; however, certain non-elective employer contributions, or “matches,” are funded by State agencies and instrumentalities with, among other things, independent salary setting and budget authority , which direct such contributions to be made on behalf of such agencies’ personnel into the Plans (“special matches programs”). Prior to implementation, requests for special match programs are reviewed by MSRP counsel and are subject to MSRP Board approval. For the year ended December 31, 2018, employer contributions increased to \$35,800 for the year ended December 31, 2018, from \$70 for the year ended December 31, 2017. For the year ended December 31, 2017, employer contributions decreased to \$70 from \$16,362 for the year ended December 31, 2016.
- For the year ended December 31, 2018, participant distributions decreased slightly to \$238.5 million from \$241.7 million for the year ended December 31, 2017. For the year ended December 31, 2017, participant distributions increased to \$241.5 million from \$205.6 million for the year ended December 31, 2016. In general, decreases in participant distributions occur during periods of market fluctuations, and increases in distributions are primarily associated with increasing retirements due to an aging participant population. The market volatility experienced during the 4th quarter of 2018 may have contributed to the slight decrease in participant distributions for 2018.
- Administrative expenses for the Plans are a combination of participant fees paid to the plan administrator, Nationwide Retirement Solutions, and participant fees paid to the Board to cover all other Plan expenses associated with its fiduciary supervision of the Plans, participant education programs, and agency operations. The combined Plan fees for the year ended December 31, 2018 were \$6.2 million, compared to \$5.5 million from the year ended December 31, 2017, and \$5.2 million for the year ended the year ended December 31, 2016.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements for the Plans. The notes to the financial statements can be found on pages 27 of this report.

Supplemental Information

The report includes detailed statistical information on the Plans, the participants in the Plans, comparison schedules on the Plans, and information regarding administrative fees and expenses. This statistical information immediately follows the Investment Section of the report.

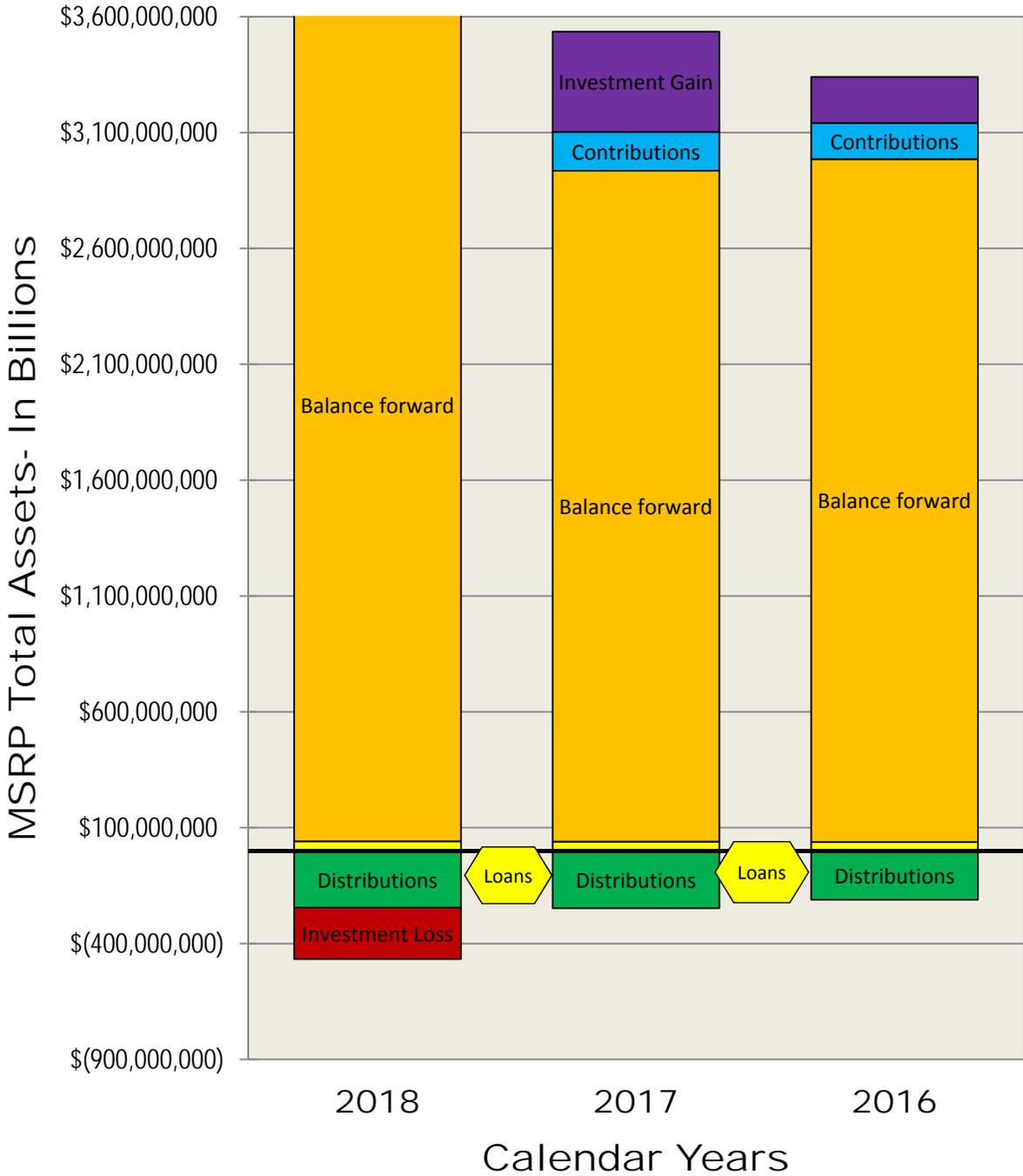
The chart located on the following page illustrates a summary of the changes in four Plans from calendar year 2016 to calendar year 2018, with the most recent year presented on the left.

The stacked bar for each year reflects a balance of assets that is increased that year by contributions from participant payroll deductions and transfers into of the Plans. 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.

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Net Position Held in Trust for Deferred Compensation Benefits			
	2018	2017	2016
ASSETS			
Investments:			
Investment contract pool	\$ 760,780,877	\$ 752,631,315	\$ 779,300,553
Mutual funds	2,873,070,991	3,100,137,447	2,638,263,238
Annuities	67,704,693	71,319,929	75,724,842
Total investments	3,701,556,561	3,924,088,691	3,493,288,633
Cash surrender value of life insurance contracts	2,926,123	2,966,723	3,043,021
Cash	427,462	854,945	405,986
Receivables:			
Employee contributions	143,379	138,328	120,656
Loans receivable	40,863,029	39,942,647	38,366,303
Other receivable	155,128	163,947	147,036
Net Position held in Trust for Deferred Compensation Benefits	\$ 3,746,071,682	\$ 3,968,155,281	\$ 3,535,371,635
	2018	2017	2016
ADDITIONS			
Employee contributions	\$ 164,038,436	\$ 167,321,062	\$ 155,632,594
Employer contributions	35,822	70	16,362
Variable earnings reimbursements	3,057,487	2,102,082	2,096,421
Investment income:			
Variable earnings investment income	(165,557,554)	491,695,469	231,765,317
Interest income	21,104,108	18,923,831	18,431,370
Total Additions	22,678,299	680,042,514	407,942,064
DEDUCTIONS			
Distributions to participants	238,492,183	241,714,809	205,568,155
Administrative expenses	6,264,365	5,537,415	5,243,677
Life insurance premiums	5,350	6,644	7,982
Total Deductions	244,761,898	247,258,868	210,819,814
Net Increase (Decrease)	(222,083,599)	432,783,646	197,122,250
Net assets held in trust for deferred compensation benefits,			
beginning of year	3,968,155,281	3,535,371,635	3,338,249,385
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 3,746,071,682	\$ 3,968,155,281	\$ 3,535,371,635

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





MSRP

Maryland Supplemental Retirement Plans

Basic financial statements

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Maryland Supplemental Retirement Plans

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

**Statements of Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2018 and 2017**

ASSETS	2018	2017
Investments:		
Investment contract pool	\$ 760,780,877	\$ 752,631,315
Mutual funds:		
Target date funds	617,270,625	664,988,877
Equity funds	1,797,881,264	1,970,613,627
Fixed income funds	457,919,102	464,534,943
Annuities	67,704,693	71,319,929
Total investments	<u>3,701,556,561</u>	<u>3,924,088,691</u>
Cash surrender value of life insurance contracts	2,926,123	2,966,723
Cash	427,462	854,945
Receivables:		
Employee contributions	143,379	138,328
Loans receivable	40,863,029	39,942,647
Other receivable	155,128	163,947
Net Position Held in Trust for Deferred Compensation Benefits	<u><u>\$ 3,746,071,682</u></u>	<u><u>\$ 3,968,155,281</u></u>

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

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

**Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2018**

	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	\$ 394,740,352	\$ 337,420,271	\$ 28,620,254	\$ -	\$ 760,780,877
Mutual funds:					
Target date funds	259,592,763	326,186,345	22,888,679	8,602,838	617,270,625
Equity funds	707,459,321	917,560,982	106,119,593	66,741,368	1,797,881,264
Fixed income funds	195,719,249	226,262,067	20,660,162	15,277,624	457,919,102
Annuities	67,704,693	-	-	-	67,704,693
Total Investments	1,625,216,378	1,807,429,665	178,288,687	90,621,831	3,701,556,561
Cash surrender value of life insurance contracts	2,926,123	-	-	-	2,926,123
Cash	427,462	-	-	-	427,462
Receivables:					
Employee contributions	67,666	72,061	-	3,652	143,379
Loans receivable	20,921,752	19,528,307	-	412,970	40,863,029
Other receivable	155,128	-	-	-	155,128
Net Position Held in Trust for Deferred Compensation Benefits	\$ 1,649,714,509	\$ 1,827,030,033	\$ 178,288,687	\$ 91,038,453	\$ 3,746,071,682

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

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

**Statement of Combining Net Position Held in Trust for Deferred Compensation Benefits
As of December 31, 2017**

	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	\$ 392,468,304	\$ 330,937,589	\$ 29,225,422	\$ -	\$ 752,631,315
Mutual funds:					
Target date funds	274,623,376	355,170,957	26,185,217	9,009,327	664,988,877
Equity funds	776,604,994	1,001,333,744	118,855,953	73,818,937	1,970,613,627
Fixed income funds	202,664,714	224,160,538	21,581,177	16,128,515	464,534,943
Annuities	71,319,929	-	-	-	71,319,929
Total Investments	1,717,681,317	1,911,602,828	195,847,768	98,956,778	3,924,088,691
Cash surrender value of life insurance contracts	2,966,723	-	-	-	2,966,723
Cash	854,945	-	-	-	854,945
Receivables:					
Employee contributions	63,163	70,370	-	4,795	138,328
Loans receivable	19,733,311	19,840,610	-	368,726	39,942,647
Other receivable	163,947	-	-	-	163,947
Net Position Held in Trust for Deferred Compensation Benefits	\$ 1,741,463,406	\$ 1,931,513,808	\$ 195,847,768	\$ 99,330,299	\$ 3,968,155,281

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

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

**Statements of Changes in Net Position Held in Trust for Deferred Compensation Benefits
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Employee contributions	\$ 164,038,436	\$ 167,321,062
Employer contributions	35,822	70
Variable earnings reimbursements	3,057,487	2,102,082
Investment income:		
Variable earnings investment (loss) income	(165,557,554)	491,695,469
Interest income	21,104,108	18,923,831
Total Additions	<u>22,678,299</u>	<u>680,042,514</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Distributions to participants	238,492,183	241,714,809
Administrative expenses	6,264,365	5,537,415
Life insurance premiums	5,350	6,644
Total Deductions	<u>244,761,898</u>	<u>247,258,868</u>
Net (decrease) increase	(222,083,599)	432,783,646
Net position held in trust for deferred compensation benefits, beginning of year	<u>3,968,155,281</u>	<u>3,535,371,635</u>
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	<u>\$ 3,746,071,682</u>	<u>\$ 3,968,155,281</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 Position Held in Trust for Deferred Compensation Benefits
For the Year Ended December 31, 2018**

	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	\$ 74,578,951	\$ 87,096,485	\$ -	\$ 2,363,000	\$ 164,038,436
Employer contributions	-	-	35,822	-	35,822
Variable earnings reimbursements	1,338,076	1,468,987	159,419	91,005	3,057,487
Investment income:					
Variable earnings investment loss	(68,699,821)	(84,251,466)	(8,168,313)	(4,437,954)	(165,557,554)
Interest income	12,477,751	7,871,978	600,099	154,280	21,104,108
Total Additions	19,694,957	12,185,984	(7,372,973)	(1,829,669)	22,678,299
Deductions:					
Distributions to participants	108,390,085	113,827,709	9,940,434	6,333,955	238,492,183
Administrative expenses	3,048,419	2,842,050	245,674	128,222	6,264,365
Life insurance premiums	5,350	-	-	-	5,350
Total Deductions	111,443,854	116,669,759	10,186,108	6,462,177	244,761,898
Net decrease	(91,748,897)	(104,483,775)	(17,559,081)	(8,291,846)	(222,083,599)
Net position held in trust for deferred compensation benefits, beginning of year	1,741,463,406	1,931,513,808	195,847,768	99,330,299	3,968,155,281
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,649,714,509	\$ 1,827,030,033	\$ 178,288,687	\$ 91,038,453	\$ 3,746,071,682

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 Position Held in Trust for Deferred Compensation Benefits
For the Year Ended December 31, 2017**

	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	\$ 72,953,233	\$ 91,833,299	\$ -	\$ 2,534,530	\$ 167,321,062
Employer contributions	-	-	70	-	70
Variable earnings reimbursements	887,655	1,054,026	106,878	53,523	2,102,082
Investment income:					
Variable earnings investment income	199,094,597	250,346,155	27,749,907	14,504,810	491,695,469
Interest income	11,288,837	6,939,600	540,399	154,995	18,923,831
Total Additions	284,224,322	350,173,080	28,397,254	17,247,858	680,042,514
Deductions:					
Distributions to participants	112,575,538	113,816,600	9,218,727	6,103,944	241,714,809
Administrative expenses	2,202,739	2,927,240	264,863	142,573	5,537,415
Life insurance premiums	6,644	-	-	-	6,644
Total Deductions	114,784,921	116,743,840	9,483,590	6,246,517	247,258,868
Net increase	169,439,401	233,429,240	18,913,664	11,001,341	432,783,646
Net position held in trust for deferred compensation benefits, beginning of year	1,572,024,005	1,698,084,568	176,934,104	88,328,958	3,535,371,635
Net Position Held in Trust for Deferred Compensation Benefits, End of Year	\$ 1,741,463,406	\$ 1,931,513,808	\$ 195,847,768	\$ 99,330,299	\$ 3,968,155,281

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, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Teachers and State Employees Supplemental Retirement Plans (the “MSRP” or “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 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 a “Plan” and collectively, the “Plans”). MSRP had 68,250 participants as of December 31, 2018. MSRP is a fiduciary fund of 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 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 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 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 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, 2018 and 2017

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 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 position held in trust for deferred compensation 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 ("IRC"), MSRP limits the amount of an individual's annual contributions to an amount not to exceed the lesser of \$18,500 for the years ended December 31, 2018 and 2017, respectively 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 \$5.9 million were made to the Roth accounts by approximately 5,543 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2018. Contributions of \$2.5 million were made to the Roth accounts by approximately 4,737 participants in the 457 Plan and the 401(k) Plan during the year ended December 31, 2017.

Under Title 32 of the State Personnel & Pension Article and to the extent funds are provided in the State budget, the State may contribute 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 per participant 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, 2018, the State suspended the match contribution.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2018 and 2017

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 the Plans 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, 2018 and 2017

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 his or her 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 Galliard Capital Management under a management agreement with the Board of Trustees. Interest rates are reset monthly.

During 1997, a master trust (the “Master Trust”) was established to hold ICP/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 401(a) Match Plan are combined and held in the Master Trust. Each Plan has an undivided but measurable interest in the assets held by the Master 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, 2018 and 2017**

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 with MSRP. Amounts recorded are those reimbursements actually received during the year. These amounts are periodically redistributed on a pro-rata basis to current participants invested in the mutual fund that paid the reimbursement.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2018 and 2017

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, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fixed Investments - Investment Contract Pool	\$ 394,740,352	\$392,468,304
Vanguard Institutional Index Fund - Institutional Plus Shares	185,419,042	208,544,392
Fidelity(R) Puritan Fund	117,055,804	130,653,416
American Funds - Growth Fund of America - Class R6	76,641,906	79,713,945
Delaware Value Fund - Institutional Class	73,102,712	78,863,709
Vanguard Mid Cap Index Fund - Institutional Plus Shares	70,339,568	84,013,659
American Funds - Euro Pacific Growth - Class R6	61,294,855	70,209,361
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	61,047,025	64,642,237
American Century Equity Growth Fund - Institutional Class	52,118,660	57,920,553
TCW Core Fixed Income Fund - I Class	46,208,217	45,372,784
T Rowe Price Retirement 2030 Fund	42,802,430	45,647,507
T Rowe Price Retirement 2025 Fund	41,468,856	44,641,292
T Rowe Price Retirement 2020 Fund	40,497,481	46,508,922
Vanguard Small-Cap Index Fund - Institutional Shares	34,431,250	38,054,549
T Rowe Price Mid Cap Value Fund, Inc. - Retail Shares	33,887,469	39,959,924
T Rowe Price Retirement 2035 Fund	30,102,304	30,729,730
Vanguard Total Bond Market Index Fund - Institutional Shares	27,232,528	21,405,848
T Rowe Price Retirement 2040 Fund	27,031,993	27,234,691
Janus Henderson Enterprise Fund - N Shares	24,328,488	20,998,151
Vanguard Total International Stock Index Fund - Institutional Shares	22,140,606	20,072,179
T Rowe Price Retirement 2015 Fund	20,722,873	23,986,220
T Rowe Price Retirement 2045 Fund	18,895,319	18,211,408
T Rowe Price Retirement 2050 Fund	15,345,646	14,714,294
Parnassus Core Equity Fund - Institutional Shares	12,707,740	13,612,335
T Rowe Price Retirement 2055 Fund	9,342,879	8,370,972
T Rowe Price Retirement 2010 Fund	9,208,175	10,720,676
T Rowe Price Retirement Balanced Fund	5,222,700	5,232,666
T Rowe Price Retirement 2005 Fund	2,512,757	2,579,183
T Rowe Price Retirement 2060 Fund	1,662,050	1,278,481
Total Mutual Funds	<u>1,162,771,333</u>	<u>1,253,893,084</u>
Discontinued investment options - Nationwide Fixed Annuities	56,370,052	59,137,887
Nationwide Life annuity payout reserves	7,617,569	8,482,317
Metropolitan Life annuity payout reserves	3,717,072	3,699,725
Total Annuities	<u>67,704,693</u>	<u>71,319,929</u>
Total Investments	<u>\$ 1,625,216,378</u>	<u>\$ 1,717,681,317</u>

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 2: 401(k) Plan

Investments held as of December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fixed Investments - Investment Contract Pool	\$ 337,420,271	\$ 330,937,589
Vanguard(R) Institutional Index Fund - Institutional Plus Shares	277,244,033	307,306,983
Fidelity Puritan Fund	120,602,322	134,005,410
The Growth Fund of America®, - Class R6	110,498,751	116,631,633
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	86,260,277	102,201,850
T. Rowe Price Institutional Small-Cap Stock Fund	83,486,623	88,776,360
T. Rowe Price Retirement 2020 Fund	81,667,769	93,327,775
EuroPacific Growth Fund® - Class R6	77,520,219	88,099,550
T. Rowe Price Retirement 2025 Fund	69,463,360	74,588,698
Delaware Value Fund - Institutional Class	67,623,763	70,926,904
TWC Core Fixed Income Fund - I Class	66,790,749	60,571,375
American Century Equity Growth Fund - Institutional Class	63,815,693	69,200,632
T. Rowe Price Retirement 2030 Fund	53,583,212	56,611,963
Vanguard® Small-Cap Index Fund - Institutional Shares	46,335,717	51,927,286
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	39,549,027	45,304,503
T. Rowe Price Retirement 2015 Fund	36,482,107	41,354,712
Vanguard® Total Bond Market Index Fund - Institutional Shares	32,824,639	23,735,342
Janus Henderson Enterprise Fund - N Shares	29,661,763	26,730,088
T. Rowe Price Retirement 2035 Fund	28,303,003	29,034,254
Vanguard Total International Stock Index Fund - Institutional Shares	22,678,249	20,105,957
T. Rowe Price Retirement 2040 Fund	20,260,083	21,462,631
T. Rowe Price Retirement 2010 Fund	13,897,021	15,776,205
Parnassus Core Equity Fund - Institutional Shares	12,886,867	14,121,998
T. Rowe Price Retirement 2045 Fund	9,317,516	9,776,446
T. Rowe Price Retirement 2050 Fund	6,340,023	6,201,836
T. Rowe Price Retirement Balanced Fund	6,044,357	5,848,411
T. Rowe Price Retirement 2055 Fund	3,400,563	3,142,866
T. Rowe Price Retirement 2005 Fund	2,519,753	2,999,257
T. Rowe Price Retirement 2060 Fund	951,935	894,314
Total Mutual Funds	1,470,009,394	1,580,665,239
Total Investments	\$ 1,807,429,665	\$ 1,911,602,828

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 3: 401(a) Plan

Investments held as of December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fixed Investments - Investment Contract Pool	\$ 28,620,254	\$ 29,225,422
Vanguard Institutional Index Fund - Institutional Plus Shares	40,433,421	45,911,570
Fidelity® Puritan® Fund	14,415,737	16,265,894
Vanguard Mid Cap Index Fund - Institutional Plus Shares	10,765,181	12,830,395
American Funds - Growth Fund of America - Class R6	10,627,057	11,464,356
T Rowe Price Institutional Small Cap Stock Fund, Inc.	9,766,500	10,715,024
American Century Equity Growth Fund - Institutional Class	9,216,764	10,417,137
Delaware Value Fund - Institutional Class	9,579,059	10,336,704
American Funds - Euro Pacific Growth - Class R6	6,198,755	7,177,177
T Rowe Price Retirement 2020 Fund	4,784,421	5,545,348
T Rowe Price Retirement 2025 Fund	4,454,329	5,110,865
T Rowe Price Retirement 2030 Fund	4,210,609	4,834,062
Vanguard Small-Cap Index Fund-Institutional Shares	3,698,783	4,262,012
TCW Core Fixed Income Fund - I Class	4,523,386	4,213,490
T Rowe Price Retirement 2035 Fund	2,780,360	3,106,224
T Rowe Price Mid Cap Value Fund, Inc.	2,730,065	3,056,339
T Rowe Price Retirement 2015 Fund	2,297,925	2,634,425
T Rowe Price Retirement 2040 Fund	2,063,915	2,378,828
Janus Henderson Enterprise Fund - N Shares	1,451,759	1,316,282
T Rowe Price Retirement 2045 Fund	939,418	1,062,527
Vanguard Total Bond Market Index Fund - Institutional Shares	1,445,039	832,522
Vanguard Total International Stock Index Fund - Institutional Shares	1,185,646	828,508
T Rowe Price Retirement 2010 Fund	720,950	815,171
Parnassus Core Equity Fund - Institutional Shares	466,604	540,450
T Rowe Price Retirement 2050 Fund	425,264	446,545
T Rowe Price Retirement Balanced Fund	276,000	269,271
T Rowe Price Retirement 2005 Fund	102,792	122,591
T Rowe Price Retirement 2055 Fund	76,558	82,232
T Rowe Price Retirement 2060 Fund	32,137	46,399
Total Mutual Funds	149,668,433	166,622,346
Total Investments	\$ 178,288,687	\$ 195,847,768

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Part 4: 403(b) Plan

Investments held as of December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Vanguard(R) Institutional Index Fund - Institutional Plus Shares	\$ 17,014,627	\$ 18,628,595
Fidelity Puritan Fund	9,336,749	9,956,175
Vanguard® Mid-Cap Index Fund - Institutional Plus Shares	8,249,604	10,313,237
Delaware Value Fund - Institutional Class	6,616,000	7,351,794
Vanguard Federal Money Market Fund - Investor Class	6,595,522	5,889,313
The Growth Fund of America®, - Class R6	4,722,201	4,772,435
American Century Equity Growth Fund - Institutional Class	4,094,373	4,685,380
EuroPacific Growth Fund® -Class R6	3,456,492	4,497,655
TWC Core Fixed Income Fund - I Class	3,055,375	3,399,364
T. Rowe Price MidCap Value Fund, Inc.- Retail Shares	2,781,782	3,194,613
Vanguard® Small-Cap Index Fund - Institutional Shares	2,708,976	3,343,311
T. Rowe Price Institutional Small-Cap Stock Fund	2,661,561	2,650,167
Janus Henderson Enterprise Fund - N Shares	2,556,107	2,513,865
T. Rowe Price Retirement 2020 Fund	2,382,079	2,479,803
Vanguard® Total Bond Market Index Fund - Institutional Shares	2,329,762	2,103,557
T. Rowe Price Retirement 2015 Fund	1,687,637	1,690,254
Vanguard Total International Stock Index Fund - Institutional Shares	1,345,975	1,843,224
T. Rowe Price Retirement 2025 Fund	1,326,603	1,528,515
T. Rowe Price Retirement 2040 Fund	785,061	721,288
T. Rowe Price Retirement 2010 Fund	727,581	805,903
T. Rowe Price Retirement 2030 Fund	688,571	604,498
T. Rowe Price Retirement Balanced Fund	555,739	669,419
Parnassus Core Equity Fund - Institutional Shares	548,609	606,375
T. Rowe Price Retirement 2035 Fund	344,479	345,728
T. Rowe Price Retirement 2045 Fund	302,458	379,044
T. Rowe Price Retirement 2050 Fund	164,491	145,755
T. Rowe Price Retirement 2005 Fund	107,501	229,265
T. Rowe Price Retirement 2060 Fund	85,957	68,796
T. Rowe Price Retirement 2055 Fund	420	10,476
Great West Life Assurance Company	3,389,539	3,528,973
Total Mutual Funds	\$ 90,621,831	\$ 98,956,778

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

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, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Fixed Investments - Investment Contract Pool	\$ 760,780,877	\$ 752,631,315
Vanguard Institutional Index Fund - Institutional Plus Shares	520,111,123	580,391,540
Fidelity Puritan Fund	261,410,612	290,880,895
Vanguard Mid Cap Index Fund - Institutional Plus Shares	175,614,630	209,359,141
Delaware Value Fund - Institutional Class	156,921,534	167,479,111
T. Rowe Price Institutional Small Cap Stock Fund, Inc.	156,961,709	166,783,788
T Rowe Price Retirement 2020 Fund	129,331,751	147,861,848
American Century Equity Growth Fund - Institutional Class	129,245,490	142,223,702
Great West Life Insurance Company	3,389,539	3,528,973
TCW Core Fixed Income Fund - I Class	120,577,727	113,557,012
T Rowe Price Retirement 2025 Fund	116,713,149	125,869,370
American Funds - The Growth Fund of America - Class R6	202,489,915	212,582,369
Vanguard Small-Cap Index Fund - Institutional Shares	87,174,726	97,587,158
T Rowe Price Retirement 2030 Fund	101,284,822	107,698,030
T Rowe Price Retirement 2015 Fund	61,190,542	69,665,612
American Funds - Euro Pacific Growth - Class R6	148,470,322	169,983,743
T Rowe Price Retirement 2035 Fund	61,530,147	63,215,936
T. Rowe Price MidCap Value Fund, Inc. - Retail Shares	76,218,278	48,499,116
T Rowe Price Retirement 2040 Fund	50,141,052	51,797,438
T Rowe Price Mid Cap Value Fund, Inc.	2,730,065	43,016,263
Janus Enterprise Fund - N Shares	57,998,116	51,558,386
Vanguard Total Bond Market Index Fund - Institutional Shares	63,831,968	48,077,269
Parnassus Core Equity Fund - Institutional Shares	26,609,820	28,881,157
T Rowe Price Retirement 2010 Fund	24,553,728	28,117,955
T Rowe Price Retirement 2045 Fund	29,454,710	29,429,425
Vanguard Total International Stock Index Fund - Institutional Shares	47,350,475	42,849,868
T Rowe Price Retirement 2050 Fund	22,275,424	21,508,430
T Rowe Price Retirement Balanced Fund	12,098,796	12,019,766
T Rowe Price Retirement 2055 Fund	12,820,420	11,606,546
Vanguard Federal Money Market Fund - Investor Class	6,595,522	5,889,313
T Rowe Price Retirement 2005 Fund	5,242,802	5,930,296
T Rowe Price Retirement 2060 Fund	2,732,079	2,287,990
Total Mutual Funds	2,873,070,991	3,100,137,447
Discontinued investment options - Nationwide Fixed Annuities	56,370,052	59,137,887
Nationwide Life annuity payout reserves	7,617,569	8,482,317
Metropolitan Life annuity payout reserves	3,717,072	3,699,725
Total Annuities	67,704,693	71,319,929
Total Investments	\$ 3,701,556,561	\$ 3,924,088,691

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2018 and 2017

2. INVESTMENTS AND INVESTMENT INCOME (continued)

ICP 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 effect 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 2.10% as of December 31, 2018, and ranged from 1.97% to 2.20% during the year ended December 31, 2018. The blended gross interest rate was 1.83% as of December 31, 2017, and ranged from 1.69% to 1.94% during the year ended December 31, 2017. The contract value as of December 31, 2018 and 2017, was \$760,780,877 and \$752,631,314, respectively. The fair market value as of December 31, 2018 and 2017, was \$747,868,688 and \$747,990,604, 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 3.5% as of December 31, 2018, and was 3.5% as of December 31, 2017.

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 both 2018 and 2017. 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, 2018 and 2017**

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, 2018 and 2017, were as follows:

	December 31, 2018	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 760,780,877	3.0 years
TCW Core Fixed Income Fund - I Class	120,577,727	7.5 years
Great-West Fixed Investment Fund	3,389,539	3.2 years
Vanguard Federal Money Market Fund - Investor Class	6,595,522	0.1 years

Note: The ICP 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.

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

2. INVESTMENTS AND INVESTMENT INCOME (continued)

	December 31, 2017	
	Valuation	Weighted Average Maturity
Investment Contract Pool	\$ 752,631,315	3.0 years
TCW Core Fixed Income Fund - I Class	113,557,012	7.2 years
Great-West Fixed Investment Fund	3,528,973	3.2 years
Vanguard Federal Money Market Fund - Investor Class	5,889,313	.13 years

Note: The ICP 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 participant 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 at any time and 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, 2018 and 2017. Mutual Funds are not rated.

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, 2018 and 2017**

3. FAIR VALUE MEASUREMENTS

Government Accounting Standards Board Statement number 72 (GASB 72), Fair Value Measurements and Application, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. GASB 72 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 – that are observable for the asset or liability, either directly or indirectly (For example, quoted prices for similar assets or liabilities in active markets).

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MSRP categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of December 31, 2018:

Bond and Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2018				
Investments by fair value level				
Bond and Equity Securities				
Target Date Retirement Funds	\$ 617,270,625	\$ 617,270,625	\$ -	\$ -
Bonds	184,409,695	184,409,695	-	-
Balanced	273,509,408	273,509,408	-	-
Large-Cap Stocks	1,183,848,204	1,183,848,204	-	-
Mid-Cap Stocks	312,561,089	312,561,089	-	-
Small-Cap Stocks	244,136,435	244,136,435	-	-
International Stocks	47,350,475	47,350,475	-	-
Total Investments by fair value level	<u>\$ 2,863,085,930</u>	<u>\$ 2,863,085,930</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Investment Contract Pool (ICP)	\$ 760,780,877			
Annuities	67,704,693			
Contracts (Certificate investments)	3,389,539			
Money Markets	6,595,522			
Total Investments measured at the net asset value	<u>\$ 838,470,631</u>			

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2018 and 2017

3. FAIR VALUE MEASUREMENTS (continued)

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
As of December 31, 2017				
Investments by fair value level				
Bond and Equity Securities				
Target Date Retirement Funds	\$ 664,988,877	\$ 664,988,877	\$ -	\$ -
Bonds	161,634,282	161,634,282	-	-
Balanced	302,900,662	302,900,662	-	-
Large-Cap Stocks	1,301,541,621	1,301,541,621	-	-
Mid-Cap Stocks	352,432,906	352,432,906	-	-
Small-Cap Stocks	264,370,946	264,370,946	-	-
International Stocks	42,849,868	42,849,868	-	-
Total Bond and Equity Securities	<u>\$ 3,090,719,161</u>	<u>\$ 3,090,719,161</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Investment Contract Pool (ICP)	\$ 752,631,315			
Annuities	71,319,929			
Contracts (Certificate investments)	3,528,973			
Money Markets	5,889,313			
Total Investments measured at the NAV	<u>\$ 833,369,530</u>			

4. LIFE INSURANCE

In the 457 Plan, the amount of life insurance in force with Unum Life was approximately \$6,033,954 and \$6,167,244 as of December 31, 2018 and 2017, respectively. Participants in the 457 Plan contributed \$5,350 and \$6,643 towards premiums for life insurance contracts offered by Unum Life during the years ended December 31, 2018 and 2017, 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.

5. ADMINISTRATIVE EXPENSES

The Board has appointed 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 0.09% in both 2018 and 2017, against the mutual fund, ICP and fixed annuity assets.

MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS

Notes to the Financial Statements December 31, 2018 and 2017

5. ADMINISTRATIVE EXPENSES (continued)

During 2018 and 2017, 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 2018 and 2017, 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 2018 and 2017.

Participants choosing to exercise loan options are assessed an origination fee of \$50, an annual loan maintenance fee of \$50, and if repayments are not timely a \$50 default fee will be assessed with a continued annual loan maintenance fee until all repayments are received.

The cash balance in the accompanying financial statements as of December 31, 2018 and 2017, represents charges assessed by the Board from all 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.

The cash reserve balance was \$448,833 and \$854,945 as of December 31, 2018 and 2017, 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.

6. 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.

7. RELATED PARTIES

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

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

**Notes to the Financial Statements
December 31, 2018 and 2017**

8. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

As of December 31, 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities* effective for the year ending December 31, 2019. MSRP has not completed the process of evaluating the impact that will result from adopting this GASB statement, but does not expect this GASB statement would have a material effect on the financial statements. MSRP will adopt this GASB statement, as applicable, by its effective date.

ADDITIONAL INFORMATION

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

**Schedule of Administrative Expenses
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Plan Administrator		
Third party administrator fees	\$ 4,973,906	\$ 3,662,849
Plan Sponsor*		
Salaries, wages and fringe benefits	1,239,426	1,252,561
Technical and special fees	6,813	-
Communications	18,874	19,279
Travel	25,102	20,659
Contractual services	197,903	279,367
Supplies and materials	18,075	10,404
Equipment and furnishings	1,339	10,986
Fixed charges	168,675	137,890
Plan Sponsor Expenses	<u>1,676,207</u>	<u>1,731,146</u>
Reserve (Deduction) Addition	<u>(385,748)</u>	<u>(150,318)</u>
Plan Sponsor Total	<u><u>1,290,459</u></u>	<u><u>1,580,828</u></u>
	<u><u>\$ 6,264,365</u></u>	<u><u>\$ 5,243,677</u></u>

*See Note 4 for more information.



MSRP

Maryland Supplemental Retirement Plans

Investment section

INVESTMENT ADVISORS' REPORT

For the year ended December 31, 2018

Prepared by Segal Marco Advisors

The report below discusses the overall performance of the Plans' investments for the year ended December 31, 2018, as well as the 2018 market environment.

Asset Class	Indices	QTD	YTD	1-Year	3-Year	5-Year	10-Year
World Equity	MSCI World ¹	-13.42	-8.71	-8.71	6.30	4.56	9.67
U.S. Equity	Russell 3000	-14.30	-5.24	-5.24	8.97	7.91	13.18
Non-U.S. Equity	MSCI EAFE ¹	-12.54	-13.79	-13.79	2.87	0.53	6.32
Emerging Market Equity	MSCI EM ¹	-7.47	-14.58	-14.58	9.25	1.65	8.02
U.S. Fixed Income	Bloomberg Barclays U.S. Aggregate	1.64	0.01	0.01	2.06	2.52	3.48
Non-U.S. Fixed Income	FTSE ² Non-U.S. WGBI (Unhedged)	1.31	-1.82	-1.82	3.32	0.28	1.27
Commodities	Bloomberg Commodity Index	-9.41	-11.25	-11.25	0.30	-8.80	-3.78
Private Real Estate	NFI-ODCE ³	1.76	8.35	8.35	8.24	10.41	7.00
Private Equity	Thomson Reuters Private Equity ⁴	4.50	7.71	18.01	12.11	14.42	10.09
Hedge Funds	HFRI Fund of Funds Composite	-4.85	-3.92	-3.92	1.34	1.42	3.13

¹ Net of Dividends

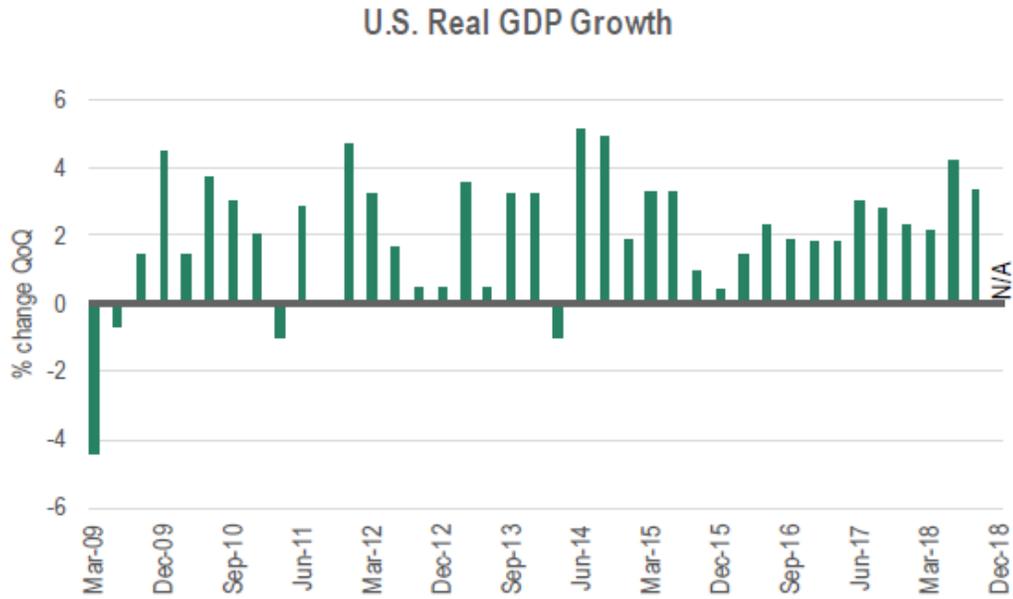
² Formerly Citigroup Non-U.S. WGBI. Citigroup's fixed income indices were purchased by London Stock Exchange Group (LSEG) and were all rebranded to FTSE by July 31, 2018. FTSE Russell is a unit of LSEG's Information Services Division and a wholly owned subsidiary of LSEG.

³ NCREIF Fund Index (NFI) – Open End Diversified Core Equity (ODCE)

⁴ Performance as of Q2 2018 because Q3 2018 and Q4 2018 performance data is not yet available.

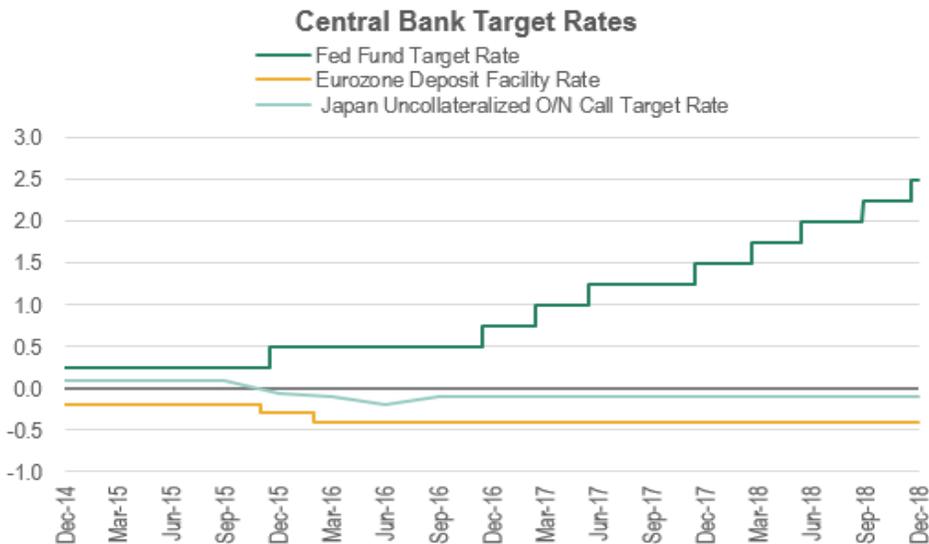
Sources: Investment Metrics, Thomson One, FactSet

World equity markets fell in Q4. Concerns about slowing global economic growth and trade tension stung markets. U.S. equity declined in the quarter. Fears about weaker economic growth and future corporate earnings hurt stocks. International equities were lower due to nervousness about decelerating growth, trade disagreements and Brexit. Emerging market equity declined in Q4 with worries over slowing growth in China and global trade. U.S. fixed income rose in the quarter. Investors flocked to safe assets like U.S. Treasuries in a period of high market volatility. Non-U.S. fixed income also gained in Q4, reflecting investors' risk aversion.



Source: FactSet

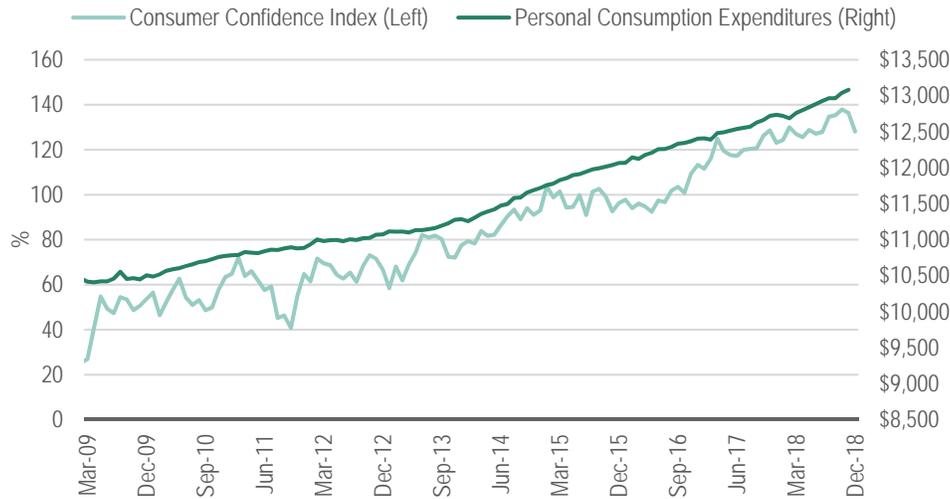
Real GDP grew at a rate of 3.4% in Q3 2018, which is 0.1% lower than previously reported, according to the BEA’s third estimate of economic growth for that quarter. The release of Q4 2018 GDP data has been delayed due to the partial U.S. government shutdown.



Source: FactSet

Central bank deposit rates remained negative in the Eurozone and Japan. The U.S. is the exception—the Federal Reserve (Fed) raised rates again in December, the fourth hike of 2018. The Fed indicated that its plans for future rate increases are less clear now than previously stated due to concerns about market volatility and economic growth.

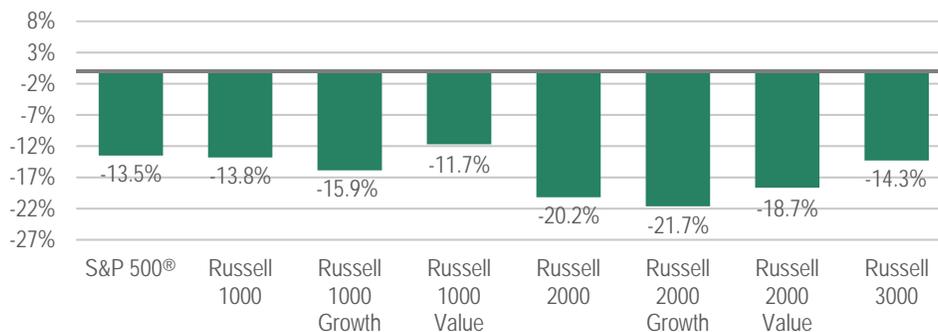
Consumer Confidence and Spending



Source: FactSet

Sentiment declined in the fourth quarter of 2018, as the Conference Board’s Consumer Confidence Index decreased from 135.3 at the end of September to 128.1 at the end of December. Personal consumption expenditures increased during the quarter. Consumer confidence fell as global trade tensions persisted and worries grew about the state of the global economy.

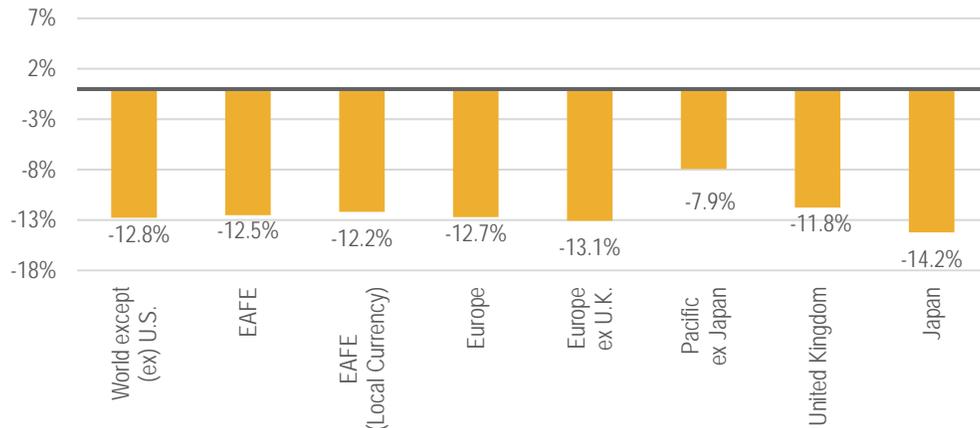
Fourth Quarter U.S. Equity Index Returns



Source: Investment Metrics, FactSet

U.S. equities fell sharply in Q4. The decline was largely driven by slowing economic growth and uncertainty surrounding Fed interest rate policy. Small cap stocks were more sensitive to weakening market sentiment and underperformed large cap stocks during Q4. The more defensive sectors of the S&P 500 offered some protection in Q4. Utilities posted the only positive return of the quarter. Consumer Staples and Healthcare experienced losses that were less steep than the more cyclical sectors of the index. Of those cyclical sectors, Energy, IT and Industrials fared the worst. In a reversal of the trend seen in previous quarters, value stocks performed better than growth stocks, as higher-priced growth companies sold off amid fears of a global slowdown in economic growth.

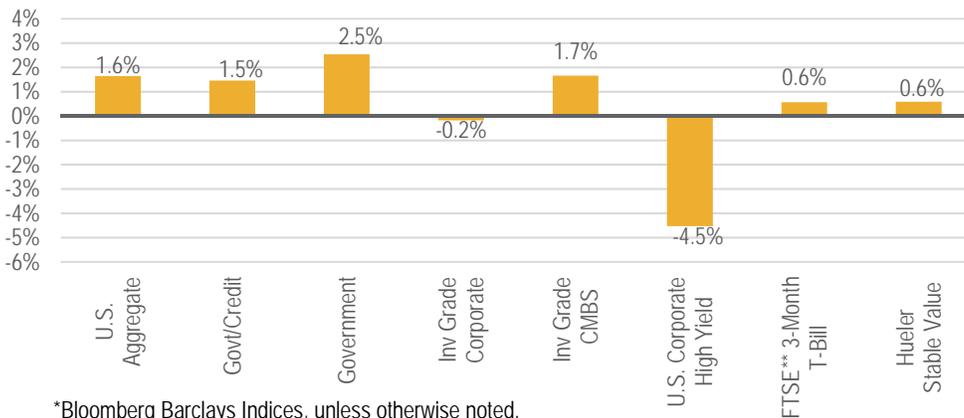
Fourth Quarter MSCI International Equity Index Returns



Source: Investment Metrics, FactSet

Despite posting double-digit negative absolute returns in Q4, international equities fared better than the U.S. for the first time all year. The unresolved tariff dispute between the U.S. and China, the tightening Fed, Brexit concerns, Italian politics and the slowing global economy put pressure on developed markets. The ongoing uncertainty surrounding the Brexit negotiations weighed on UK market performance in addition to business and consumer confidence. Against this backdrop, the Bank of England maintained rates at 0.75%. Sector returns were all negative in Q4, with defensive stocks performing the best in a relative sense. Utilities, Telecom and Staples declined the least of all sectors as the market returned to a risk-off environment during the quarter. The best performers over the past 12-18 months (Tech and Energy) sold off despite solid earnings. Cyclical sectors such as Financials, Materials and Industrials struggled due to the impact of rising interest rates in the U.S. and tariffs.

Fourth Quarter U.S. Fixed Income Index Returns*

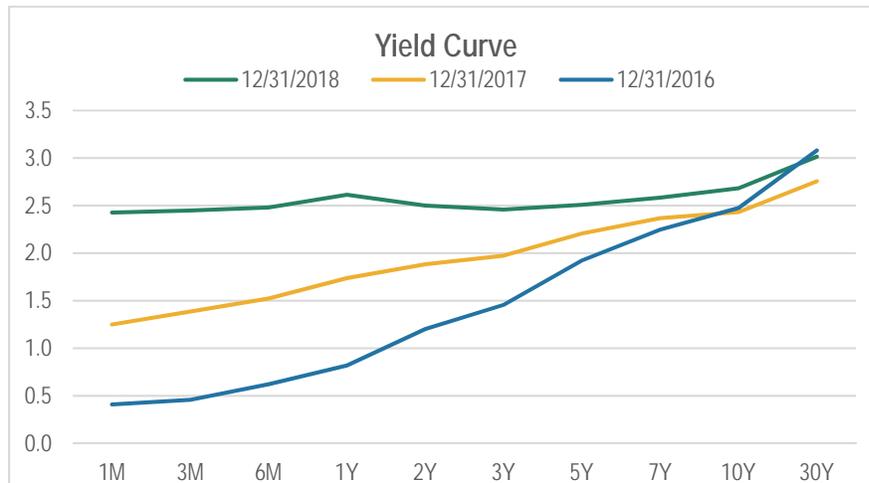


*Bloomberg Barclays Indices, unless otherwise noted.

**Formerly Citigroup.

Source: Investment Metrics, Hueler Analytics

The U.S. Aggregate Index was positive in Q4. Performance was driven by Treasuries and Agency MBS, which both returned over 2.0%. High yield experienced a -4.50% return in Q4 as market stress impacted higher yielding credits. Several domestic fixed income spreads are back near historical medians due to the broad credit market selloff.



Treasury yields rose across the short end of the curve in Q4 with the Fed continuing to tighten its monetary policy. Yields compressed across maturities greater than 1 year. Global demand accentuated the yield curve's flattening trajectory, as long-term Treasury yields fell and the very front end of the curve moved up modestly. The 30-year Treasury ended the quarter yielding 3.02%, which was 17 basis points (bps) lower than it was at the end of Q3. The 2-year Treasury ended the quarter at 2.48%, which was 42 bps lower than the prior quarter.

Plan Summary Report

For period ended December 31, 2018

Prepared by Segal Marco Advisors

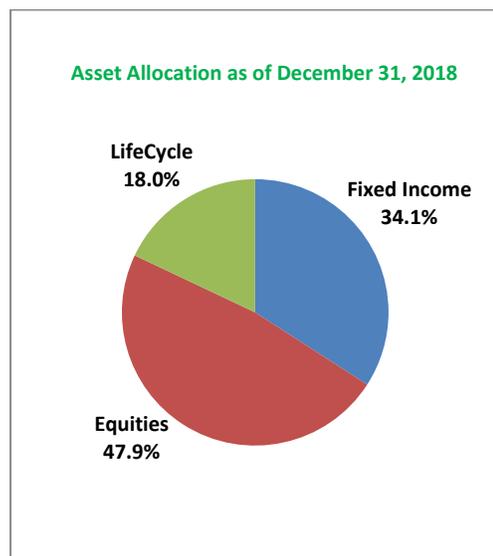
Assets of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) totaled \$3.731 billion as of December 31, 2018. This reflected a decrease of approximately \$220.6 million from the prior calendar year-end. During 2018, the Plans received \$206.9 million in contributions and paid \$277.8 million in distributions to participants, which accounted for a \$70.9 million decrease in Plan assets. Investment losses of \$143.9 million also contributed to the decrease in Plan assets. In terms of the overall asset allocation, the assets were invested as follows: 47.9% in equities, 34.1% in fixed income, and 18.0% in lifecycle. The largest investment option was the Investment Contract Pool, which comprised 20.4% of Plan assets.

The 401(k) Plan comprised the largest portion of the Plans at 49.0%, with \$1.827 million in assets as of December 31, 2018. As of year-end, participants' assets were invested 50.22% in equities, 30.5% in fixed income, and 19.3% in lifecycle. The largest investment option was the Investment Contract Pool with 18.5% of participant assets.

The assets of the 457 Plan were valued at \$1.635 billion as of December 31, 2018, comprising 43.8% of the Plans. As of year-end, participants' assets were invested 43.3% in equities, 39.3% in fixed income, and 17.5% in lifecycle. The investment option was to the Investment Contract Pool with 24.1% of participant assets.

As of December 31, 2018, the 401(a) Plan was valued at \$178.3 million, which accounted for 4.8% of the Plans. Unlike the 457 and 401(k) Plans, the passively managed, Vanguard Institutional Index Fund exceeded the popularity of the Investment Contract Pool with 22.7% of participant assets. As of year-end, participants' assets were invested 59.5% in equities, 27.5% in fixed income, and 13.0% in lifecycle.

The 403(b) Plan comprised the smallest portion of the overall Plans, with \$90.7 million in assets, which accounted for 2.4% of the Plans. As of year-end, participants' assets were invested 62.6% in equities, 26.9% in fixed income, and 10.5% in lifecycle. The largest investment option in the 403(b) Plan, by participant assets, was the Vanguard Institutional Index Fund at 18.8%.



Top 5 Holdings for the Combined Plans	% of Total
Investment Contract Pool	20%
Vanguard Institutional Index	14%
Fidelity Puritan	7%
American Funds Growth Fund	5%
Vanguard Mid Cap Index Institutional	5%
Subtotal	52%

Investment Categories	Market Value for the Combined Plans	% of Plan
Stable Value	\$ 826,891,112	22%
Active Core Options	\$ 1,339,633,590	36%
Passive Options	\$ 894,089,554	24%
Lifecycle Funds	\$ 629,369,422	17%
Loan	\$ 40,820,330	1%
Total Assets	\$ 3,730,804,007	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
- Bond 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 (e.g., value, growth, blend) offered. Each investment option offered under the Plan shall:

- Operate in full accordance with its current published prospectus, “fact sheet”, or investment guidelines; and
- Have its performance results measured against the applicable performance standards described in the Investment Policy Statement for that investment category.

If the Board determines an investment option no longer meets the performance criteria, it may replace that option with a suitable alternative pursuant to an investment option evaluation procedure outlined in the Investment Policy Statement. 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 \$760.8 million as of December 31, 2018. This investment option is not available on the 403(b) Plan. Galliard commenced managing the ICP on February 1, 2014. The Q4 2018 return was 0.56%, slightly below the Hueler return of 0.60%.

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, 2018, the value of the option was \$56.4 million.

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, 2018, the largest fund by participant assets was the 84-month CD, which was valued at \$2.3 million. The 36-month CD, 60-month CD, and the Daily Interest Guarantee were valued at approximately \$0.24 million, \$0.36 million, and \$0.25 million respectively.

Vanguard Federal Money Market: Another option only offered in the 403(b) Plan, this option had approximately \$6.6 million in assets as of December 31, 2018. Over the 1-year period, the Fund earned 178 basis points, which was higher than the Lipper U.S. Government Money Market Index. During the last 5 years, the Fund earned 0.59% on an average, annual basis, which was better than its benchmark.

Passive Options

Vanguard Total Bond Market Fund: This passively managed core bond outperformed its custom policy index for the quarter and for the 1-year period of 2018 by four basis points and seven basis points, respectively. The bond fund slightly underperformed its custom policy index for the 3-, 5-, and 10-years periods ending December 31, 2018. Participant investments in this fund were valued at \$63.8 million as of December 31, 2018.

Vanguard Institutional Index Plus: This passively managed large cap blend equity fund approximated the performance of the S&P 500 Index across all periods of 2018. Participant investments in this fund were valued at \$520.1 million as of December 31, 2018.

Vanguard Mid Cap Index Institutional Plus: This passively managed mid cap blend equity fund performs in line with its custom policy index. Participant investments in this fund were valued at \$175.6 million as of December 31, 2018.

Vanguard Small Cap Index Institutional: This passively managed small cap blend equity fund produced results generally consistent with its custom policy index. For the trailing 10-year period, it underperformed the index by 47 basis points. Participant investments in this fund were valued at \$87.2 million as of December 31, 2018.

Vanguard Total International Stock Institutional: This passively managed international blend fund outperformed the quarter by 13 basis points. The fund outperformed its custom policy index for the trailing 1- and 3-year periods, but underperformed for the trailing 5-year period. Participant investments in this fund totaled \$47.4 million of as December 31, 2018.

Active Options

TCW Core Fixed Income Fund: As of December 31, 2018, participant assets invested in this fund were valued at \$120.6 million. This total includes assets of participants from each of the four Plans. For the year, the fund outperformed the Barclays Capital Aggregate Bond Index by seven basis points and ranked above the median in its peer group. Over the trailing 3- and 5- year periods, the fund underperformed the index and ranked below the median in its peer group.

Fidelity Puritan Fund: As of December 31, 2018, \$261.4 million of participant assets were invested in this fund, one of the Plans' balanced options. For the year, the Fidelity Puritan Fund underperformed its blended benchmark but ranked above the median in its peer group. The fund ranked among the top quartile of the balanced mutual fund universe during the 3-, 5-, and 10-year periods.

Delaware Value Instl Fund: The Delaware Value Fund outperformed the Russell 1000 Value Index for the quarter and for the 1-year period of 2018; it ranked above the median of the large cap value mutual fund universe over the same time-periods. Over the 3- and 5-year periods, it relatively outperformed its benchmark. As of December 31, 2018, participant assets invested in this fund were valued at \$156.9 million.

American Century Equity Growth: For the calendar year 2018, the actively managed large cap blend fund underperformed the S&P 500 Index, and ranked below the median in its peer group. The fund also underperformed its benchmark during the trailing 3- and 5-year periods. It ranked slightly above the median of its peer group for the 3-year period and below the median for the 5-year period. Participant assets invested in this fund were valued at \$129.2 million as of December 31, 2018.

Parnassus Equity Income Instl: The large cap blend equity, socially responsible option, outperformed the S&P 500 Index during 2018 and ranked in the top quartile of its peer group. The fund underperformed the market index during the trailing 3- and 5-year periods but outperformed the median of its peer group for the same periods. As of December 31, 2018, participants' assets invested in this fund were valued at \$26.6 million.

American Funds Growth Fund of America: The Plans' actively managed large cap growth option outperformed the Russell 10000 Growth Index and ranked above the median of the large cap growth equity mutual fund universe for the quarter. For the trailing 1-, 3- and 5-year periods, the fund underperformed the index. The fund ranked below the median in its peer group for the trailing 1-year period, but above the median for the trailing 3- and 5-year periods. There were \$202.5 million in participant assets invested in this fund as of December 31, 2018.

T. Rowe Price Mid Cap Value: The Plans' actively managed mid cap value equity fund outperformed the Russell Mid Cap Value Index and ranked in the top quartile of the mid cap value equity mutual fund universe for the quarter and for the trailing 1-, 3-, and 5-year periods. As of December 31, 2018, participant assets invested in this fund were valued at \$78.9 million.

Janus Enterprise N: For the quarter and for the trailing 1-, 3-, and 5-year periods, the fund outperformed the Russell Mid Cap Growth Index and ranked in the top quartile of the mid cap growth mutual fund universe. Participant assets invested in this fund were valued at \$58.0 million as of December 31, 2018.

T Rowe Price Small Cap Stock: The Plans' actively managed small cap blend equity fund outperformed the Russell 2000 Index and ranked in the top quartile of its peer group during the trailing 1-year period. The fund also exceeded both comparative measures during the trailing 3-, 5- and 10- year periods. As of December 31, 2018, participant assets invested in this fund were valued at \$157.0 million.

American Funds EuroPacific Growth Fund: During the trailing 1-year period, the Plans’ actively managed international equity fund underperformed the MSCI ACWI ex-US Index and ranked slightly below the median of the international large cap equity mutual fund universe. The fund underperformed the index for the trailing 3-year period, but outperformed the index for the trailing 5-year period. For both the trailing 3- and 5-year periods, the fund ranked in the top quartile of its peer group. As of December 31, 2018, participant assets invested in the fund were valued at \$148.5 million.

T Rowe Price Retirement Funds: The T. Rowe Price Retirement Funds are the Plans’ lifecycle options. Participants assets invested in these 13 lifecycle funds were valued at \$670.2 million as of December 31, 2018. These funds have varied asset allocations, based upon the projected retirement date of a participant, with more conservative allocations as the “targeted” retirement date approaches. For 2018, the most conservative fund (T. Rowe Price Retirement 2005) lost 3.26%, while the most aggressive fund (T. Rowe Price Retirement 2060), designed for participants approximately 40+ years from retirement, lost 7.57%. On an annualized 5-year basis, the funds designed for participants that are in or close to retirement (T. Rowe Price Retirement 2005 to 2010) produced returns ranging from approximately +3.50% to approximately +3.73%, whereas, the fund designed for those younger employees (T. Rowe Price Retirement 2055) earned approximately +5.31%. The following table illustrates the broad asset allocation of each of the specific lifecycle funds for the period ending December 31, 2018.

**T. Rowe Price Retirement Funds
As of December 31, 2018**

	<u>Domestic Fixed</u>	<u>Domestic Equity</u>	<u>Int'l Equity</u>	<u>Int'l Fixed</u>	<u>Other</u>
T Rowe Price Retirement Balanced	47.9%	23.9%	12.1%	14.3%	1.8%
T Rowe Price Retirement 2005	45.8%	21.4%	10.9%	19.8%	2.1%
T Rowe Price Retirement 2010	42.1%	25.0%	12.7%	18.4%	2.0%
T Rowe Price Retirement 2015	36.7%	29.1%	15.3%	16.6%	2.4%
T Rowe Price Retirement 2020	29.4%	35.2%	18.8%	14.5%	2.2%
T Rowe Price Retirement 2025	23.3%	40.5%	21.9%	12.1%	2.3%
T Rowe Price Retirement 2030	17.8%	45.4%	25.0%	9.6%	2.4%
T Rowe Price Retirement 2035	12.9%	49.5%	27.4%	7.6%	2.6%
T Rowe Price Retirement 2040	9.8%	52.7%	29.3%	5.4%	2.8%
T Rowe Price Retirement 2045	7.6%	54.9%	30.7%	4.0%	2.8%
T Rowe Price Retirement 2050	7.5%	55.0%	30.7%	4.0%	2.8%
T Rowe Price Retirement 2055	7.6%	54.9%	30.7%	4.0%	2.8%
T Rowe Price Retirement 2060	7.8%	54.6%	30.5%	4.0%	3.2%

Source: T. Rowe Price



Investment Contract Pool

Separate Account Report as of December 31, 2018

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 prepared 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)³, although individual securities or contracts purchased for the ICP may have a lower credit quality rating.

ICP Characteristics

Assets	\$760,535,827
Average Duration	2.95 years
Previous monthly crediting rate (annualized)	2.20%
Inception Date	1987
Manager ¹	Galliard Capital Management, Inc.

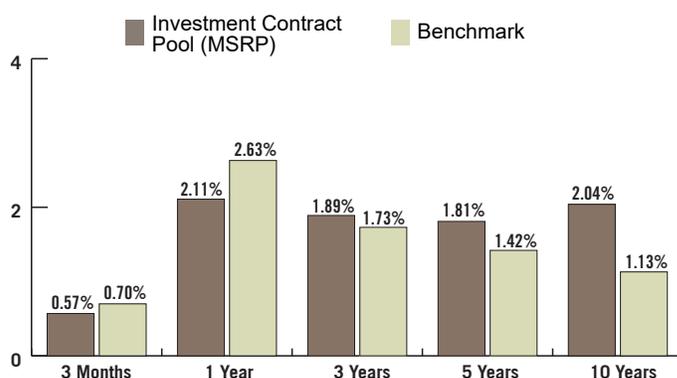
Sector Allocation of the Underlying Fixed Income Portfolios²

U.S. Treasury/Agency	22.2%
Other U.S. Government	13.1%
Corporate/Taxable Muni/ Not for Profit	33.5%
Mortgage Backed Securities (MBS)	17.7%
Asset Backed Securities (ABS)	10.4%
Guaranteed Investment Contracts (GICs)	0.0%
International Gov't/ Agency Securities	0.0%
Cash/Equivalents	3.2%

Credit Profile of the Underlying Fixed Income Portfolios^{2,3}

AAA	66.9%
AA	4.7%
A	12.7%
BBB	15.8%
<BBB	0.0%
NR/NA	0.0%

Performance⁴



¹ Prior to July 2006 ING Stable Value Product Group, a division of ING Life Insurance and Annuity Company provided management services. From July 2006 to January 2014 Deutsche Asset & Wealth Management provided management services.

² Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding.

³ As rated by Standard & Poor's or equivalent by any other rating services.

⁴ Performance shown is net of Investment Management fees. Past performance is not indicative of future results. Figures greater than one year are annualized. Performance is net of all fees and includes

all income, realized and unrealized capital gains and losses and all annual fund operating expenses. Returns may have been impacted by the effect of compounding and have been rounded to the nearest basis point. 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. Benchmark is 3 Year Constant Maturity Treasury. Investors cannot invest in an index.



Investment Contract Pool

Separate Account Report as of December 31, 2018

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 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 0.37% (\$3.67 per \$1,000), 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.

⁵ Ratings are Standard and Poor's Rating Service and Moody's Investor Services, respectively.

⁶ Allocations shown are not necessarily indicative of future allocations. Figures may not sum to 100% due to rounding.

⁷ Fixed income portfolios managed by these advisors are associated with Separate Account GICs and Wrapper contracts issued to the ICP.

ICP Investments ^{5,6}

<i>Short Term Investment Funds (STIF)</i>	<i>S&P</i>	<i>Moody's</i>	<i>% of Portfolio</i>
STIF	AAA	Aaa	2.3%
<i>General Account GIC</i>		<i>S&P</i>	<i>Moody's</i>
-	-	-	-
<i>Synthetic GICs / Wrappers and Separate Account Issuers</i>		<i>S&P</i>	<i>Moody's</i>
Massachusetts Mutual Life Ins. Co.	AA+	Aa2	19.4%
Metropolitan Life Insurance Co.	AA-	Aa3	18.8%
Prudential Insurance Co. of America	AA-	A1	19.8%
RGA Reinsurance Company	AA-	A1	20.4%
Transamerica Premier Life Ins. Co.	AA-	A1	19.2%

Fixed Income Portfolios ^{6,7}

Dodge & Cox	19.3%
Earnest Partners	18.9%
IR & M	19.2%
Galliard Capital Management, Inc.	19.9%
TCW	20.5%

The MSRP Investment Contract Pool is not a mutual fund, therefore there is no prospectus. It is a separate 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.

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

Investment Performance Report

October 1, 2018 to December 31, 2018

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 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.

 *Actively managed funds*  *Passively managed funds*

Active funds have managers choose investments to attempt to achieve a goal, like outperforming an index or balancing risks with returns. Because of the management activity, these funds tend to have higher fees than passively managed funds. Passive funds normally carry lower than average fees and track the markets per their selected indices to create a diversified portfolio.

VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio
Target Date Retirement Funds										
715	 T. Rowe Price Retirement 2005 Fund ^(a) If you were born in or before 1942, this fund may be right for you.	Target-Date 2000-2010	TRRFX	-3.26%	4.54%	3.50%	7.41%	5.26%	02/27/04	0.54%
		Combined Index Portfolio 2005		-2.56%	4.33%	3.66%	6.63%			
716	 T. Rowe Price Retirement 2010 Fund ^(a) If you were born between 1943–1947, this fund may be right for you.	Target-Date 2000-2010	TRRAX	-3.61%	4.85%	3.73%	8.16%	6.98%	09/30/02	0.54%
		Combined Index Portfolio 2010		-3.02%	4.65%	3.89%	7.36%			
717	 T. Rowe Price Retirement 2015 Fund ^(a) If you were born between 1948–1952, this fund may be right for you.	Target-Date 2011-2015	TRRGX	-4.17%	5.24%	4.08%	9.08%	5.91%	02/27/04	0.57%
		Combined Index Portfolio 2015		-3.57%	5.18%	4.29%	8.23%			
718	 T. Rowe Price Retirement 2020 Fund ^(a) If you were born between 1953–1957, this fund may be right for you.	Target-Date 2016-2020	TRRBX	-4.94%	5.72%	4.47%	9.90%	7.95%	09/30/02	0.61%
		Combined Index Portfolio 2020		-4.31%	5.78%	4.70%	9.00%			
719	 T. Rowe Price Retirement 2025 Fund ^(a) If you were born between 1958–1962, this fund may be right for you.	Target-Date 2021-2025	TRRHX	-5.62%	6.10%	4.77%	10.54%	6.50%	02/27/04	0.64%
		Combined Index Portfolio 2025		-5.00%	6.25%	5.01%	9.64%			
720	 T. Rowe Price Retirement 2030 Fund ^(a) If you were born between 1963–1967, this fund may be right for you.	Target-Date 2026-2030	PRILX	-6.28%	6.43%	5.03%	11.09%	8.61%	09/30/02	0.67%
		Combined Index Portfolio 2030		-5.68%	6.67%	5.27%	10.15%			
721	 T. Rowe Price Retirement 2035 Fund ^(a) If you were born between 1968–1972, this fund may be right for you.	Target-Date 2031-2035	TRRJX	-6.87%	6.61%	5.18%	11.43%	6.84%	02/27/04	0.70%
		Combined Index Portfolio 2035		-6.20%	7.00%	5.45%	10.52%			
722	 T. Rowe Price Retirement 2040 Fund ^(a) If you were born between 1973–1977, this fund may be right for you.	Target-Date 2036-2040	TRRDY	-7.32%	6.77%	5.30%	11.60%	8.82%	09/30/02	0.72%
		Combined Index Portfolio 2040		-6.62%	7.27%	5.60%	10.70%			
723	 T. Rowe Price Retirement 2045 Fund ^(a) If you were born between 1978–1982, this fund may be right for you.	Target-Date 2041-2045	PRILX	-7.57%	6.81%	5.31%	11.61%	6.96%	05/31/05	0.72%
		Combined Index Portfolio 2045		-6.95%	7.30%	5.62%	10.72%			
728	 T. Rowe Price Retirement 2050 Fund ^(a) If you were born between 1983–1987, this fund may be right for you.	Target-Date 2046-2050	TRRMX	-7.58%	6.80%	5.32%	11.60%	5.76%	12/29/06	0.72%
		Combined Index Portfolio 2050		-6.95%	7.30%	5.62%	10.72%			
729	 T. Rowe Price Retirement 2055 Fund ^(a) If you were born between 1988–1992, this fund may be right for you.	Target-Date 2051-2055	TRRNX	-7.62%	6.78%	5.31%	11.60%	5.75%	12/29/06	0.72%
		Combined Index Portfolio 2055		-6.95%	7.30%	5.62%	10.72%			
1152	 T. Rowe Price Retirement 2060 Fund ^(a) If you were born in 1993 or after, this fund may be right for you.	Target-Date 2056-2060	TRRLX	-7.57%	6.75%	N/A	N/A	4.55%	06/23/14	0.72%
		Combined Index Portfolio 2060		-6.95%	7.30%	N/A	N/A			

VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio	
Short-Term Investments											
283	 Investment Contract Pool (Available for 457(b), 401(k) and 401(a) plans only.) Investment contracts with fixed-income managers/underwriters and insurance companies. Some have a fixed interest rate while others reset the interest rate on a regular basis. The interest rate is based on earnings of the underlying investments at that time. Accounts are credited with a monthly blended rate.	Stable Value		N/A							
		Jan '19	Dec '18	Nov '18	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		2.23%	2.20%	2.19%							
1340	 Vanguard Federal Money Market Inv (Available only for the 403(b) plan.) Seeks to provide current income, while maintaining a stable \$1 NAV and a very short average maturity. Invests in a combination of high-quality commercial paper, certificates of deposit, bankers' acceptances, and U.S. government securities. Average maturity typically ranges from 30–70 days. Current Yield: 2.29%	Money Market	VMRXX	1.78%	0.96%	0.59%	0.34%	4.19%	7/13/81	0.11%	
		INDEX Citigroup 3-month T-bill		1.86%	0.99%	0.60%	0.35%				
Bonds											
1641	 TCW Core Fixed Income I ^(a) Invests primarily in debt securities, such as U.S. Government and corporate obligations, bonds, notes, debentures, mortgage-backed securities, assetbacked securities, and in U.S. dollar denominated foreign securities (government and corporate).	Intermediate-Term Bond	TGCFX	0.08%	1.85%	2.23%	4.86%	5.28%	02/26/93	0.51%	
		INTERMEDIATE TERM BOND INDEX Barclays Capital US Aggregate Bond		0.01%	2.06%	2.52%	3.48%				
786	 Vanguard Total Bond Market Index Inst Seeks to track the performance of a broad, market-weighted bond index. The fund employs a passive management, or indexing investment, approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. It invests by sampling the index and investing at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, ranging between 5 and 10 years.	Intermediate-Term Bond	VBTIX	-0.01%	2.04%	2.47%	3.45%	4.97%	09/18/95	0.04%	
		INTERMEDIATE TERM BOND INDEX Barclays Capital Intermediate Government Bond		1.43%	1.21%	1.46%	1.83%				
Balanced											
724	 T. Rowe Price Retirement Balanced Fund ^(a) Invests in a diversified portfolio of other T. Rowe Price stock and bond funds that represent various asset classes and sectors. The fund's "neutral allocations," which are what T. Rowe Price considers broadly appropriate for investors seeking a static asset allocation during their retirement years, are 40% stock funds and 60% bond funds.	Allocation - 30% - 50% Equity	TRRIX	-3.30%	4.35%	3.22%	6.74%	5.82%	09/30/02	0.52%	
		COMBINED INDEX Portfolio Income		-2.83%	4.30%	3.45%	5.92%				
199	 Fidelity Puritan Fund ^(a) Invests approximately 60% of assets in stocks and other equity securities and the remainder in bonds and other debt securities, including lower-quality debt securities, when its outlook is neutral. Invests at least 25% of total assets in fixed-income senior securities (including debt securities and preferred stock). Invests in domestic and foreign issuers.	Allocation - 50% - 70% Equity	FPURX	-4.16%	6.13%	6.14%	10.37%	10.75%	04/16/47	0.54%	
		BALANCED INDEX 60% S&P 500/40% Barclays Capital Aggregate Bond		-2.35%	6.50%	6.24%	9.42%				
Large-Cap Stocks											
740	 Vanguard Instl Index Fund Plus Holds all 500 stocks that make up the Standard & Poor's 500 Index in proportion to their weighting in the index. Attempts to match the performance of the index, a widely recognized benchmark of U.S. stock market performance, and remains fully invested in stocks at all times. Passive management doesn't speculate on the direction of the index. Performance typically can be expected to fall short by a small percentage, representing operating costs.	Large Blend	VIIIX	-4.41%	9.24%	8.48%	13.13%	6.85%	07/07/97	0.02%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		-4.38%	9.26%	8.49%	13.12%				
856	 Parnassus Core Equity Fund Inst ^(a) A diversified, fundamental, domestic, large-cap, core equity fund with a value bias. The Fund invests principally in undervalued equity securities of larger capitalization-companies. At least 75% of the Fund's total assets will normally be invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities. The Fund also takes environmental, social and governance factors into account in making investment decisions.	Large Blend	PRILX	0.05%	8.93%	8.13%	12.80%	9.52%	04/28/06	0.64%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		-4.38%	9.26%	8.49%	13.12%				
959	 American Century Equity Growth Inst ^(a) Seeks long-term capital growth and invests at least 80% of the fund's assets in equity securities. It invests primarily in large capitalization, publicly-traded U.S. companies. The fund considers large capitalization companies to be those with a market capitalization greater than \$2 billion.	Large Blend	AMEIX	-6.11%	8.11%	6.61%	11.93%	6.34%	01/02/98	0.47%	
		LARGE CAP BLEND INDEX Standard & Poor's 500 Index		-4.38%	9.26%	8.49%	13.12%				

VRU	Investment Option	Morningstar Category	Ticker	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio
834	 American Funds Growth Fund of America R6 Seeks to provide long-term growth of capital through a diversified portfolio of common & preferred stocks, convertibles, U.S. government securities, bonds and cash. Emphasizes companies that appear to offer long-term growth, and may invest in cyclical companies, turnarounds and value situations. May invest up to 15% of assets in securities of issuers domiciled outside the U.S. and not included in the S&P 500 and up to 10% of assets in debt securities rated below investment grade.	Large Growth	RGAGX	-2.60%	10.27%	9.22%	13.87%	13.64%	11/30/73	0.33%
		LARGE CAP GROWTH INDEX Russell 1000 Growth		-1.51%	11.15%	10.40%	15.29%			
942	 Delaware Value Inst The Fund invests in large-capitalization companies, seeking consistent long-term performance. The Fund follows a traditional value-oriented investment philosophy using a research-intensive approach.	Large Value	DDVIX	-2.91%	8.19%	7.49%	12.57%	7.53%	09/15/98	0.70%
		LARGE CAP VALUE INDEX CRSP US Large Value		-5.40%	9.02%	7.80%	12.19%			
Mid-Cap Stocks				1	3	5	10			
899	 Vanguard Midcap Index Inst Plus Seeks to match the performance of the CRSP US Mid Cap Index, a broadly diversified index of the stocks of medium-sized U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.	Mid Cap Blend	VMPX	-9.21%	6.40%	6.23%	N/A	9.84%	12/15/10	0.03%
		MID CAP BLEND INDEX S&P 400 Midcap Index		-11.08%	7.66%	6.03%	13.68%			
1291	 Janus Enterprise Fund The fund pursues its investment objective by investing primarily in common stocks selected for their growth potential, and normally invests at least 50% of its equity assets in medium-sized companies. Medium-sized companies are those whose market capitalization falls within the range of companies in the Russell Midcap® Growth Index. It may also invest in foreign securities, which may include investments in emerging markets.	Mid Cap Growth	JDMNX	-0.81%	12.11%	10.36%	16.18%	10.74%	09/01/92	0.67%
		MID CAP GROWTH INDEX Russell Midcap Growth		-4.75%	8.59%	7.42%	15.12%			
802	 T. Rowe Price Midcap Value ^(a) Invests in mid cap stocks that are potentially less volatile than a portfolio of small cap stocks. The fund focuses on established, mid-size companies with solid business fundamentals that have the potential to be future industry leaders.	Mid Cap Value	TRMCX	-10.61%	7.46%	5.80%	12.99%	10.66%	06/28/96	0.79%
		MID CAP VALUE INDEX Russell Midcap Value		-12.29%	6.06%	5.44%	13.03%			
Small-Cap Stocks				1	3	5	10			
1533	 T. Rowe Price Inst Small Cap Stock Fund Ordinarily invests at least 65% of total assets in stocks and equity-related securities of small companies. A small company is defined as having market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. Stock selection may reflect either a growth or value approach.	Small Cap Growth	OTCFX	-3.07%	10.02%	6.76%	15.60%	9.45%	03/31/00	0.66%
		SMALL CAP GROWTH INDEX CRSP US Small Cap Growth		-5.68%	8.35%	5.19%	13.86%			
891	 Vanguard Small Cap Index Fund Inst Seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs a passive management (or indexing) investment approach designed to track the performance of the CRSP US Small Cap Index.	Small Cap Blend	VSCIX	-9.32%	7.64%	5.26%	13.60%	8.23%	07/07/97	0.04%
		SMALL CAP BLEND INDEX Russell 2000 Blend		-11.01%	7.36%	4.41%	11.97%			
International Stocks				1	3	5	10			
835	 American Funds Euro Pacific Growth R6 Invests in strong, growing companies based chiefly in Europe and the Pacific Basin, ranging from small firms to large corporations. Invests primarily in common and preferred stocks, convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash. All holdings are non-U.S. except a nominal portion that, for liquidity purposes, may be held in U.S. dollars and/or equivalents. Normally, at least 80% of assets must be invested in securities of issuers domiciled in Europe or the Pacific Basin.	Foreign Large Growth	RERGX	-14.91%	4.08%	1.86%	7.70%	10.49%	04/16/84	0.49%
		FOREIGN LARGE GROWTH FTSE Developed ex North America		-14.39%	3.18%	0.76%	6.57%			
883	 Vanguard Total International Stock Index Inst Vanguard Total International Stock Index Fund seeks to track the investment performance of the FTSE Global All Cap ex US Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund invests substantially all of its assets in the common stocks included in its target index. The fund allocates its assets based on each region's weighting in the index.	Foreign Large Blend	VTSNX	-14.39%	4.56%	0.97%	N/A	3.38%	11/29/10	0.09%
		INTERNATIONAL INDEX FTSE Global All Cap ex US		-14.36%	4.75%	1.34%	7.51%			

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

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

Ticker symbols are provided to help you research mutual funds. Information related to pricing or performance of these funds published in publicly available media such as newspapers and websites may be different than performance data and pricing specific to MSRP. To find pricing or performance related information specific to your account visit the Investment Info tab at MarylandDC.com.

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

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

1st Qtr 19	4th Qtr 18	3rd Qtr 18	2nd Qtr 18
3.50%	3.50%	3.50%	3.50%

Note: The above yields were supplied by Nationwide. 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 2019. 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 2019 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 19	4th Qtr 18	3rd Qtr 18
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

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 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 Hunt Valley Office
(443) 886-9402 or 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 Customer Service Center
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 Plans
410-767-8740 or 800-543-5605**

For information about the Maryland Supplemental Retirement Plans, for 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, booklets, legislation updates, and more



**Enroll online
MarylandDC.com**

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RISK DISCLOSURES

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

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

T. Rowe Price Retirement Income Funds: 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 Federal 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.

This document was created to help educate participants on the Maryland Supplemental Retirement Plan and is intended only to provide a general summary of the Plan and its features. In the event there are any inconsistencies between this document and the Plan Document, the Plan Document will govern.

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MSRP

Maryland Supplemental Retirement Plans

Other Statistical section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



MSRP

**MARYLAND Teachers & State Employees
SUPPLEMENTAL
RETIREMENT
PLANS**

2018

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 and operations.

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 Statistics Report provides details on any change in the number of participants making contributions, loans, and systematic withdrawals 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

	2018	2017	2016**	2015**	2014	2013	2012	2011	2010	2009
Total Revenues	\$ 1,290,459	\$ 2,084,562	\$ 1,580,828	\$ 1,693,232	\$ 1,889,868	\$ 1,353,339	\$ 1,649,707	\$ 1,640,000	\$ 1,402,986	\$ 1,309,730
Expenditures										
Salaries, Wages and Fringe										
Benefits	1,239,426	1,236,248	1,252,561	1,179,268	1,093,162	1,131,212	1,035,850	1,070,891	1,078,193	1,062,340
Technical & Special fees	6,813	-	-	2,427	5,945	889	25	943	4,401	2,740
Communications	18,874	39,751	19,279	16,823	26,243	9,433	25,549	18,797	22,451	23,482
Travel	25,102	22,483	20,659	19,823	20,513	16,257	18,966	15,523	12,243	13,372
Contractual Services**	197,903	373,298	279,367	298,242	241,535	285,473	214,478	235,772	233,543	232,603
Supplies and Materials	18,075	6,249	10,404	8,794	12,142	4,500	4,769	3,830	4,935	13,451
Equipment/Furnishings	1,339	15,545	10,986	78	354	15,883	22,442	45,205	5,183	7,099
Fixed Charges**	168,675	152,415	248,648	298,486	138,699	134,222	129,760	127,935	124,314	121,180
Total Expenditures	<u>1,676,207</u>	<u>1,845,989</u>	<u>1,841,904</u>	<u>1,823,941</u>	<u>1,538,593</u>	<u>1,597,869</u>	<u>1,451,839</u>	<u>1,518,896</u>	<u>1,485,263</u>	<u>1,476,267</u>
Revenue Less Expenditures	(385,748)	238,573	(261,076)	(130,709)	351,275	(244,530)	197,868	121,104	(82,277)	(166,537)
Beginning Reserve					-		-	-	17,036	87,052
Calculated Reserve Balance	<u>\$ 418,608</u>	<u>\$ 448,833</u>	<u>\$ 210,260</u>	<u>\$ 471,336</u>	<u>\$ 602,045</u>	<u>\$ 250,770</u>	<u>\$ 495,300</u>	<u>\$ 297,432</u>	<u>\$ 176,328</u>	<u>\$ 241,569</u>

**Prior year expenditures were adjusted to restate expenses that were moved to subsequent fiscal year

2018 PLAN STATISTICS

2018 TOTALS FOR ALL PLANS

Participants in Multiple Plans	7,230
TOTAL Participants	68,250
Average Combined Plan Assets by Participant	\$61,141
Total Roth Accounts	4,737
Average Roth Assets by Participant	\$6,215
TOTAL Deferring Participants	\$39,449
Participants with Multiplan Deferrals	5,275
Average Annual Deferrals per Participant	\$4,476
TOTAL Participants with Systematic Payouts	6,958

457(b) DEFERRED COMPENSATION PLAN

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Participants	34,857	33,577	32,558
Net New Enrollments	712	1019	864
Deferring Participants	21,271	19,315	18,690
Annuitants	1	1	1
Systematic Payouts	3,342	3,030	2,811
Loans	2,610	2,610	2,498

401(k) SAVINGS & INVESTMENT PLAN

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Participants	32,611	32,019	33,139
Net New Enrollments	-64	-64	-367
Deferring Participants	17832	17659	18170
Annuitants	3	3	3
Systematic Payouts	3,461	2,638	2,197
Number of Loans	2,632	2,632	2,646

403(b) TAX DEFERRED ANNUITY PLAN

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Participants	782	826	822
Net New Enrollments	4	4	-12
Deferring Participants	346	318	320
Annuitants	0	0	0
Systematic Payouts	155	131	113
Number of Loans	32	32	29

401(a) MATCH PLAN

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Participants	29,397	31,435	32,175

457(b) PLAN SUMMARY

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participant Accounts	37,857	33,577	32,558	31,694	30,409	29,520	29,425	29,512	29,803	30,274
Deferring Participants	21,271	19,315	18,690	18,171	17,266	16,498	16,510	16,501	16,900	17,541
Total Net Position	\$ 1,649,714,509	\$ 1,741,463,406	\$ 1,572,024,005	\$ 1,498,890,979	\$ 1,524,445,521	\$ 1,465,381,278	\$ 1,211,930,199	\$ 1,211,930,199	\$ 1,243,954,252	\$ 1,149,848,838
Additions: Contributions	\$ 74,578,951	\$ 72,953,233	\$ 66,816,748	\$ 66,812,219	\$ 60,837,390	\$ 58,119,214	\$ 64,509,861	\$ 65,686,280	\$ 64,768,004	\$ 66,882,242
Additions: Investment Return	\$ (56,222,070)	\$ 210,383,434	\$ 104,550,343	\$ 8,958,763	\$ 94,215,148	\$ 204,663,048	\$ 118,409,614	\$ (3,379,195)	\$ 109,232,806	\$ 158,389,808
Withdrawals	\$ (108,390,085)	\$ (112,575,538)	\$ (96,552,120)	\$ (99,281,258)	\$ (94,808,702)	\$ (90,898,692)	\$ (93,841,613)	\$ (93,841,613)	\$ (84,728,730)	\$ (73,512,296)
Mutual Fund	\$ 1,338,076	\$ 887,655	\$ 893,437	\$ 937,423						
Reimbursements					\$ 877,045	\$ 770,557	\$ 639,560	\$ 609,104	\$ 585,014	\$ 727,509
Plan Administration Fees*	\$ (3,048,419)	\$ (2,202,739)	\$ (1,941,980)	\$ (1,941,980)	\$ (2,040,540)	\$ (2,570,413)	\$ (1,313,804)	\$ (1,313,804)	\$ (1,214,695)	\$ (1,206,768)
Number of Loans	2,610	2,610	2,498	2,464	2,343	2,176	2,076	2,076	720	1,306
Loan Amount	\$ 20,921,752	\$ 19,733,311	\$ 18,771,984	\$ 18,076,763	\$ 17,466,343	\$ 14,822,023	\$ 13,556,281	\$ 12,748,866	\$ 11,166,303	\$ 9,384,994

401(k) PLAN SUMMARY

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participant Accounts	32,611	32,019	33,139	33,506	33,813	33,974	34,524	35,100	35,829	36,703
Deferring Participants	17,832	17,659	18,170	18,838	19,600	20,100	20,898	21,639	22,826	24,255
Total Net Position	\$ 1,827,030,033	\$ 1,931,513,808	\$ 1,698,084,568	\$ 1,585,700,338	\$ 1,588,573,523	\$ 1,485,298,831	\$ 1,243,907,287	\$ 1,098,305,956	\$ 1,098,114,445	\$ 959,041,449
Contributions	\$ 87,096,485	\$ 91,833,299	\$ 85,851,612	\$ 94,255,440	\$ 89,859,775	\$ 82,602,393	\$ 92,031,387	\$ 90,335,102	\$ 91,618,867	\$ 93,712,324
Investment Return	\$ (76,379,488)	\$ 257,285,755	\$ 124,406,877	\$ 4,757,388	\$ 106,157,203	\$ 238,848,850	\$ 129,977,565	\$ (11,369,467)	\$ 113,860,920	\$ 164,656,429
Withdrawals	\$ 113,827,709	\$ 113,816,600	\$ (96,555,381)	\$ (99,554,689)	\$ (91,201,808)	\$ (79,068,751)	\$ (76,111,030)	\$ (75,308,991)	\$ (67,881,768)	\$ (56,731,898)
Mutual Fund										
Reimbursements	\$ 1,468,987	\$ 1,054,026	\$ 1,029,642	\$ 1,061,915	\$ 972,448	\$ 829,575	\$ 680,729	\$ 617,656	\$ 584,667	\$ 725,795
Plan Administration Fees*	(2,842,050)	(2,927,240)	(2,348,520)	(2,331,324)	(2,512,926)	(1,820,523)	(2,599,233)	(2,460,876)	(2,151,134)	(1,896,894)
Number of Loans	2,632	2,632	2,646	2,760	2,638	2,575	2,596	2,596	916	1,770
Loan Amount	\$19,528,307	\$19,840,610	\$19,231,327	\$19,070,539	\$18,897,449	\$17,676,057	\$15,468,770	\$14,383,094	\$12,663,185	\$10,059,136

403(b) PLAN SUMMARY

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participant Accounts	782	826	822	834	855	879	908	930	959	988
Deferring Participants	346	318	320	329	346	368	393	397	415	439
Total Net Position	\$ 91,038,453	\$ 99,330,299	\$ 88,028,958	\$ 82,506,022	\$ 86,496,946	\$ 82,945,266	\$ 70,886,080	\$ 64,382,973	\$ 67,104,804	\$ 61,021,200
Contributions	\$ 2,363,000	\$ 2,534,530	\$ 2,664,234	\$ 2,655,822	\$ 2,760,999	\$ 2,537,583	\$ 2,961,222	\$ 2,883,012	\$ 3,270,543	\$ 3,513,294
Investment Return	\$ (4,283,674)	\$ 14,659,805	\$ 7,099,759	\$ (77,117)	\$ 6,888,184	\$ 15,142,490	\$ 8,446,337	\$ (4,482,823)	\$ 7,956,407	\$ 12,017,496
Withdrawals	\$ (6,333,955)	\$ 6,103,944	\$ (4,181,153)	\$ (6,451,831)	\$ (6,027,043)	\$ (5,576,913)	\$ (4,807,423)	\$ (4,473,226)	\$ (5,197,452)	\$ (4,010,110)
Mutual Fund										
Reimbursements	\$ 91,005	\$ 53,523	\$ 56,238	\$ 79,372	\$ 60,830	\$ 52,550	\$ 43,542	\$ 43,404	\$ 45,169	\$ 75,786
Plan Administration Fees*	\$ (128,222)	\$ (142,573)	\$ (116,142)	\$ (117,798)	\$ (131,290)	\$ (96,524)	\$ (140,571)	\$ (138,429)	\$ (128,769)	\$ (106,903)
Number of Loans	32	32	29	31	29	31	25	25	14	12
Loan Amount	\$412,970	\$368,725	\$362,992	\$344,010	\$365,015	\$413,951	\$338,100	\$370,236	\$286,301	\$176,447

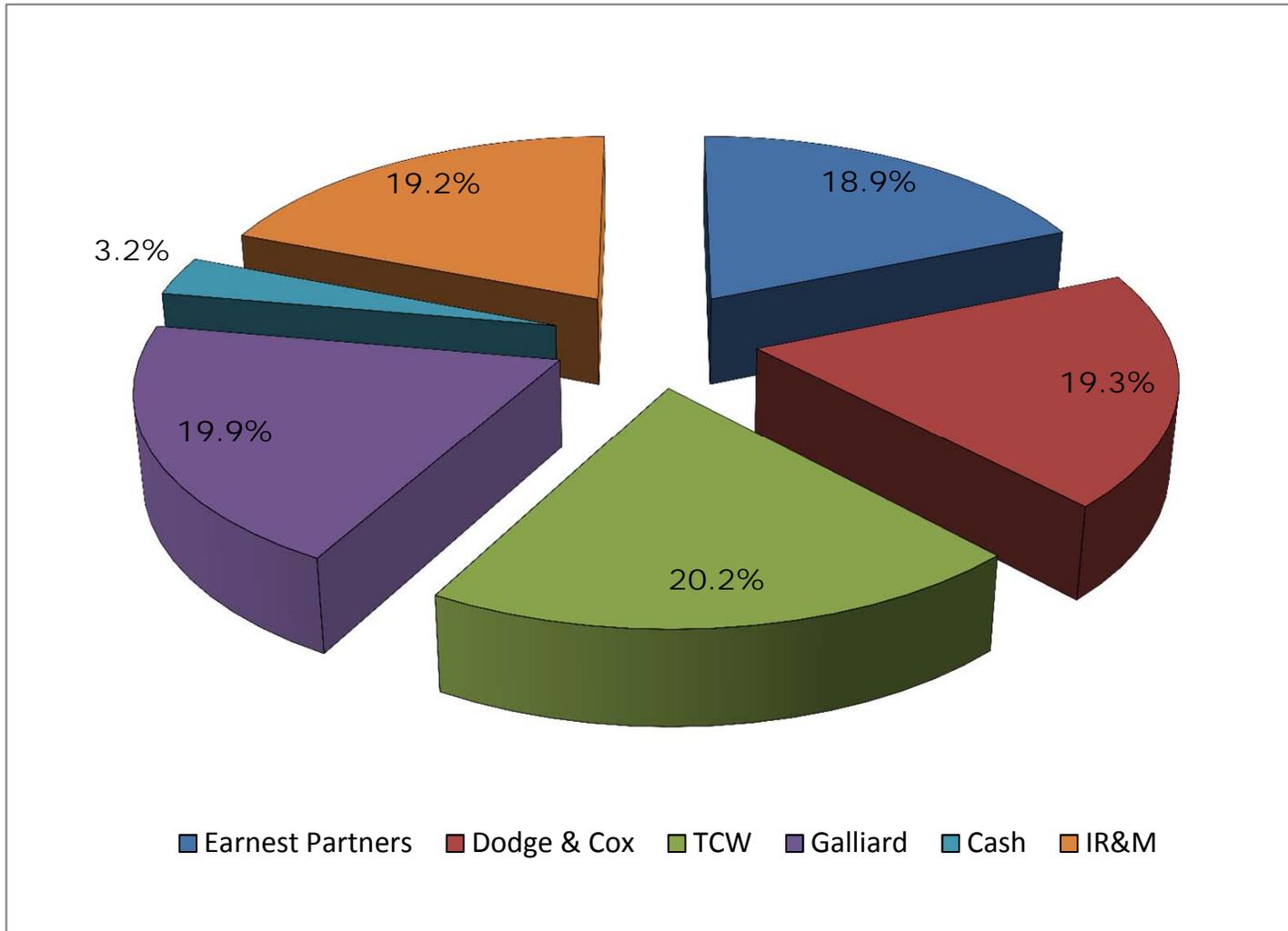
401(a) PLAN SUMMARY

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Participant Accounts	29,397	31,435	32,175	33,681	35,322	36,776	38,424	40,085	41,965	44,705
Deferring Participants	—	—	—	—	—	—	—	—	—	—
Total Net Position	\$ 178,288,687	\$ 195,847,768	\$ 176,934,104	\$ 171,152,046	\$ 180,097,366	\$ 173,707,394	\$ 149,528,034	\$ 139,052,702	\$ 147,525,754	\$ 137,121,923

Contributions	\$	35,822	\$	70	\$	16,363	\$	9,750	\$	28,418	\$	39,564	\$	495,460	\$	400,092	\$	408,268	\$	3,493,268
Investment Return	\$	(7,568,214)	\$	27,749,907	\$	14,139,706	\$	566,917	\$	13,953,357	\$	31,448,528	\$	16,896,830	\$	(1,494,596)	\$	10,279,384	\$	4,958,663
Withdrawals	\$	(9,940,434)	\$	(9,218,727)	\$	(8,279,501)	\$	(9,303,180)	\$	(7,460,646)	\$	(7,240,428)	\$	(6,726,228)	\$	(7,188,029)	\$	(6,228,053)	\$	(4,565,333)
Mutual Fund																				
Reimbursements	\$	159,419	\$	106,878	\$	117,105	\$	127,730	\$	116,072	\$	103,938	\$	88,495	\$	85,866	\$	85,338	\$	122,620
Plan Administration Fees*	\$	(245,674)	\$	(264,863)	\$	(8,279,501)	\$	(218,807)	\$	(247,229)	\$	(172,242)	\$	(279,225)	\$	(276,385)	\$	(261,262)	\$	(240,875)

* Includes any additional special fee

STABLE VALUE MANAGER DIVERSIFICATION





MSRP

Maryland Supplemental Retirement Plans

Other Statistical section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

2018 Deferral Limits

Standard Deferral	\$18,500
Age 50+ Catch-up	\$6,000
Special 457(b) Catch-up	up to \$38,000

The Age 50+ Catch-up provision allows people over age 50 to contribute more to their deferred comp account.

The Special 457(b) Catch-up Provision is part of the Section 457(b) of the Internal Revenue Code, and was amended by the Pension Protection Act of 2006. Participants who have not contributed the maximum limit under IRS law in previous years may contribute an amount less than or equal to the maximum limit (essentially, up to double the maximum) in the three years prior to the individual's normal retirement age.

How much can be contributed?

Pre-tax amounts rounded down to the nearest dollar.	Pre-tax annual amount	Pre-tax per-pay (26 pays)	Per-pay reduction Assumes 25% tax rate
Standard Deferral	\$18,500	\$711	\$533
Age 50+ Catch-up	\$24,500	\$942	\$706
Special 457(b) Catch-up	up to \$38,000	up to \$1,423	up to \$1,067

To stay up-to-date on any changes to the IRS deferral limits, visit the Retirement Plans Community on the IRS website.

¹Source: IRS Announces 2018 Pension Plan Limitations, IR-2017-177, Oct. 19, 2017

GLOSSARY

Rates of Returns

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

Betas

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

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Indices

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

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

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

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

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

GLOSSARY(continued)

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

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

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

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Medians

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

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

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

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

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

GLOSSARY(continued)

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

PARTICIPANT DATA DEFINITIONS

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

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

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

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

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

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

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

¹ Source: Nationwide Retirement Solutions, Inc. Administrator Report



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 or Reformed Contributory Pension Plans		
Are payroll deductions pretax?	Yes (after FICA deduction)		
What's the minimum I may contribute?	\$5 per biweekly pay		
What's the maximum I may contribute?	\$18,500 effective this calendar year (may be adjusted in future years for inflation) ¹		
May I "catch-up" in a later year?	Age 50 or older catch-up: \$6,000 per calendar year. 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 catch-up: \$6,000 deferral per calendar year ¹	
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations: <ul style="list-style-type: none"> • \$18,500 457(b) and/or Roth 457(b) + \$18,500 401(k) and/or Roth 401(k) = \$37,000/yr¹ • \$18,500 457(b) and/or Roth 457(b) + \$18,500 403(b) = \$37,000/yr¹ • \$18,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,500 = \$37,000/yr¹ 		
How often may I change my contribution amount?	Unlimited, effective within timing restrictions		
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ²		
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds	Vanguard Money Market Mutual Funds Target Date Retirement Funds	
Does MSRP allow roll over money from other retirement accounts? ³	Yes – from a 457(b), 401(k), 403(b), thrift savings plan or IRA into your supplemental retirement account		
Does MSRP allow roll overs 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 an additional 10% early withdrawal tax? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at 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 State service		
Is there a loan provision and a hardship/emergency provision?	Yes		

NOTE: 401(a) 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.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 There are generally several considerations relevant to evaluating whether you might rollover outside assets or leave the money where it is currently invested. Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% early withdrawal tax if withdrawn before age 59½. It's important to understand retirement account differences and similarities, such as fees, services, investment options, etc., before making any rollover decisions.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

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 a money market fund.

Target Date Retirement Funds offered by T. Rowe Price are asset allocation funds that are based on a targeted date as to when an investor plans to begin to withdraw money. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. As a result, the funds become more conservative over time as you approach retirement. It's important to remember that no strategy can assure a profit or prevent a loss in a declining market. The principal value of the fund(s) is not guaranteed at any time, including at the target date.

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



After-tax Plans comparison chart

	Roth 457(b) Deferred Compensation Plan	Roth 401(k) Savings & Investment Plan
Who's eligible to participate?	All regular and contractual State employees (including employees in higher education institutions)	
Who's eligible for the State match?	All State employees in the State Employees' Alternate Contributory Pension or Reformed Contributory Pension Plans	
Are payroll deductions pretax?	No	
What's the minimum I may contribute?	\$5 per biweekly pay	
What's the maximum I may contribute?	\$18,500 effective this calendar year (may be adjusted in future years for inflation) ⁵	
May I "catch-up" in a later year?	Age 50 or older catch-up: \$6,000 per calendar year. Special 457(b) catch-up provision available within 3 years of retirement. These two provisions may not be used in the same year. ⁵	Age 50 or older catch-up: \$6,000 deferral per calendar year ⁵
May I contribute to more than one Plan at the same time?	Yes – but with the following limitations:	<ul style="list-style-type: none"> • \$18,500 457(b) and/or Roth 457(b) + \$18,500 401(k) and/or Roth 401(k) = \$37,000/yr⁵ • \$18,500 457(b) and/or Roth 457(b) + \$18,500 403(b) = \$37,000/yr⁵ • \$18,500 457(b) and/or Roth 457(b) + combination of 403(b) & 401(k)/Roth 401(k) not to exceed \$18,500 = \$37,000/yr⁵
How often may I change my contribution amount?	Unlimited, effective within timing restrictions	
What are the costs to participate?	0.14% of your account value a year, capped at \$2,000 per year, plus 50 cents per month per account. ⁶	
What are the current investment options?	Investment Contract Pool Mutual Funds Target Date Retirement Funds	
Does MSRP allow roll over money to or from other retirement accounts? ⁷	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 an additional 10% early withdrawal tax. ⁸	
When may I begin withdrawals from my account without an additional 10% early withdrawal tax? ⁴	When you leave State employment, regardless of age	If you leave State employment at age 55 or older, or at 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 State service	
Is there a loan provision and a hardship/emergency provision?	Yes	

NOTE: 401(a) 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.

⁵ Source: IRS.gov

⁶ 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.

⁷ There are generally several considerations relevant to evaluating whether you might rollover outside assets or leave the money where it is currently invested. Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or a 10% early withdrawal tax if withdrawn before age 59½. It's important to understand retirement account differences and similarities, such as fees, services, investment options, etc., before making any rollover decisions.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

⁸ Generally, a Roth 401(k) or Roth 457(b) distribution is a qualified distribution if: 1) the first Roth contribution has been in the account for 5 years (the five-year period begins January 1 of the year a member first makes a Roth contribution into the account); and 2) a member is age 59½, (and for the Roth 457(b) has separated from State service) or has died or become disabled under IRC section 72(m)(7). Distributions made prior to these requirements being met are nonqualified distributions, and earnings could be taxable.

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

Investing involves risk, including possible loss of principal.

This document was created to help educate participants on the Maryland Supplemental Retirement Plan and is intended only to provide a general summary of the Plan and its features. In the event there are any inconsistencies between this document and the Plan Document, the Plan Document will govern.

Nationwide Investment Services Corporation (NISC), member, FINRA, an affiliate of Nationwide, provides educational and enrollment services on behalf of MSRP. Financial & Realty Services, LLC may provide education and marketing support services on behalf of Nationwide. Its Retirement Consultants are registered representatives of NISC. Financial & Realty Services, LLC is not affiliated with MSRP, Nationwide or NISC.



Roth 457(b) and Roth 401(k) highlights

If you are or become a participant in the MSRP 457(b) and/or 401(k) Plan and you are actively employed by the state of Maryland, you may choose to make designated Roth 457(b) and/or 401(k) contributions.

- You may make Roth 457(b) and/or 401(k) contributions regardless of your income.
- Contributions are made through payroll deductions just like your other MSRP account(s), except your Roth contributions are deducted “after-tax”.
- You may divide your 457(b) and/or 401(k) Plan contributions between Traditional and Roth accounts.
- You may select different investment allocations for pre-tax and Roth balances in your plan.
- Whether you make pre-tax or Roth contributions, the total amount you may contribute to either the 457(b) or 401(k) plan is \$17,500 in 2014 (\$23,000 if you are at least age 50).
- You cannot recharacterize Roth contributions after the contribution is made. Designating a contribution to the 457(b) or 401(k) plan as a Roth contribution is irrevocable.
- Because your Roth 457(b) and/or 401(k) contribution is taxed differently, your Roth 457(b) and/or 401(k) contributions and any earnings are accounted for separately.
- Any matching employer contributions are always made on a pre-tax basis, regardless of whether you are contributing on a pre-tax or after-tax basis.
- Similar to traditional pre-tax 401(k) plan accounts, payout from a Roth 401(k) account may begin at 59½ or after retirement, whichever comes first. The difference is that no federal or Maryland income taxes are due on the earnings if 1) the Roth account was established more than five years ago (five-year period begins Jan. 1 of the year you first make a Roth 401(k) contribution into the plan) and 2) you are age 59½, or become disabled, or die.
- Similar to traditional pre-tax 457(b) plan accounts, payout from a Roth 457(b) account may begin after separation from State service, regardless of age. The difference is that no federal or Maryland income taxes are due on the earnings if 1) the Roth account was established more than five years ago (five-year period begins Jan. 1 of the year you first make a Roth contribution into the plan) and 2) you are age 59½ and have separated from service, or become disabled, or die.
- Required minimum distributions (RMD) begin at age 70½.

Note: Roth conversions

A Roth conversion feature will be added in the future so that any eligible distribution from the tax-deferred portion of the 401(k) plan may be converted to the Roth 401(k) at the participant’s direction. Likewise, any eligible distribution from the tax-deferred portion of the 457(b) plan may be converted to the Roth 457(b). As with a distribution to the participant, the conversion amounts become taxable in the year converted.

Tax-deferred eligible distributions

A payout from a 457(b) plan is an eligible distribution after the participant separates from State service, becomes disabled, or dies.

A payout from a 401(k) plan is an eligible distribution after the participant attains age 59½, or separates from service at age 55 or more, or becomes disabled, or dies.

Roth qualified distributions

Generally, a Roth account distribution is a qualified distribution if: 1) the Roth account has been in existence for a five-year period (five-year period begins Jan. 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 may be taxable.

Should you elect to establish a designated Roth account, the account will not be subject to federal or Maryland income taxes.

Other qualified retirement plans can differ, including fees and when you can access funds. Assets rolled over from another qualified plan may be subject to both surrender charges from the original plan and a 10% penalty tax if withdrawn before age 59½.

Investing involves market risk including possible loss of principal.

Call to get started today

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Executive Plaza 1, Suite 400
Hunt Valley, MD 21031

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MarylandDC.com

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